

Regulations of Connecticut State Agencies

TITLE 3. State Elective Officers

Agency

State Treasurer

Subject

Connecticut Higher Education Trust

Inclusive Sections

§§ 3-22h-1—3-22h-9

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Connecticut Higher Education Trust

Sec. 3-22h-1. Procedures

These rules govern the practices and procedures for the operation of the Connecticut Higher Education Trust under the applicable laws of the State of Connecticut and in accordance with Section 529 of the federal Internal Revenue Code (*i.e.*, 26 U.S.C. 529) and the federal Treasury regulations (or proposed regulations) promulgated under Section 529 of the Internal Revenue Code. The provisions of Section 529 of the Internal Revenue Code and the Treasury regulations (or proposed regulations) promulgated thereunder are incorporated in sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies by reference and with the same effects as if fully set forth therein.

(Adopted effective June 5, 2003)

Sec. 3-22h-2. Definitions

As used in sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies:

(1) “501(c) (3) Organization” means an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from taxation under Section 501(a) of the Internal Revenue Code;

(2) “Account” means an account in the Trust, established pursuant to a Participation Agreement between an Account Owner and the Trust, into which Contributions are made for the purpose of meeting the Qualified Higher Education Expenses of a Designated Beneficiary;

(3) “Account Balance” means the fair market value of an Account as of any specified date;

(4) “Account Balance Limit on Contributions” means the maximum amount, as established by the Trustee from time to time, necessary to provide for the Qualified Higher Education Expenses of a Designated Beneficiary. In no event shall the amount be more than the maximum amount permitted for the Trust to qualify as a Qualified Tuition Program;

(5) “Account Owner” means the owner of the Account as provided in the Participation Agreement, or any successor owner;

(6) “Application” means a document that a prospective Account Owner shall complete in order to open an Account in the Trust, which incorporates by reference the terms of the Participation Agreement;

(7) “Contribution” has the same meaning as described in Section 529 of the Internal Revenue Code;

(8) “Designated Beneficiary” has the same meaning as described in Section 529 of the Internal Revenue Code;

(9) “Distribution” has the same meaning as described in Section 529 of the Internal Revenue Code;

(10) “Earnings” has the same meaning as described in Section 529 of the Internal Revenue Code;

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(11) “Eligible Educational Institution” has the same meaning as under Section 529 of the Internal Revenue Code;

(12) “Internal Revenue Code” has the same meaning as under the Statute;

(13) “Member of the Family” has the same meaning as under Section 529 of the Internal Revenue Code;

(14) “Non-Qualified Distribution” means a Distribution from an Account other than (A) a Qualified Distribution, or (B) a Rollover Distribution;

(15) “Participation Agreements” has the same meaning as under the Statute;

(16) “Person” means any individual, estate, association, unincorporated organization, trust, partnership, limited liability company, corporation, the State of Connecticut or any department thereof, or any political subdivision of the State of Connecticut;

(17) “Program” means the CHET Direct Plan, the CHET Advisor Plan or any other plan that may be established and maintained by the State of Connecticut constituting the Qualified Tuition Program known as the Connecticut Higher Education Trust;

(18) “Qualified Higher Education Expenses” has the same meaning as under Section 529 of the Internal Revenue Code;

(19) “Qualified Tuition Program” has the same meaning as under Section 529 of the Internal Revenue Code;

(20) “Qualified Distribution” means a Distribution from an Account used exclusively to pay Qualified Higher Education Expenses of the Designated Beneficiary;

(21) “Rollover Distribution” means a distribution that satisfies the requirements of Section 529 of the Internal Revenue Code;

(22) “Scholarship” has the same meaning as described in Sections 529 and 530 of the Internal Revenue Code;

(23) “Scholarship Account” means an Account in the Trust established by an Account Owner that is a Scholarship Sponsor and maintained for the benefit of one or more current or future Designated Beneficiaries;

(24) “Scholarship Sponsor” means the State of Connecticut or a local government in this State, or an agency or instrumentality of this State or local government, or a Section 501(c)(3) Organization, in each case who establishes one or more Accounts as part of a Scholarship program;

(25) “State” means the State of Connecticut;

(26) “Statute” means sections 3-22f to 3-22p, inclusive, of the Connecticut General Statutes;

(27) “Trust” has the same meaning as under the Statute; and

(28) “Trustee” means the Treasurer of the State of Connecticut in her capacity as Trustee of the Program.

(Adopted effective June 5, 2003; Amended February 2, 2005; Amended September 13, 2016)

Sec. 3-22h-3. Purposes

The purposes of the Trust are (a) to promote and enhance the affordability and

accessibility of higher education for residents of the State of Connecticut, and (b) to enable Account Owners and Designated Beneficiaries to avail themselves of tax benefits provided for Qualified Tuition Programs under the Internal Revenue Code and the Connecticut General Statutes.

(Adopted effective June 5, 2003; Amended September 13, 2016)

Sec. 3-22h-4. Program administration and management

The Trust shall be administered and managed in compliance with the provisions of the Internal Revenue Code, regulations promulgated thereunder, published administrative guidance of the United States Department of the Treasury, the Statute and sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies. The Trustee shall take such steps as are necessary in order for the Trust to constitute a Qualified Tuition Program under Section 529 of the Internal Revenue Code. Procedures and forms for use in the administration and management of the Trust, or any Program thereof, shall be subject to the approval of the Trustee. If the Trustee contracts with a third party to provide services with respect to the administration and management of the Trust, or any Program thereof, the references in sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies to the Trust shall govern the performance of such services by such third party contractor.

(Adopted effective June 5, 2003; Amended September 13, 2016)

Sec. 3-22h-5. Trust participation and participation agreements

(a) **Designated Beneficiary Eligibility.** A Designated Beneficiary may be any individual designated as such in an Application.

(b) **Account Owner Eligibility.** An Account Owner may be any Person (1) who submits to the Trust a completed Application, a Social Security or taxpayer identification number, and an address in the United States, for each of the Account Owner and the Designated Beneficiary, and (2) who otherwise meets the qualifications set forth in federal law, Connecticut law, and the regulations governing the Trust. A Scholarship Sponsor who establishes a Scholarship Account shall provide the valid Social Security numbers or taxpayer identification numbers and addresses in the United States of each Designated Beneficiary of the applicable Scholarship Account prior to or in connection with a request for a Distribution.

(c) **Participation Agreements.** The Participation Agreement shall be incorporated by reference in the Application and set forth the terms governing an Account in the Trust. To participate in the Trust, a prospective Account Owner shall submit a completed Application and an initial Contribution, as described in the Application. The Participation Agreement shall provide that the Account Owner shall retain ownership of payments made under the Program to an Account in the name of the Account Owner and for the benefit of the Designated Beneficiary. Any amendment to the Statute or to regulations adopted by the Trustee shall automatically amend the Participation Agreement, and any amendments to the

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operating procedures and policies of the Program shall amend the Participation Agreement no later than thirty (30) days after adoption by the Trustee. Each Participation Agreement shall provide that the Participation Agreement may be canceled upon the terms and conditions set forth in the Participation Agreement, subject to subsection (j) of this section.

(d) **Accounts.** Upon receipt of a completed Application and an initial Contribution, the Trust shall open an Account in the name of the Account Owner for the benefit of a Designated Beneficiary. Only one Account Owner is permitted per Account, except for Accounts established prior to March 13, 2000 for which certain married individuals elected to hold ownership as joint Account Owners. Only one Designated Beneficiary is permitted per Account, except that Scholarship Accounts may be established by a Scholarship Sponsor for the benefit of one or more present or future Designated Beneficiaries. One or more Account Owners may establish Accounts for the same Designated Beneficiary.

(e) **Contributions.** All Contributions to Accounts shall be in cash. "Cash" shall include, but not be limited to, (1) checks drawn on a banking institution located in the United States in U.S. dollars, other than cashiers' checks, travelers' checks or third-party checks exceeding \$10,000, (2) money orders, (3) payroll deduction, and (4) electronic fund transfers. Cash does not include real or personal property.

(f) **Account Balance Limit on Contributions.** Contributions to an Account shall be rejected and returned to the extent the amount of the Contribution would cause the Account Balance of the Account, together with the balance in all other accounts established in the Trust for the benefit of the same Designated Beneficiary, to exceed the Account Balance Limit on Contributions.

(g) **Changes to Designated Beneficiary.** To the extent such change would not cause the balance in all Accounts established for the new Designated Beneficiary to exceed the Account Balance Limit on Contributions, an Account Owner may change the Designated Beneficiary for an Account to any Member of the Family of the current Designated Beneficiary at any time, without penalty, by submitting a completed change of Designated Beneficiary form to the Trust in such form as the Trust may specify from time to time. Any change of Designated Beneficiary by an Account Owner other than as permitted in this subsection shall be a Non-Qualified Distributions.

(h) **Rollover Distributions.**

(1) To the extent such change would not cause the balance in all Accounts established for the new Designated Beneficiary to exceed the Account Balance Limit on Contributions, an Account Owner may transfer, in a Rollover Distribution, all or part of the Account Balance to:

(A) an Account established for another Designated Beneficiary who is a Member of the Family of the current Designated Beneficiary; or

(B) an account in another Qualified Tuition Program for another beneficiary who is a Member of the Family of the current Designated Beneficiary.

(2) No more than once in any twelve (12) month period, an Account Owner may transfer, in a Rollover Distribution, all or part of the Account Balance to an account in another

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Qualified Tuition Program for the same Designated Beneficiary.

(3) A request for a Rollover Distribution shall be in such form and accompanied by such documentation as the Trust shall specify.

(i) **Changes of Account Ownership.** An Account Owner may transfer ownership of an Account to another Person, subject to applicable taxes, if any, and upon receipt of a request for change of Account Owner that satisfies the criteria set forth in this subsection, the transferee shall be considered the Account Owner for all purposes related to the Trust, regardless of the source of subsequent Contributions.

(1) General Rule. Any such change of Account ownership shall be effective provided that the transfer (A) is irrevocable, (B) transfers all ownership, reversionary rights, and powers of appointments, such as the power to change the Designated Beneficiary and to direct Distributions from the Account, and (C) is submitted to the Trust on a change of account owner form in such form as the Trust may specify from time to time and completed by the Account Owner or, in the event of the death of the Account Owner, by the personal representative of his or her estate. If the Account is held by joint Account Owners, each spouse shall execute the transfer of ownership.

(2) Designation of Contingent Account Owners. Any Account Owner who is an individual person may designate a contingent Account Owner for the Account, to become the owner of the Account automatically upon the death of such Account Owner. Joint Account Owners may designate a contingent Account Owner who shall become the Account Owner upon the death of the last surviving joint Account Owner. Prior to the initial action taken by the contingent Account Owner following the death of the deceased Account Owner(s), the contingent Account Owner shall provide a certified copy of a death certificate sufficiently identifying said deceased Account Owner(s) by name and Social Security number or taxpayer identification number, or such other proof of death as is recognized under applicable law.

(j) **Cancellation.** An Account Owner may cancel a Participation Agreement at any time by submitting to the Trust a written request for such cancellation or by such other method specified in the Participation Agreement.

(k) **Separate Accounting.** The Trust shall provide separate accounting in accordance with the requirements of Section 529 of the Internal Revenue Code for each Designated Beneficiary.

(Adopted effective June 5, 2003; Amended February 2, 2005; Amended September 13, 2016)

Sec. 3-22h-6. Payment of benefits; withdrawals

(a) **Distributions.** An Account Owner may request a Distribution from his or her Account by submitting a completed request for Distribution to the Trust in such form as the Trust may specify from time to time, with such certifications and supported by such documentation as is requested by the Trustee.

(b) **Distribution Limitations.** No Distribution may be made during the thirty-day period subsequent to the Trust's receipt of such completed change of Account Owner form or

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request to change the mailing address of the Account Owner, unless the current Account Owner's signature is signature guaranteed on the request. No Contribution may be distributed during the ten (10) days after the Trust's receipt of such Contribution.

(c) **Security.** No Account Owner, Designated Beneficiary, or any other Person shall use any Account or other interest in the Trust, or any portion thereof, as security for a loan.

(Adopted effective June 5, 2003; Amended February 2, 2005; Amended September 13, 2016)

Sec. 3-22h-7. Investments

(a) **General Investment Standards and Objectives.** The Trustee shall invest the funds on deposit in the Trust, together with any income thereon, in a manner that is reasonable and appropriate to achieve the objectives of the Trust, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Trustee shall give due consideration to rate of return, risk, term or maturity, diversification of the total portfolio within the Trust, liquidity, the projected disbursements and expenditures, and the expected payments, deposits, contributions and gifts to be received. In accordance with the standards established in sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies and in the Statute, the Trustee may invest or may retain investment advisers, acting on behalf of the Trustee, to invest funds deposited in the Trust. Any such investment shall be made solely in the interest of the Account Owners and Designated Beneficiaries and for the exclusive purposes of providing benefits to Designated Beneficiaries for Qualified Higher Education Expenses and defraying reasonable expenses of administering the Program. An Account Owner or Designated Beneficiary shall not directly or indirectly direct the investment of any Contributions or Earnings of the Trust.

(b) **Delegation of Investment Discretion.** The Trust may delegate to its duly appointed investment adviser authority to act in place of the Trust in the investment or reinvestment of all or part of the funds, and may also delegate to such adviser the authority to act in place of the Trust in the holding, purchasing, selling, assigning, transferring or disposing of any or all of the securities and investments in which such funds shall have been invested, as well as the proceeds of such investments and such monies. Such investment adviser shall be registered as an investment adviser with the United States Securities and Exchange Commission unless exempt from registration.

(Adopted effective June 5, 2003; Amended September 13, 2016)

Sec. 3-22h-8. Additional funds

(a) **Administrative Fund.** Pursuant to the authority in the Statute for the Trustee to establish one or more funds within the Trust, there is hereby created an Administrative Fund. All monies received by the Trust, other than Contributions from Account Owners and Earnings thereon, shall be deposited in the Administrative Fund. The Trustee also may withdraw an annual fee of up to .02% of the average daily net assets of each Program operated by the Trust to pay for the oversight of the Trust and shall deposit such amount into the Administrative Fund.

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(1) The assets of the Administrative Fund shall be held separate from any other fund and invested as the Trustee shall deem appropriate. All earnings on deposits in the Administrative Fund shall be credited to the Administrative Fund.

(2) Pursuant to the Statute, the Administrative Fund shall be used to support the responsibilities of the Trustee, including meeting expenses for legal, actuarial, accounting, advisory, consulting, marketing and other administrative and financial management services.

(3) Pursuant to the Statute, the Trust may apply for, accept and expend gifts, grants, or donations from public or private sources to enable the Trust to carry out its objectives. These funds shall be deposited in the Administrative Fund, and shall be expended only for the purposes for which they were received.

(4) No funds shall be withdrawn, and no expenses shall be paid from the Administrative Fund except to meet the purposes of the Fund. All withdrawals and expenditures shall require the approval of at least two (2) of the following: the Treasurer, her designee for purposes of the Administrative Fund, the Chief Investment Officer, or the Deputy Chief Investment Officer.

(b) **Other Funds.** The Trustee may establish such other funds within the Trust as are necessary and appropriate to carry out the purposes of the Trust. All monies deposited in and withdrawn from any such fund shall be used solely for the purposes for which such fund was established.

(Adopted effective June 5, 2003; Amended September 13, 2016)

Sec. 3-22h-9. Severability

If any provision of sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies, or the application of it to any person or circumstance, is determined to be invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions of sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies which can be given effect without the invalid provision or application, and to that end, the provisions of sections 3-22h-1 to 3-22h-9, inclusive, of the Regulations of Connecticut State Agencies are severable.

(Adopted effective June 5, 2003)