

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of September 21, 2107

The September 21, 2017 Special 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 2:00 p.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
Tori Berube	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Michael Cryans	Public Member, appointed by the Governor
Bill Dwyer	State Treasurer
Lou D’Allesandro	State Senator
Ross Gittell	Chancellor, Community College System of New Hampshire
David Mahoney	Representing the Higher Education Commission – Dept. of Education
Kenneth Weyler	State Representative

Members absent were:

Sr. Paula Buley	President, Rivier University, representing the New Hampshire College and University Council
Daniel Innis	State Senator
Sylvia Larsen	Representing the Governor; Retired State Senator
Todd Leach	Chancellor, University System of New Hampshire
Peter Leishman	State Representative

Also present at the meeting were Kyla Doyle, Ron Hazel, Andrew Dierdorf and Keith Bernhardt from Fidelity Investments (“Fidelity”) and Monica Mezzapelle from New Hampshire State Treasury.

Dr. MacKay began the meeting by welcoming all attendees and stating that the purpose of the meeting was to determine whether to pursue a 5-year renewal option of the existing agreement between the State of New Hampshire and Fidelity Investments, which has been the Program Administrator since 1998, or to re-bid program administration through a competitive procurement.

Prior to commencing with Fidelity’s presentation, Dr. MacKay asked Mr. Cryans to display the photograph he had brought to the meeting. Mr. Cryans indicated that the picture is from when Governor Jeanne Shaheen invited him and his family to celebrate the launch of the 529 program in New Hampshire. Mr. Cryans’ son was the first participant in the Plan and he is now a junior in college – the photograph memorializes what the 529 program is all about, providing an efficient vehicle for moderate to low income individuals to save for college. The 529 program, along with the scholarship programs, have been true success stories for New Hampshire.

New Hampshire's 529 Programs – Achievements, Enhancements and Milestones

Ms. Doyle began the presentation highlighting the relationship between the State of New Hampshire and Fidelity for almost 20 years. New Hampshire and Fidelity have been pioneers in the 529 industry providing help to hundreds of thousands of families in reaching their higher education goals. When the program was first launched in 1998, 77 accounts during the first month were established and by the end of the year, there were \$34 million in assets. In 1999, first year of full operation, there were over 27,000 accounts and \$230 million in assets. In 2008, the year of the financial crisis, the program remained strong and accounts climbed to over 400,000 accounts and assets reached \$4.4 billion. Today, the program has over 850,000 accounts between the two programs, with \$16 billion in assets. Of those 850,000 accounts, 25,000 are held by New Hampshire residents, totaling close to \$530 million in assets. Ms. Doyle added, alluding to what Mr. Cryans mentioned earlier, that one of the biggest achievements of the Advisory Commission is the New Hampshire scholarships program – the Endowment Trust Fund has received over \$145 million in revenue-share, distributing \$111 million of that amount as scholarship funds to New Hampshire students.

Ms. Doyle went on to say that as a program manager, Fidelity's goal is to make continuous improvements and create positive experiences for participants. Ms. Doyle highlighted key enhancements: 1) *50 College Planning Specialists* located in Jacksonville, Florida and Salt Lake City, Utah, dedicated to answering college related calls; 2) *Education and Guidance* available on Fidelity's website, where families can learn about college savings and other related topics – there are podcasts, articles, videos, etc.; *Enhanced Planning Tools* – the most recent one is the College Savings Calculator; *Simplified Customer Experience* – access to accounts online or having electronic money movement, for example; *529 Electronic Gifting Service* – in 2014 the gifting platform was launched and since then, 24,000 gifts were brought in and those gifts totaled \$10 million; and the *529 College Rewards Visa Program* – since inception, over \$11 million has flowed into the New Hampshire program from that source.

Mr. Hazel covered other accomplishments and enhancements that have occurred over the years, highlighting a few key improvements:

- Launched Multi-firm portfolios, providing product choice for customers seeking strategies that include Fidelity and non-Fidelity managed funds.
- Glide path enhancements. Fidelity has made enhancements to the strategic allocation and glide path for the age-based portfolios, focused on improving outcomes for participants.
- Launched 529 Omnibus capabilities to facilitate the business conducted with financial advisors. Fidelity incurred a tremendous cost to implement the technology needed for the omnibus recordkeeping initiative (current relationship with Ameriprise).
- As a result of the market performance in 2008, Fidelity waived over \$5 million in fees from 2010 to 2017 to avoid expenses exceeding the yield on the money market portfolios.
- Other program improvements introduced over the years were:
 - price reductions over time – index pricing reduced to 0.11% from 0.21%,

- launching 529 Bill Pay platform,
- developed Fidelity 529 gifting tool,
- added sales charge waiver to attract rollovers into the FA 529 Plan,
- created robust college savings tool in the Fidelity planning & guidance center,
- added conversion feature to FA 529 C units to benefit participants,
- eDelivery of Fact Kits & Annual Reports,
- offer online electronic distributions,
- added Mobile Check Deposit, etc.

Mr. Dierdorf spoke about investment performance and he mentioned that when he joined Fidelity in 2004, one of his first responsibilities was to help support the management of the 529 portfolios. Mr. Dierdorf and his team are proud of the investment performance over the years and he is also pleased to see that performance is being recognized in a number of ways, most recently by Morningstar awarding a medal rating of “Bronze” for the UNIQUE College Investing Plan. In addition to strong investment performance, Mr. Dierdorf mentioned the New Hampshire 529 programs have achieved strong returns relative to 529 industry peers. Furthermore, there have been improvements to the investment strategy over the years, including having a diversified set of funds for the products and adding Active Asset Allocation flexibility, which has delivered enhanced investment returns during the last few years.

Mr. Bernhardt concluded the presentation by emphasizing that there is a meaningful organizational commitment supporting the 529 products. Fidelity is one of the largest providers of financial services, managing more than \$2.2 trillion in assets: \$877 billion total equity assets, \$961 billion total fixed income assets \$690 billion total global asset allocation assets. Fidelity is one of the largest organizations serving the U.S. institutional marketplace, with more than \$576 billion in assets under management and more than 500 institutional and 50,000 financial advisor clients, supported by robust research and expertise to ensure customers and participants have the best experience possible. In summary, Fidelity Investments highly appreciates the partnership it has with the Advisory Commission and the State and looks forward to a continued partnership.

Following the presentation, in response to Mr. Cryans’ question, the Fidelity team shared three learnings from the experience as a program manager: 1) understanding the participant is an important element of building an age-based strategy, so the growth in the number of participants over time has provided valuable information that Fidelity considers as part of the investment process when constructing the portfolios; 2) the College Savings Indicator has been an important research tool to help communicate the value of saving for college and 529 plans in general; and 3) participants continue to evolve in their use of technology, with electronic disbursements being a prominent enhancement that customers have appreciated.

Mr. Dierdorf also explained that during the financial crisis, Fidelity maintained a disciplined strategy that served participants well during that time. Within the age-based portfolios, Fidelity has continued to emphasize portfolio diversification and has added asset classes and strategies to the portfolios over time to enhance diversification further. The inclusion of active allocation capabilities provide an additional level of flexibility to manage the strategies during periods of market volatility that may occur in the future. In response to Senator D’Allesandro’s question,

Mr. Bernhardt spoke about contribution and distribution activity, which have both increased steadily year over year. Through June, distributions were up 25% – emphasizing the goal and success of the 529 college savings program.

Review of Provisions of the Management and Administrative Services Agreement

Treasurer Dwyer directed Advisory Commission members to the materials provided which contained a few excerpts from the original Management and Administrative Services Agreement executed in 1998 by Fidelity Investments, the Advisory Commission, and the Plan Trustee at that time. As briefly reviewed during the non-public session held on August 21, 2017, the contract with Fidelity will expire on December 31, 2018 and the Advisory Commission needs to make a decision whether to exercise another 5-year renewal, as allowed in the agreement, or procure another Program Manager by issuing Requests for Proposals.

Treasury Dwyer walked Advisory Commission members through the provisions he deemed most important, such as the requirement to notify Fidelity six months prior to the contract expiration date that the agreement will be renewed. If the agreement is not renewed, the six-month period would serve as a transition period if the Plan is to continue in operation after termination of the agreement under a different Program Administrator. Another key provision is the Solicitation of Accounts after Termination, which provides an opportunity for the Advisory Commission/Trustee to review the form of Solicitation Requests prior to Fidelity making direct solicitations of any participant or beneficiary of a 529 account requesting to transfer funds to a different 529 plan managed by Fidelity.

Discussion, Deliberation and Decision by Advisory Commission

Dr. MacKay commented the Commission should consider whether customers would remain loyal to Fidelity or to the State of New Hampshire if another provider were selected, and consider the potential effects on the assets under management of the New Hampshire 529 Plan. Mr. Mahoney suggested to approve the contract renewal subject to removal of the Solicitation of Accounts provision. Rep. Weyler mentioned, and other members agreed, that even if the Solicitation provision were not in the existing contract, loyal Fidelity customers could transfer their funds to another Fidelity 529 product. Dr. Gittell also commented that the Commission could take this opportunity to review the fee structure and negotiate a revenue-share that would be more advantageous for the scholarship program. Dr. MacKay reminded Commission members that fee negotiations could occur anytime if it would benefit participants, as has occurred during the life of the program. Members reevaluated the discussion and decided to focus strictly on the renewal of the contract.

Treasury Dwyer lastly shared an observation regarding other states renewing contracts with their existing Program Managers: Alaska renewed with T. Rowe Price until 2045, Iowa exercised with Ascensus a 5-year renewal until 2022, and Kansas implemented a 7-year extension until 2025. In recent years Rhode Island changed Plan Administrators due to poor performance.

After extensive discussion and deliberation by the Advisory Commission, Dr. MacKay requested a motion to recommend to the Governor and Executive Council a renewal agreement with Fidelity for another 5 years under the existing terms and conditions. Mr. Cryans moved, Rep. Weyler seconded. The motion carried unanimously.

Treasurer Dwyer informed the Commission that Treasury expects to bring the recommendation to the Governor and Executive Council to their meeting on October 25th. Commission members will be notified when the request is on the Governor and Executive Council agenda.

Hearing no additional new business. Dr. MacKay adjourned the meeting at 3:05 p.m.

Next meeting: The next regular meeting is scheduled for Monday, December 4, 2017. There will be no investment committee meeting.