



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

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**NAPIER REPLACES COLLEGIATE CAPITAL AS STATE'S
HIGHER EDUCATION SAVINGS PROGRAM MANAGER;
TREASURER'S ACTION WILL STRENGTHEN PROGRAM,
REDUCE COSTS, INCREASE ACCESSIBILITY**

***HIGHLY REGARDED FINANCIAL SERVICES NON-PROFIT COMPANY
SELECTED TO MANAGE CONNECTICUT PROGRAM***

(Hartford) -- Connecticut State Treasurer Denise L. Nappier announced today that Collegiate Capital has been replaced as manager of the state's higher education savings program by one of the nation's leading non-profit financial services organizations.

"For every resident of Connecticut interested in saving money to pay for a college education, this is excellent news that we've worked very hard to achieve. I'm looking forward to a reinvigorated program that will provide solid investments, lower fees and greater access for citizens throughout our state," Nappier said.

After taking steps to end Collegiate's management of the Connecticut Higher Education Trust (CHET) program in early September, and following through with three months of analysis and negotiation, Nappier said an agreement was concluded this week turning over management of the program to TIAA-CREF Tuition Financing Inc. (TFI). The company is a subsidiary of TIAA-CREF (Teachers Insurance and Annuity Association - College Retirement Equities Fund), a nonprofit financial services organization with over 80 years of experience in long-term investing. The premier pension system for people employed in education and research in the United States, TIAA-CREF is a well-respected Wall Street investor, currently managing over \$265 billion in assets.

"Our goal from day one was to offer Connecticut families a premier investment program for higher education," Nappier said. "When it became clear that the management we inherited didn't have the capacity to achieve that goal, we took action. Higher education is more important and more expensive than it has ever been before and we appreciate that one's ability to pay for college tomorrow depends on the quality of the investment program begun today. That's why we're changing CHET."

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The CHET program was authorized by the Connecticut General Assembly in 1997 and began in 1998. The program is a Trust designed to offer investors a tax-advantaged way to save and invest for college education. Connecticut residents pay no federal taxes on the earnings on their CHET account until they withdraw money for higher education expenses. The earnings are then federally taxed at the student's rate, which is generally much lower than the rate of the individual that opened the account. Earnings are exempt from state tax. Individual investment portfolios for account owners include a mix of stocks and bonds. There are currently 6,679 accounts totaling just over \$42 million.

The CHET program, under TFI's management, will resume accepting applications for new accounts in March. Nappier highlighted some of the fee reductions and reduced minimum contributions that will become part of the revised CHET program, with most taking effect in March:

- Effective January 1, 2000 the annual account fee, currently \$15, has been eliminated.
- Account owners will pay a lower annual fee to cover the cost of investment management and administrative services – less than .8 percent of account value, as compared with the current 1.55 percent.
- All new accounts can be opened with a substantially lower minimum amount – just \$25, compared with the current \$500, or \$50 for a payroll deduction account.
- If their employer offers a payroll deduction feature, individuals can contribute just \$15 per account per pay period.

"Overall, the fees charged to account owners by the CHET program will be cut by more than half, moving from among the highest in the country to among the lowest," Nappier said.

Nappier announced in September that she would be replacing the existing administrative manager, Collegiate Capital, due to concerns about the firm's ability to handle certain aspects of the program and ensure its future growth as an investment vehicle for Connecticut families. The company's president, Christopher Stack, was removed from any and all responsibilities in the oversight of the Trust. The formal process of replacing Collegiate was initiated by Nappier on September 8.

Existing account holders can continue to receive information about their accounts, withdraw funds to pay for higher education and make additional deposits during the transition. In March, Nappier said, Trust assets would be transferred from the current mutual funds to investment portfolios using TFI managed mutual funds. Account owners will be kept fully informed of all plans regarding their individual investment portfolios.

As part of the transition to TIAA-CREF's administration of the program, CHET will begin accepting applications for new accounts in March. Individuals interested in receiving detailed information about the CHET program can place their name on a special Priority Mailing List by calling 1-888-799-CHET or utilizing the CHET website, aboutchet.com. Information will be sent early next year. As part of a comprehensive upgrade of customer

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service, an improved CHET telephone response system and an expanded web site will begin at that time as well.

“Our aim is to offer Connecticut residents a quality investment option to provide for higher education,” Nappier said. “We are most impressed with the solid experience and track record of TFI, and we are confident that they will provide outstanding services for CHET account holders, now and in the future. CHET is now on a solid foundation, with a company with vast investment experience that is well-managed and well capitalized. Over the next few months, we will be launching a CHET program that every resident of Connecticut can be proud of,” Nappier said.

TFI has also been selected as the investment manager for state college savings programs in New York, California, Missouri and Kentucky, and will soon begin similar programs in Minnesota, Vermont, Tennessee and Oklahoma.

Nappier said that information about the changes announced today can be obtained either by calling the toll-free telephone line, at 1-888-799-CHET, or by visiting either the CHET website at aboutchet.com or the State Treasurer’s website at www.state.ct.us/ott