

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of August 22, 2022

The August 22, 2022 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”), held at the offices of the University System of New Hampshire in Concord, was called to order at 10:01 a.m. by Dr. Deborah Scire, Advisory Commission Chair.

Attendance:

<b>Member</b>	<b>Representing</b>	<b>Attendance</b>
Dr. Deborah Scire, Chair	NH College and University Council	Present
Christiana Thornton, Vice Chair	NH Higher Education Assistance Foundation	Present
Monica Mezzapelle	State Treasurer	Present
Senator Lou D'Allesandro*	State Senator	Present, left at 11:57 a.m.
Senator Ruth Ward	State Senator	Absent
Rep. Kenneth Weyler	State Representative	Present
Sr. Paula Buley	NH Higher Education Commission	Present, Left at 12:05 p.m.
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

\* These members participated remotely as permitted under RSA 91-A:2. As a result, all votes were by roll call.

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

**Review of Prior Meeting Minutes**

The minutes of the June 6, 2022 meeting were presented for approval by Dr. Scire. Hearing no additional comments or corrections, Treasurer Mezzapelle moved to adopt the meeting minutes as presented. Senator D’Allesandro seconded the motion. Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Deborah Scire, Chair	Yes
Christiana Thornton, Vice Chair	Yes
Monica Mezzapelle	Yes
Senator Lou D'Allesandro	Yes

<b>Member</b>	<b>Roll Call</b>
Senator Ruth Ward	Yes
Rep. Kenneth Weyler	Abstained
Sr. Paula Buley	Yes
Catherine Provencher	Yes
Shannon Reid	Yes
Senator Ruth Ward	Absent
Rep. Robert Lynn	Yes
Joseph Doiron	Absent
Rep. Peter Leishman	Absent

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 Q2 2022.

During the quarter, active and blend age-based portfolios underperformed their benchmarks. Active allocation positions in equities and commodities added value while underlying managers within U.S. Investment Grade Bond and Non-U.S. Developed Markets Equities detracted.

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

Over the one year period, active age-based and blend age-based underperformed their benchmarks. Active allocation positions in U.S. equities and commodities added value while underlying managers within Emerging Markets and U.S. Equities detracted.

Over the three year period, most of the active age-based portfolios outperformed their benchmarks as a result of underlying manager performance.

Over the five-year period, active age-based portfolios underperformed their benchmarks as a result of being underweight to and positioning within U.S. Equities.

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.

### **Maximum Contribution Limit**

Mr. Hazel reviewed information regarding the maximum contribution limit, which the Advisory Commission reviews every year. Mr. Hazel shared that New Hampshire’s maximum contribution limit is currently at \$553,098, which is highest contribution limit of all 529 plans. The average 529 Plan contribution limit is \$461,333, the median is \$500,000.

Mr. Hazel shared that New Hampshire has historically used the Dartmouth formula as one proxy to support its contribution limit calculation. This year the Dartmouth formula calculated a maximum contribution amount of \$569,163, which includes undergraduate and graduate study (7 years in total).

Treasurer Mezzapelle indicated that the IRS code requires that plan sponsors review the contribution limit annually and an accepted methodology considers college costs for four years plus graduate school. Treasurer Mezzapelle reiterated that the Advisory Commission has historically used the Dartmouth formula to support its decisions. After an engaged discussion, Rep. Lynn moved to increase the Maximum Contribution Limit to \$569,163. Rep. Weyler seconded the motion. Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Deborah Scire, Chair	Yes
Christiana Thornton, Vice Chair	Yes
Monica Mezzapelle	Yes
Senator Lou D'Allesandro	Yes
Senator Ruth Ward	Yes
Rep. Kenneth Weyler	Yes
Sr. Paula Buley	Yes
Catherine Provencher	Yes
Shannon Reid	Yes
Senator Ruth Ward	Absent
Rep. Robert Lynn	Yes
Joseph Doiron	Absent
Rep. Peter Leishman	Absent

The motion passed.

**Overview of the 529 Programs**

*529 Industry Market Update*

The New Hampshire 529 program remains the fourth largest in the country with \$21 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$82.3B in assets), New York (\$40.2B in assets) and Nevada (\$34.3B in assets) plans. 529 industry assets decreased by 10.1% from Q1 2022 to Q2 2022 and by 11.2% year-over-year ending June 30, 2022, while New Hampshire assets decreased by 8.8% and by

10.4% respectively during the same time periods. Asset decreases were primarily driven by the performance of the capital markets: U.S. equities were down 16.8% for the quarter and 14.2% year-over-year. Non-U.S. developed equities decreased 14.6% for the quarter and 16.6% year-over-year. Investment grade debt decreased by 4.7% for the quarter and 10.3% 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 11.4% from Q1 2022 to Q1 2022 and 14.8% year-over-year, while New Hampshire's FA 529 Plan assets decreased by 10.1% for the quarter and by 16.5% year-over-year. As of June 30, 2022, the FA 529 plan had \$4.8 billion in market-value assets and 168,500 active participant accounts.

Mr. Hazel reported that in Q2 2022, new account growth was down 24% compared to the same quarter last year. Q2 2022 contributions were down 18% compared to the same quarter last year, while Q2 2022 distributions were up 1% compared to the same quarter last year. Q2 2022 distributions by NH residents were down 17% compared to the same quarter last year.

#### *Direct-sold (UNIQUE) 529 Plan Review*

Mr. Durkan also provided an update on the 529 Direct-sold space, reporting that Direct-sold plan assets decreased 9.2% from Q1 2022 to Q2 2022 and 8.7% year-over-year, while the NH UNIQUE Plan decreased by 8.4% and by 8.5% respectively during the same time periods. As of June 30, 2022, the UNIQUE plan had approximately \$16.7 billion in market-value assets and 709,000 total active participant accounts. Active participant accounts are defined as accounts with a balance.

Q2 2022 new account growth decreased by 28% compared to Q2 2021 and new account contributions declined 28%. Total contributions decreased by 18% compared to the same quarter last year while overall distributions decreased by 2% during the same time period. Distributions by New Hampshire residents also declined by 6% for Q2 2022 as compared to Q2 2021.

#### **Dashboard Review as of June 30, 2022**

Treasurer Mezzapelle presented the semi-annual update of the Dashboard Report as of June 30, 2022 including the following:

- Revenue estimates were updated by Fidelity projecting that revenues would reach \$19.2 million, \$18.3 million, and \$18.7 million in calendar years 2022, 2023, and 2024, respectively.
- Ending plan assets were also updated projecting \$22.1 billion, \$22.7 billion, and \$23.4 billion in 2022, 2023, and 2024, respectively. Note: Commission revenue is derived from average plan assets.

**Update of Endowment Trust Fund, and Scholarship Disbursements**

Treasurer Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through Q4 of FY22, highlighting that the trust fund had received \$19.2 million in assessment revenue from Fidelity and generated net market losses of approximately \$1.2 million. Additionally, the endowment trust fund had also incurred \$511,167 in administrative expenses consisting of: 1) investment management fees of \$53,002, 2) the first, second, third and fourth quarterly Treasury overhead allocation of \$41,203, 3) \$6,120 in membership dues paid to the College Savings Plan Network and College Savings Plan Network, 4) \$2,500 in membership dues paid to the College Savings Foundation, 5) \$36,000 paid to the Department of Education for the administrative support provided and 6) \$372,342 paid to PwC for the audits of the UNIQUE and FA529 Plans. The endowment trust fund ended the fiscal year with a balance of \$10.6 million.

Since program inception, the endowment trust fund has collected \$227 million in assessment revenue and has disbursed over \$183 million in scholarship funds.

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 2014 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. Senator D’Allesandro moved to approve the termination of the MOU. Ms. Provencher seconded the motion. Advisory commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Deborah Scire, Chair	Yes
Christiana Thornton, Vice Chair	Yes
Monica Mezzapelle	Yes
Senator Lou D’Allesandro	Yes
Senator Ruth Ward	Yes
Rep. Kenneth Weyler	Yes
Sr. Paula Buley	Yes
Catherine Provencher	Yes
Shannon Reid	Yes
Senator Ruth Ward	Absent
Rep. Robert Lynn	Yes
Joseph Doiron	Absent
Rep. Peter Leishman	Absent

The motion passed.

**Update of Governor’s Scholarship Program**

Treasurer Mezzapelle provided an update of the Governor’s Scholarship Program, State law and the administrative rules require participating institutions to submit an invoice to be reimbursed for awards they have granted to students. The program originated with the Office of Strategic Initiatives (OSI) and in fiscal year 2021 was moved under the oversight of the Advisory Commission.

Treasurer Mezzapelle reviewed the Statement of Revenues, Expenditures, and Changes in Fund Balance as of June 30, 2022. At the beginning of FY22, the fund had approximately \$17.1 million and we ended the year with a balance of \$15.0 million. Of the \$15.0 million, approximately \$9.0 million is unrestricted and the remaining \$6 million is restricted as it has already been awarded to students in prior academic years. Treasurer Mezzapelle also noted that the FY23 allocation of approximately \$5.4 million is included within the \$9.0 million unrestricted balance.

**2024-2025 State’s Operating Budget: Governor’s Scholarship Program and Endowment Trust Fund Budget**

Treasurer Mezzapelle reviewed the 2024-2025 State’s Operating Budget for the Endowment Trust Fund and the Governor’s Scholarship Program. She explained that the Advisory Commission’s budget is included in the State’s budget and the recommendations of the Advisory Commission will be included in Treasury’s agency budget request. Sr. Buley moved to approve the budget. Rep. Weyler seconded the motion. Advisory members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Deborah Scire, Chair	Yes
Christiana Thornton, Vice Chair	Yes
Monica Mezzapelle	Yes
Senator Lou D’Allesandro	Absent, left at 11:57 a.m.
Senator Ruth Ward	Yes
Rep. Kenneth Weyler	Yes
Sr. Paula Buley	Yes
Catherine Provencher	Yes
Shannon Reid	Yes
Senator Ruth Ward	Absent
Rep. Robert Lynn	Yes
Joseph Doiron	Absent
Rep. Peter Leishman	Absent

The motion passed.

**State Legislation Update**

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

**Proposed 2023 Meeting Dates**

Dr. Scire presented the proposed 2023 meeting dates. Ms. Provencher moved to approve the proposed meeting dates, and Ms. Reid seconded the motion. Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Deborah Scire, Chair	Yes
Christiana Thornton, Vice Chair	Yes
Monica Mezzapelle	Yes
Senator Lou D'Allesandro	Absent, left at 11:57 a.m.
Senator Ruth Ward	Absent
Rep. Kenneth Weyler	Yes
Sr. Paula Buley	Absent, left at 12:05 p.m.
Catherine Provencher	Yes
Shannon Reid	Yes
Senator Ruth Ward	Absent
Rep. Robert Lynn	Yes
Joseph Doiron	Absent
Rep. Peter Leishman	Absent

The motion passed.

**Other Business**

No other new business was raised.

**Adjournment**

Dr. Scire adjourned the meeting at 12:12 p.m.

**Note:** The next regular meeting is scheduled for Monday, December 5, 2022.