

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of June 6, 2022

The June 6, 2022 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:00 a.m. by Dr. Deborah Scire, Advisory Commission Chair. The meeting was held at the University System of New Hampshire’s office located at 4 Chenell Drive, Suite 301, Concord, NH 03301.

Attendance:

Member	Representing	Attendance
Dr. Deborah Scire, Chair	NH College and University Council	Present
Christiana Thornton, Vice Chair	NH Higher Education Assistance Foundation	Absent
Monica Mezzapelle	State Treasurer	Present
Senator Lou D’Allesandro	State Senator	Present
Rep. Kenneth Weyler	State Representative	Absent
Sr. Paula Buley	NH Higher Education Commission	Present
Catherine Provencher	University System of New Hampshire	Present
Shannon Reid	Community College System of New Hampshire	Present
Senator Ruth Ward	State Senator	Absent
Rep. Robert Lynn	Public Member Appointed by the Governor	Present
Joseph Doiron	Governor Designee	Absent
Rep. Peter Leishman	State Representative	Absent

Also present at the meeting were Anthony Durkan from Fidelity Investments (“Fidelity”) and Kevin Davis and Allison Shablin from the State Treasury. Ron Hazel, Daniel Terio, Jessica Bialas, and Sarah O’Toole from Fidelity attended via conference call.

Review of Prior Meeting Minutes

The minutes of the March 14, 2022 meeting were presented for approval by Dr. Scire. Treasurer. Mezzapelle pointed out two typographical errors to be corrected. Hearing no additional comments or corrections, Sr. Buley moved to adopt the meeting minutes as corrected, and Rep. Lynn seconded the motion. All Advisory Commission members voted in favor with the exception of Senator D’Allesandro who abstained and the motion passed.

Q1 2022 Investment Review

Ms. O’Toole provided an overview of the capital markets as well as an update of the Plan’s performance during Q1 2022.

During the quarter, active and blend age-based portfolios underperformed their benchmarks driven by underlying managers selection within non-U.S. equities.

Over the one year period, active age-based and blend age-based underperformed their benchmarks, driven by being overweight to emerging market equities, underweight to U.S.

equities, and were offset by allocation to commodities, and underweight to investment grade debt.

Over the three and five-year periods, most of the active age-based portfolios outperformed their benchmarks driven by being underweight to investment grade debt, overweight to non-U.S. equities, and underlying managers selection of U.S. equities.

The Fidelity Index Portfolios performed in line with expectations for the quarter.

Regarding current positioning, Ms. O'Toole indicated in their active and blend strategies, they maintain a 5.2% underweight in U.S. equities. In addition, the portfolios maintain a 4.7% underweight in investment grade bonds feeling that they are overvalued. At the other end of the spectrum, they maintain 4.0% overweight to emerging market equities, feeling like there is more value. Lastly, they also maintain a 2.0% overweight in both non-U.S. developed markets equity and commodities.

Mr. Terio reviewed the Competitor Age-Based Portfolio Comparisons over the 1-, 3- & 5-year timeframes highlighting that over the 3- and 5- year timeframes, the NH plans continued to add value to participants relative to peer groups as the Active portfolios had outperformed at least 50% of their peer group.

Overview of the 529 Programs

529 Industry Market Update

The New Hampshire 529 program remains the fourth largest in the country with \$23.6 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$93.7 billion in assets), New York (\$44.8 billion in assets) and Nevada (\$37.9 billion in assets) plans. 529 industry assets decreased by 4.6% from Q1 2021 to Q2 2022 and increased by 4.7% year-over-year ending March 31, 2022, while New Hampshire assets decreased by 4.0% for the quarter and increased 4.1% year-over-year. Asset decreases were primarily driven by the performance of the capital markets: U.S. equities were down 5.4% for the quarter and increased 11.7% year-over-year. Non-U.S. developed equities decreased 4.7% for the quarter and increased 3.3% year-over-year. Investment grade debt decreased by 5.9% for the quarter and 4.2% year-over-year.

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 decreased by 6.0% from Q4 2021 to Q1 2022 and increased by 1.6% year-over-year, while New Hampshire's FA 529 Plan assets decreased by 6.1% for the quarter and by 2.6% year-over-year. As of March 31, 2022, the FA 529 plan had \$5.3 billion in market-value assets and 169,100 active participant accounts.

Mr. Hazel reported that in Q1 2022, new account growth was down 9% compared to the same quarter last year. Q1 2022 contributions were down 5% compared to the same quarter last year, while Q1 2022 distributions were up 4% compared to the same quarter last year. Q1 2022 distributions by NH residents were up 21% compared to the same quarter last year.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Durkin also provided an update on the 529 Direct-sold space, reporting that Direct-sold plan assets decreased 3.7% from Q4 2021 to Q1 2022 and increased 6.8% year-over-year, while the UNIQUE College Investing Plan decreased 3.4% for the quarter and increased 6.2% year-over-year from 2021 to 2022. As of March 31, 2021, the UNIQUE plan had \$18.2 billion in market-value assets and 697,000 total active participant accounts. Active participant accounts are defined as accounts with a balance.

Q1 2022 new account growth decreased by 24% compared to Q1 2021 and new account contributions declined 15%. Total contributions decreased by 2% compared to the same quarter last year while overall distributions increased by 9% compared to the same quarter last year. Distributions by New Hampshire residents also rose by 21% for Q1 2022 as compared to Q1 2021. Mr. Durkin also reviewed the “Age Wave” chart, noting that the distribution of active accounts and assets under management remain healthy as they are 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. Year-over-year, contributions via the Online Gifting tool are up 29% in Q1 2022 compared to Q1 2021 and accounted for just under 1.5% of total contributions into the UNIQUE Plan for the year. Despite less household spending nation-wide, participants continued to take advantage of the Fidelity rewards card as an alternative method for contributions.

Department of Education, Division of Higher Education – Memorandum of Understanding

Treasurer Mezzapelle described the Memorandum of Understanding (MOU) between the Department of Education (DOE), Division of Higher Education – Higher Education Commission and the State Treasury, which the Advisory Commission approved back in 2016 for support services to be provided to the UNIQUE Scholarship Programs. Treasurer Mezzapelle explained that since the State Treasury now has a dedicated employee to support the Governor and UNIQUE Scholarship programs, the work performed by one DOE employee is no longer needed and this is an opportunity to review this arrangement. The Advisory Commission recommended that the State Treasury communicate this information to the DOE Commissioner and confirm whether terminating the MOU this year would be appropriate. The Advisory Commission will discuss this topic again during the August meeting.

Update of Endowment Trust Fund, Scholarship Disbursements and the FY2023 Budget

Treasurer Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through Q3 of FY22, highlighting that the trust fund had received nearly \$14.6 million in assessment revenue from Fidelity and generated net market losses of \$449,293.

With respect to scholarship disbursements, in July 2021, Treasury distributed an initial allocation amount of \$1 million to colleges and universities participating in the UNIQUE Annual Allocation program and, as authorized in the administrative rules, institutions have submitted an additional \$2.0 million in reimbursement requests for awards granted in excess of the initial allocation amount of \$1 million. Treasury is working on disbursing these funds. In addition, \$11.8 million in monthly allocations were distributed to the restricted endowments of institutions participating in the UNIQUE Endowment Allocation program. Pursuant to administrative rule Csp 702.01(b), 80% of gross proceeds from assessments collected were distributed to participating institutions. Additionally, since program inception, the endowment trust fund had received \$222.4 million in assessment revenues and had distributed approximately \$177.3 million in scholarship funds through March 31, 2022.

The endowment trust fund had also incurred \$487,608 in administrative expenses through March 31, 2022, consisting of: 1) investment management fees of \$39,040, 2) the first, second, and third quarterly Treasury overhead allocation of \$31,606, 3) \$6,120 in membership dues paid to the College Savings Plan Network, 4) \$2,500 in membership dues paid to the College Savings Foundation, 5) \$36,000 paid to the Division of Higher Education for support services, and 6) \$372,342 paid to PwC for the audits of the UNIQUE and FA529 plans. The trust fund balance as of March 31, 2022 was approximately \$12.5 million.

Treasurer Mezzapelle presented the fiscal year 2023 NH College Tuitions Savings Plan Advisory Commission budget. Revenues are based on the projections that Fidelity provided us in the last quarterly meeting and reported in the semi-annual Dashboard Report. Fidelity anticipate \$21.1 million in revenue coming to the trust fund. Treasurer Mezzapelle noted the UNIQUE Endowment Allocation disbursement of \$6.3 million reflects the allocation percentage change of assessment revenue to the UNIQUE Endowment Allocation program to 30% for FY23 from the current percentage of 80% for FY22 approved by Advisory Commission on March 14, 2022. The current trust fund balance is approximately \$12.5 million, which will allow us to maintain the eligibility criteria the Advisory Commission approved last December for the UNIQUE Annual Allocation Program (EFC will be capped at \$5,846 and the individual award amount will be \$1,300). Administrative expenses include amounts the advisory commission pays for audits, fund management fees, association dues, and other miscellaneous.

Hearing no additional comments, Sr. Buley moved to adopt the fiscal year 2023 budget, Rep. Lynn seconded the motion. All commission members voted in favor and the motion passed.

Update of Governor's Scholarship Program

Treasurer Mezzapelle provided an update of the Governor's Scholarship Program. She explained that state law and the rules require participating institutions to submit an invoice to be reimbursed for awards they have granted to currently enrolled students. For the 2018-19 award year, of the \$4 million allocation, approximately \$1.2 million was reimbursed through the fourth year. For the 2019-20 award year, of the \$4.8 million allocation, approximately \$1.3 million was reimbursed through the third of four years. For the 2020-21 award year, of the \$4.5 million allocation, approximately \$1.7 million was reimbursed through the second of four years. For the

2021-22 award year, of the \$5.4 million allocation, approximately \$936 thousand was reimbursed through the first of four years.

In addition, Treasurer Mezzapelle explained that State agencies will begin work relative to the 2024-2025 operating budget and as part of the process, the Advisory Commission will need to approve the Governor's Scholarship Program and Endowment Trust Fund budgets to be included in the Agency Phase Budget. Treasurer Mezzapelle reviewed the first draft of the proposed budgets and mentioned that a final proposal will be prepared for the Advisory Commission's consideration at the August meeting.

State Legislation Update

Treasurer Mezzapelle reported there were no state legislative updates at this time for the commission.

Other Business

Hearing no additional new business, the meeting adjourned at 11:55 a.m.

NOTE: The next regular meeting is scheduled for Monday, August 22, 2022.