

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of December 7, 2020

The December 7, 2020 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:00 a.m. by Dr. Todd Leach, Advisory Commission Chair. The meeting was held via Zoom due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic and in accordance with the Governor’s Emergency Order No. 12, pursuant to Executive Order 2020-04, as extended.

Attendance:

| Member | Representing | Roll Call |
|--------------------------|---|----------------------------------|
| Dr. Todd Leach, Chair | University System of New Hampshire | Present and alone |
| Mr. Robert Lynn | Public Member Appointed by the Governor | Present and alone |
| Rep. Kenneth Weyler | State Representative | Present and alone |
| Rep. Peter Leishman | State Representative | Joined the meeting later |
| Senator Lou D’Allesandro | State Senator | Absent |
| Senator Jay Kahn | State Senator | Present and alone |
| Mr. Joseph Doiron | Governor Designee | Present and alone |
| Mr. Jay Knower | Public Member appointed by the Governor | Present and alone |
| Ms. Shannon Reid | Community College System of New Hampshire | Present with others in the house |
| Ms. Deborah Scire | NH College and University Council | Present and alone |
| Vacant | NH Higher Education Assistance Foundation | N/A |
| Sr. Paula Buley | NH Higher Education Commission | Present and alone |
| Ms. Monica Mezzapelle | Commissioner of the Treasury | Present and alone |

Also attending were Ron Hazel, Justin Rozzero, Eric Kaplan, and Dan Tario from Fidelity Investments, and Jan Fiderio from the Department of Education.

Discussion Regarding Election of Chairperson

Dr. Leach shared that his contract with the University System of New Hampshire (“USNH”) will end at the end of 2020 and he will go back to being a faculty member teaching at the University of New Hampshire. Dr. Leach asked Ms. Catherine Provencher, Vice Chancellor of Finance at USNH and former State Treasurer, to join the Commission after he steps down. Dr. Leach then asked if there were any nominations for the Commission Chair. Since no nominations or candidates were identified and in light of the uncertainty around current legislative members and their appointment/reappointments, the Advisory Commission members preferred to have a separate meeting in January to elect the Advisory Commission Chair.

Review of Prior Meeting Minutes

New Hampshire College Tuition Savings Plan Advisory Commission
 Minutes of the Meeting of December 7, 2020
 Page 2 of 9

The minutes of the August 17, 2020 meeting were presented for approval by Dr. Leach. Rep. Weyler mentioned that he did not recall being absent for a few votes as noted in the draft minutes and suggested to make a correction. Hearing no additional comments, Rep. Weyler moved to adopt the meeting minutes, as corrected, and Sister Buley seconded the motion. Advisory Commission members voted as follows:

| Member | Roll Call |
|--------------------------|------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Absent |
| Senator Lou D'Allesandro | Absent |
| Senator Jay Kahn | Abstained |
| Mr. Joseph Doiron | Abstained |
| Mr. Jay Knower | Yes |
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

Fidelity's Proposal to Reduce Management Fees

Mr. Kaplan stated that Fidelity is proposing to reduce the program fee for the UNIQUE Blend portfolios, similar to the action taken in 2018 when Fidelity reduced management fees for the age-based Fidelity and Index portfolios. The fee change would reduce the current charge by 2 basis points and it would not impact the State's administrative assessment portion. Mr. Kaplan indicated that the previous reduction was viewed favorably and he anticipates a similar outcome with this proposal. Mr. Kaplan also stated that the change would require a contract amendment and approval by the Advisory Commission.

Senator Kahn moved to approve the proposal presented by Fidelity to reduce the fees of the UNIQUE Blend Portfolios. Mr. Lynn seconded the motion. Advisory Commission members voted as follows:

| Member | Roll Call |
|--------------------------|------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Yes |
| Senator Lou D'Allesandro | Absent |
| Senator Jay Kahn | Yes |
| Mr. Joseph Doiron | Yes |

| Member | Roll Call |
|-----------------------|------------------|
| Mr. Jay Knowler | Yes |
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

Overview of the 529 Programs

529 Industry Market Update

Mr. Hazel presented the 529 industry update highlighting that the capital markets are facing unique sources of uncertainty, including the path of COVID-19 and the impact of global monetary and fiscal responses.

The New Hampshire 529 program remains the fourth largest in the country with \$20.3 billion in market-value assets, representing 5.6% of the market-share. The New Hampshire plans continue to trail the Virginia (\$79.8 billion in assets), New York (\$36.6 billion in assets) and Nevada plans (\$30.6 billion in assets). 529 industry assets increased by 3.9% from quarter two 2020 to quarter three 2020 and increased by 10.9% year over year, while New Hampshire assets increased by 3.2% for the quarter and 10% year over year. Asset growth was driven by the performance of the capital markets: U.S. Equities was up 9.1% for the quarter and 14.8% year over year. Non-US Developed equities increased 5% for the quarter and 0.4% year over year. Investment grade debt increased by 0.6% for the quarter and 7% year over year.

Mr. Hazel also shared that in early December, Fidelity announced that it had won the direct sold and advisor business for the State of Connecticut’s Connecticut Higher Education Plan (CHET). Fidelity now manages the 529 plans of New Hampshire, Massachusetts, Arizona, Delaware, and Connecticut.

Fidelity Advisor 529 Plan Review

Mr. Hazel continued his presentation providing an update of the Advisor-sold industry stating that Virginia remains the top advisor-sold plan in the country. 529 Advisor-sold plan assets increased by 3.5% from quarter two to quarter three 2020 and by 9% year over year, while New Hampshire’s FA 529 Plan assets increased by 2.4% for the quarter and by 5.3% year over year. As of September 30, 2020, the FA 529 plan had \$5 billion in market-value assets and 172,000 active participant accounts.

Mr. Hazel reported that in quarter three 2020, new account growth was up 38% compared to the same quarter in 2019. Year to date account growth was up 11% compared to the same time last year. Quarter three contributions were down 3% compared to quarter three in 2019 and year to date contributions were down 2% compared to the same period in 2019. Quarter three distributions were down 7% compared to quarter three 2019, while distributions by New Hampshire residents were down 10%.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Rozzero presented the results of the Direct-sold industry stating that the 529 Direct-sold plan assets increased 4.1% from quarter two 2020 and by 12.2% year over year, while the UNIQUE plan assets increased 3.5% for the quarter and 11.6% year over year. As of September 30, 2020, the UNIQUE plan had \$15.1 billion in market-value assets (up 12% year over year) and 577,000 total participant accounts.

Quarter three new account growth increased by 38% compared to quarter three in 2019 and new account contributions rose 14% to \$3,000 per new account. Total contributions increased by 16% compared to the same quarter last year while overall distributions decreased by 6%. Distributions by New Hampshire residents also decreased by 5%. Mr. Rozzero also reviewed the “Age Wave” chart noting that the distribution of active accounts and assets under management remain fairly spread out across the age spectrum and accounts for younger beneficiaries remain strong. Contributions through the online gifting platform and the rewards card continue to be positive, although spending has decreased this year during the COVID-19 crisis.

Adoption of Administrative Rules Csp 400 - Governor’s Scholarship Program

Ms. Mezzapelle reported that the final proposal relative to administrative rules Csp 400 was approved by the Joint Legislative Committee on Administrative Rules (“JLCAR”) and the Advisory Commission can now adopt the rules. Members of JLCAR approved the final proposal, but made one recommendation to the Advisory Commission to establish rules relative to public hearings because the Csp 200 rules do not address how to conduct public hearings. Ms. Mezzapelle indicated that this issue came to light because all agencies have been conducting remote hearings in accordance with the Governor’s Executive Order, however it contradicts another provision of the Administrative Procedure Act (RSA 541-A). Senator Kahn mentioned that there are plans to amend such law to align it with the current circumstances and, therefore, Senator Kahn recommended to wait on amending the Csp 200 rules until those provisions are clarified.

Since the JLCAR recommendation did not impact the Csp 400 rules, Senator Kahn made a motion to adopt the administrative rules Csp 400 relative to the Governor’s Scholarship Program. Mr. Lynn seconded the motion.

| Member | Roll Call |
|--------------------------|------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Yes |
| Senator Lou D’Allesandro | Absent |
| Senator Jay Kahn | Yes |
| Mr. Joseph Doiron | Yes |
| Mr. Jay Knower | Yes |

| Member | Roll Call |
|-----------------------|------------------|
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

Governor’s Scholarship Program - Approval of Award Allocation Amount for the 2021-22 Academic Year

Dr. Leach stated that the Advisory Commission needs to determine the Governor’s Scholarship Program funding and allocation amount for the 2021-22 academic year and asked Ms. Mezzapelle to review the materials provided. Ms. Mezzapelle reported the following:

- Preliminary results from invoices received on or before November 30 indicated that colleges and universities participating in the Governor’s Scholarship Program awarded 270 scholarships to non-scholars enrolled in a 4-year program, 314 scholarships to 4-year scholars, 169 scholarships to 2-year non-scholars, 36 scholarships to 2-year scholars, 16 scholarships to 1-year non-scholars, and one scholarship to a 1-year scholar. Institutions awarded \$4 million of the \$4.4 million initially allocated for the 2020-21 academic year. Ms. Mezzapelle noted that three institutions allocated more than the assigned funding, however, the program will be able to reimburse them because other institutions did not fully utilize their allocation, such as Southern New Hampshire University and others.
- Colleges and universities are requesting \$578,500 in reimbursement for eligible students currently enrolled.
- Taking into consideration the yearly funding and commitments to date, as well as the fiscal year 2021 appropriation of \$3 million (reserving some funds for administrative expenses), an uncommitted balance of \$5,465,000 was available to allocate in the upcoming academic year.

Rep. Weyler moved to approve the funding of \$5,465,000 to be allocated to participating institutions according to the schedule provided to Advisory Commission members. Any unused funds would revert back to the Governor’s Scholarship Fund. Mr. Knower seconded the motion. Advisory Commission members voted as follows:

| Member | Roll Call |
|--------------------------|------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Yes |
| Senator Lou D’Allesandro | Absent |
| Senator Jay Kahn | Yes |
| Mr. Joseph Doiron | Yes |
| Mr. Jay Knower | Yes |

| Member | Roll Call |
|-----------------------|------------------|
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

Update of Endowment Trust Fund and Scholarship Disbursements

Ms. Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through September 30, 2020, highlighting that the trust fund had received \$4.1 million in assessment revenue from Fidelity and had \$72,652 in net market gains and interest and dividend income.

With respect to scholarship disbursements, Treasury distributed the initial allocation amount of \$1 million to colleges and universities participating in the UNIQUE Annual Allocation program and \$1.9 million in monthly allocations to the restricted endowments of institutions participating in the UNIQUE Endowment Allocation program. Disbursements to restricted endowments reflected the changes pursuant to Exhibit M to Executive Order No. 29 which temporarily changed the portion of proceeds being allocated to restricted endowments from 80% to 30%. Additionally, since program inception, the endowment trust fund had received \$194.2 million in assessment revenues and had distributed approximately \$158.1 million in scholarship funds through September 30, 2020.

The endowment trust fund had also incurred \$20,239 in administrative expenses through September 30, 2020, consisting of: 1) investment management fees of \$4,075, 2) the first quarterly Treasury overhead allocation of \$10,164, and 3) \$6,000 in membership dues paid to the College Savings Plan Network. The trust fund balance as of September 30, 2020 was approximately \$4.3 million.

UNIQUE Scholarships Report for the 2019-20 Academic Year

Jan Fiderio from the Division of Education Analytics and Resources, previously part of the Higher Education Commission, presented the UNIQUE scholarship results for the 2019-20 academic year which were compiled from the annual reports submitted on or before October 15, 2020 by higher education institutions. The following was highlighted:

- 2020-21 full-time New Hampshire resident student enrollment (all sectors) increased by 158 students (0.85%) from the previous year to a total of 18,672. 2020-21 part-time New Hampshire resident student enrollment dropped by 197 students (-1.6%) from the previous year to a total of 12,288.
- Total endowment dollars maintained by restricted endowments increased by \$10,991,544 to a total of \$137,741,206. This is 8.7% growth, compared to 12.1% growth in the previous year.

- Institutional restricted endowments distributed \$4,595,351 in endowment awards (minimum of \$1,000 each) to 2,192 New Hampshire resident students. This was \$395,618 more in awards compared to last year.
- Institutions distributed \$2,434,214 in UNIQUE Annual Awards (direct scholarships) to 1,770 full-time and 2,689 part-time students, and they expect to distribute \$3,697,329 in UNIQUE Annual Awards in the current academic year to 2,519 full-time and 2,618 part-time students.

UNIQUE 2021-22 Annual Allocation Program Scholarship Award Decisions

Dr. Leach began the discussion by indicating that the Advisory Commission needed to make the yearly determination regarding the 2021-22 eligibility criteria for the UNIQUE Annual Allocation (Award) program, which currently provides individual awards of \$1,000 (\$500 for part-time students) to New Hampshire resident students with an Expected Family Contribution (“EFC”) of \$1,000.

Ms. Mezzapelle indicated that due to the estimates provided by higher education institutions relative to Annual Awards being granted in the current academic year of approximately \$3.7 million compared to the \$6 million budgeted, as well as the anticipated trust fund balance at the end of the fiscal year, the Advisory Commission could maintain the same eligibility criteria for the upcoming academic year.

Rep. Weyler then moved to maintain the current eligibility criteria that are in effect for the 2020-21 academic year. Sister Buley seconded the motion. The Advisory Commission voted as follows:

| Member | Roll Call |
|--------------------------|--------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Yes |
| Senator Lou D'Allesandro | Absent |
| Senator Jay Kahn | Yes |
| Mr. Joseph Doiron | Absent, left early |
| Mr. Jay Knower | Yes |
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

The UNIQUE Annual Allocation Program eligibility criteria for 2021-22 academic year will be as follows:

- Initial allocation amount of \$1 million to be distributed to participating institutions in July 2021 and subsequent payout to reimburse institutions for all scholarships paid to eligible students;
- A maximum EFC of \$1,000;
- An annual maximum award of \$1,000 for a full-time student, prorated for part-time; and
- A FAFSA filing deadline of December 31, 2021.

Annual financial disclosures due to Secretary of State on or before January 15, 2021

Ms. Mezzapelle reminded Commission members of the obligation to file financial disclosures with the Secretary of State's office pursuant to RSA 15-A by the third Friday in January (January 15, 2020) noting that this requirement does not apply to legislators. This year, the Secretary of State's office is implementing a new database to file electronically and more details will be provided in the coming weeks. An email reminder will be distributed to all Advisory Commission members with specific instructions.

State Legislation Update

Rep. Weyler mentioned that the leadership in the House and Senate have changed and it is anticipated that many bills from last year will be re-introduced as not much was accomplished last year due to the short legislative session.

Senator Kahn also shared that the deadline for Senate bills is December 15, 2020 and at that point it would be clearer whether there were any bills impacting the Advisory Commission. In addition, discussions regarding the operating budget would likely take priority over any other legislative initiatives.

Additionally, Rep. Leishman mentioned that Rep. Weyler had been elected the Chair of the Finance and Fiscal Committees.

Other Business

Members of the Advisory Commission thanked Dr. Leach for the many years of service on the Advisory Commission, especially for his leadership as Chair over the past year. The Commission congratulated him and wished him well as he transitions to the next chapter in his career.

Hearing no additional new business, Dr. Leach requested a motion to adjourn the meeting. Mr. Lynn moved, Ms. Scire seconded the motion. Advisory Commission members voted as follows:

| Member | Roll Call |
|-----------------------|------------------|
| Dr. Todd Leach, Chair | Yes |
| Mr. Robert Lynn | Yes |

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of December 7, 2020
Page 9 of 9

| Member | Roll Call |
|--------------------------|--------------------|
| Rep. Kenneth Weyler | Yes |
| Rep. Peter Leishman | Yes |
| Senator Lou D'Allesandro | Absent |
| Senator Jay Kahn | Yes |
| Mr. Joseph Doiron | Absent, left early |
| Mr. Jay Knower | Yes |
| Ms. Shannon Reid | Yes |
| Ms. Deborah Scire | Yes |
| Sr. Paula Buley | Yes |
| Ms. Monica Mezzapelle | Yes |

The meeting adjourned at 11:58 a.m.

NOTE: The next regular meeting is scheduled for Monday, March 8, 2021 beginning at 9:00 a.m.