

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of November 23, 2015

The November 23, 2015 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (Advisory Commission), held at the offices of the New Hampshire Higher Education Assistance Foundation in Concord, was called to order at 10:00 a.m. by Dr. Edward MacKay, Advisory Commission Chair.

Members present, constituting a quorum, were:

Edward MacKay (Chair)	Public Member, appointed by the Governor; Retired Chancellor, University System of New Hampshire
Bill Dwyer	State Treasurer
Ross Gittell	Chancellor, Community College System of New Hampshire
Todd Leach	Chancellor, University System of New Hampshire
David Mahoney	Representing the Higher Education Commission – Dept. of Education
Tori Berube	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Laurie Sanborn	State Representative

Members absent were:

Michael Cryans	Public Member, appointed by the Governor
Lou D’Alessandro	State Senator
Jeanie Forrester	State Senator
Thomas Horgan	President & CEO, representing the New Hampshire College and University Council
Sylvia Larsen	Representing the Governor; Retired State Senator
Lynne Ober	State Representative

Also present at the meeting were Kyla Doyle, Keith Bernhardt, and Matt Golden from Fidelity Investments (Fidelity), as well as Monica Mezzapelle from State Treasury.

Update of Endowment Trust Fund and Scholarship Disbursements

Due to not reaching a quorum at the beginning of the meeting, Treasurer Dwyer started the meeting by presenting the Endowment Trust Fund and Scholarship Disbursements quarterly update as of September 30, 2015. Treasurer Dwyer indicated that during the first quarter, the fund received nearly \$3.3 million in revenue from the 529 Plans, disbursed \$3.7 million in scholarship funds and reported net market value losses of approximately \$15,000. The Endowment Trust Fund finished the first quarter of fiscal year 2016 with a balance of \$2.4 million.

In July of 2015, an initial Annual Awards Allocation of \$1 million was distributed to participating colleges and universities as approved by the Advisory Commission during the February 23 meeting. In addition to the \$1 million, nearly \$2.7 million in monthly Endowment Award Allocations were distributed to participating institutions through quarter ending September 30, 2015. Administrative expenses of approximately \$16,000 were also incurred during the quarter, consisting of the quarterly Treasury overhead allocation of \$9,000, the endowment fund management fees of \$3,000, and the yearly membership dues paid to the College Savings Plan Network of \$4,000.

Public Hearing – Proposed Administrative Rules Csp 103 – Csp 700

After securing a quorum of the members, a Public Hearing was called to order by Dr. MacKay to take oral public comments and to review any written comments received by the Treasury on the following Initial Proposed Administrative Rules (Proposed Rules):

1. To “Readopt with Amendment” Administrative Rule Csp 103 – Public Requests for Information. (Rulemaking Notice Number 2015-173).
2. To “Readopt with Amendment” Administrative Rule Csp 300 – Establishment, Operation, and Administration of the College Tuition Savings Plan. (Rulemaking Notice Number 2015-174)
3. To “Readopt with Amendment” Administrative Rule Csp 600 – UNIQUE Annual Allocation Scholarship Program. (Rulemaking Notice 2015-175).
4. To “Adopt” Administrative Rule Csp 700 – UNIQUE Endowment Allocation Scholarship Program - (Rulemaking Notice Number 2015-176). Previously expired in May 2014.

This hearing was noticed in the State’s Rulemaking Register on October 29, 2015 and posted, along with the Proposed Rules, on the Treasury’s website. The hearing time noticed was from 10:00 a.m. – 10:30 a.m. Dr. MacKay indicated the Commission intends to file the Final Proposed Rules on or before December 3, in preparation for the December 17, 2015 Joint Legislative Committee on Administrative Rules (JLCAR) meeting.

Dr. MacKay next requested comments on the Proposed Rules which were noticed in the Rulemaking Register. There were no oral comments on the Proposed Rules. Dr. MacKay then asked Ms. Mezzapelle, the Treasury’s contact person listed in the Rulemaking Register, if there were any written comments on the Proposed Rules. Ms. Mezzapelle indicated that there were no written public comments to the Proposed Rules received by the Treasury as of this time but that the Treasury had received a number of proposed edits and written comments from the staff of the JLCAR the day prior to the scheduled hearing. Ms. Mezzapelle reviewed each of the proposed edits and each of the comments from the JLCAR staff which were evaluated by the Advisory Commission for potential inclusion in the Proposed Rules. Ms. Mezzapelle also added that rule Csp 103 is considered a consent item and it would go on the JLCAR’s consent list if no further changes are made. Some of the JLCAR staff comments suggested the need for more clarity in the

Proposed Rules. While the Advisory Commission appreciated the JLCAR staff comments, Commission members expressed concern that sufficient time was not given to review the proposed comments. The Commission expected it would finalize the proposed rules during the scheduled hearing and quarterly meeting. Even though the Commission members recognized that the language in the proposed rules has been part of the existing rules since originally approved, the comments made by the JLCAR staff created sufficient discomfort that the Commission decided to spend more time reviewing some of those comments and postpone the finalization of the rule Csp 600 at this time.

Hearing no further discussion on the Initial Proposed Rules, Dr. MacKay closed the public hearing. Dr. MacKay summarized the changes to the Proposed Rules recommended by the Advisory Commission members during the public hearing as follows:

1. File final proposed rule Csp 103 with no further changes.
2. File final proposed rules Csp 300 and Csp 700 with the following changes:
 - a. Make all “edits” in Rules Csp 300 and Csp 700 as identified by the JCLAR staff.
 - b. Delete section “the trustee shall determine to be” in Csp 303.02.
 - c. Delete section “and such other information as the trustee shall require” in Csp 303.06 (b).
 - d. Use the word “can” instead of “may” in Csp 303.02 and Csp 303.07
3. Retain initial proposed rule Csp 600 to have more time to review the comments made by the JLCAR staff with the intent of finalizing the proposed rule during the next quarterly meeting.

Dr. MacKay requested a motion that the Treasurer file the Final Proposed Rules with the Office of Legislative Services. It was moved by Mr. Mahoney and seconded by Treasurer Dwyer. The motion was unanimously approved. The regular meeting continued at 11:05 a.m.

Ms. Mezzapelle inquired if the Commission would like to file Interim Rules to re-adopt rule Csp 700 which expired in May of 2014. After hearing no objection, Dr. MacKay indicated that proceeding with the current process would be more efficient than trying to file Interim Rules.

Review of Prior Meeting Minutes

Minutes of the August 24, 2015 regular meeting were reviewed and presented for approval by Dr. MacKay. Approval was moved by Mr. Mahoney and seconded by Dr. Leach. The motion passed unanimously.

Fidelity Novation Agreements

Mr. Golden notified the Commission that Fidelity Investments is going through organizational changes due to the expansion of its business. Such changes required amendments to the existing agreements between the New Hampshire Higher Education Savings Plan Trust, represented by the

State Treasurer as the trustee, and the Fidelity's organizations. The amendments to the agreements are being executed through two Novation Agreements. The Novation Agreements do not change any existing provisions but only the parties to the agreements.

After hearing no further questions or comments, Dr. MacKay requested a motion to allow the Treasurer, as trustee, to continue with the approval process and to bring the Novation Agreements to the Governor and Executive Council meeting for final approval. Treasurer Dwyer moved and Representative Sanborn seconded. The motion passed unanimously.

Overview of the 529 Programs

529 Industry Market Update

Mr. Golden provided a brief overview of the market for the third quarter of 2015 saying that the S&P 500 decreased by 6.44% and the Barclays Aggregate Bond Index increased by 1.23%. At the end of the third quarter, the New Hampshire programs remained as the fourth largest in the country with \$13.8 billion in market-value assets and 6.2% of the industry's market-share. Total 529 industry assets decreased by 5.6% from quarter two to quarter three and increased by 1.9% year over year. In addition, New Hampshire assets of the combined UNIQUE and FA 529 plans decreased by 5.6% and increased by 0.6%, respectively during the same time periods. The New Hampshire Plans trailed Virginia (\$49.4 billion in assets managed by American Funds), New York (\$20.1 billion in assets managed by J.P. Morgan), and the Nevada plans (\$15.2 billion in assets administered by multiple managers, including Vanguard).

Fidelity Advisor 529 Plan Review

On the Advisor-sold side, Mr. Golden continued reporting that during the third quarter the FA 529 Plan performed in line with competitors remaining as the fifth largest plan in the Industry with \$4.1 billion in market-value assets under management and 4% of the industry's market-share. 529 Advisor-sold plan assets decreased by 6.7% from quarter two to quarter three and by 2.5% year over year. The Virginia plan remained at the top of the list with \$46.4 billion in assets managed by American Funds, and nearly 45% of the market-share. The Virginia plan was followed by Maine (\$7.6 billion in assets), Rhode Island (\$6.8 billion in assets), and the Ohio plans (\$4.5 billion in assets). The FA 529 plan assets were distributed over 195,930 participant accounts.

During the third quarter of 2015 the number of new accounts declined compared to the second quarter by 7.2% and 12.5% year over year. Mr. Golden mentioned that an increase in new account activity was seen since the implementation of the omnibus recordkeeping initiative with Ameriprise and such growth is expected to continue. However, Fidelity has experienced a slowdown in new account growth across some other broker-dealers, which they will continue to monitor. Contribution amounts also declined during the quarter compared to the second quarter by 14.7% and by 8.7% year over year. The average account size in the Advisor-sold plan was \$21,023 and New Hampshire residents averaged \$19,404 in account balances.

Direct-sold (UNIQUE) 529 Plan Review

On the Direct-sold side, Ms. Doyle reported the UNIQUE Plan remained in third place with nearly \$9.7 billion in market-value assets and 8.2% of the market-share. Assets under management decreased by 5.1% compared to the last quarter and increased by 2.0% year over year. Ms. Doyle mentioned that despite the volatility encountered during the quarter, total assets were back at \$10.1 billion at the end of October. The Plan trailed New York with \$16.6 billion in assets (14.1% market-share) and Nevada with \$11.2 billion (9.5% market-share).

As of September 30, 2015, the UNIQUE plan had 585,639 participant accounts, with the number of new accounts declining 5% from the prior quarter, but an increase of 3% over the prior year. Contributions during the third quarter also decreased compared to the second quarter by 2% but increased by 6% year over year.

During the third quarter of 2015, the average balance in a UNIQUE account was \$23,738 with New Hampshire residents averaging \$19,269. Furthermore, the average monthly new account and existing account contributions nationwide were \$3,960 and \$125, respectively. New Hampshire residents averaged \$2,065 and \$201 in new account and existing account contributions, respectively.

Regulatory and Legislative Report

On the ABLE front, Ms. Doyle informed the Commission that on Friday, November 20th the Internal Revenue Service announced new guidance to simplify ABLE program administration which includes the following:

- ABLE programs will not need to categorize distributions to determine which distributions are for qualified disability expenses;
- Contributors' tax identification numbers will not be required; and
- Written diagnosis will not be required and a disability certification will be permitted.

The guidance was issued after considering comments made during the commentary period and the hearing held in October of 2015. The changes will be included in the final regulations when issued.

Review of Other Items

Proposed 2016 meeting dates

Dr. MacKay referred Commission members to a list of proposed meeting dates for 2016 included in the materials. The proposed dates were selected based on the practice adopted by the Advisory Commission prior to 2014 to schedule meetings on the 8th Monday following the end of the quarter.

The list of dates also includes a different date for the March 14, 2016 meeting date already approved by the Advisory Commission on November 24, 2014. Since the Commission will set the UNIQUE Annual Allocation Program eligibility criteria for the upcoming 2016-17 academic year, having the meeting on March 14 could delay financial aid determinations made by participating institutions. The new proposed date is February 29, 2016.

Dr. MacKay also informed Commission members that starting in 2016 for the 2017-18 academic year, students will be able to file the Free Application for Federal Student Aid (FAFSA) in October rather than January. Such change would allow earlier determinations of financial aid packages for students. As a result, it would be beneficial to change the date of when the Advisory Commission sets the criteria for the UNIQUE Annual Allocation program to an earlier date. In addition to the FAFSA changes, Dr. Mackey added that is hard to reach a quorum during the Thanksgiving week. Dr. Gittell suggested a meeting date after the Thanksgiving week to allow for an earlier determination of the award criteria. After some discussion, Dr. MacKay requested a motion to adopt the dates as modified by the Commission. Treasurer Dwyer moved and Mr. Mahoney seconded. The motion passed by unanimous vote. The meeting dates for calendar year 2016 will be February 29, May 23, August 22 and December 5, 2016.

Annual financial disclosures due to Secretary of State on or before January 16, 2015

Dr. MacKay asked Treasurer Dwyer to update Advisory Commission members regarding the statutory filing requirements pursuant to RSA 15-A. Treasurer Dwyer indicated the deadline for filing with the Secretary of State is Friday, January 15 and that an e-mail reminder will be sent by Ms. Mezzapelle to Advisory Commission members in December with links to the financial disclosure forms on the Secretary of State's website.

Scholarship Report for the 2014-15 Academic Year (Dr. MacKay)

Dr. MacKay provided an update of the 2014-15 UNIQUE scholarships to the Commission after all participating schools filed the required reports relative to the two UNIQUE scholarship programs to the Division of Higher Education. After reviewing all the reports, it was noted that one school mistakenly disbursed Annual Awards for an amount greater than \$700 but will return the funds to the Treasury for deposit back into the trust fund. Furthermore, based on the projection data, no escalation in the current year number of students was seen. Therefore next year, the UNIQUE Annual Allocation program spending may be about the same as the 2015-16 academic year, if the same or similar eligibility criteria were used. On the UNIQUE Endowment Allocation Program side, participating institutions reported their endowment balances, which in the aggregate totaled approximately \$73 million as of June 30, 2015. Commission members were very pleased to hear the update.

Update of the Children's Savings Account Program (RSA 195-J)

Dr. MacKay updated the Advisory Commission on the Children's Savings Account Program (CSA) pursuant to RSA 195-J. The purpose of the CSA program is to increase opportunities for college and career success for all students and to do so by encouraging positive postsecondary education savings behavior for low and moderate income families and to provide, in cooperation with the public schools, financial literacy for all students and their parents. The CSA program is to begin with two pilot programs consisting of creating savings accounts at a financial institution with a minimum deposit of \$50 for each eligible child attending public kindergarten in Coos County and in the City of Manchester.

Dr. MacKay indicated the CSA commission had met twice so far and today a few organizations, including Fidelity, were scheduled to present potential plans on how the program could be implemented. Also, a bill sponsored by Senator Avard, Senator D'Allesandro, Representative Ladd, Representative Gile, among others, is being introduced to appropriate \$50,000 to the children's savings account fund pursuant to RSA 195-J:5. The NH Charitable Foundation has pledged to match the funding if initial seed money is provided by the State. The total estimated annual cost of the program is \$65,000 for 1,300 students entering kindergarten in the two pilot locations.

Dr. MacKay reminded the Commission that once the program is established, the intent is to migrate the oversight and management of the program to the College Tuition Savings Plan Advisory Commission.

Update of HB 388, establishing the university number plates to fund the NH excellence in higher education endowment trust fund

This bill sponsored by several legislators appeared to have very good intentions; however, it didn't go anywhere. The fiscal impact statement prepared by the Department of Safety indicated that it would take several fiscal years to recover the initial costs and actual revenues may not be seen until FY2018. The committee report filed indicated that this bill was Inexpedient To Legislate.

Hearing no additional new business, Dr. MacKay adjourned the meeting at 11:50 a.m.

NOTE: The next regular meeting is scheduled for Monday, February 29, 2016 beginning at 10:00 a.m. at the New Hampshire Higher Education Assistance Foundation in Concord. The meeting will be preceded by the Investment Committee meeting beginning at 9:00 a.m. All Advisory Commission members are invited to attend.