

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of December 5, 2022

The December 5, 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 9:04 a.m. by Dr. Deborah Scire, Advisory Commission Chair.

Attendance:

Member	Representing	Attendance
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	Absent
Senator Ruth Ward	State Senator	Present
Rep. Kenneth Weyler	State Representative	Present
Sr. Paula Buley	NH Higher Education Commission	Absent
Catherine Provencher	University System of New Hampshire	Present
Shannon Reid	Community College System of New Hampshire	Present
Rep. Robert Lynn	Public Member Appointed by the Governor	Present
Joseph Doiron	Governor Designee	Absent
Rep. Peter Leishman	State Representative	Present, Arrived at 9:17am

Also present at the meeting were Anthony Durkan, Ron Hazel, Dan Terio, Elise Randazzo, Nancy Litwin and Alex Leclair from Fidelity Investments (“Fidelity”); and Kevin Davis and Allison Shablin from the State Treasury. Margaret Perkins from Fidelity attended via conference call.

Review of Prior Meeting Minutes

The minutes of the August 22, 2022 meeting and September 29, 2022 special meeting were presented for approval by Dr. Scire. Ms. Thornton moved to adopt the meeting minutes and Rep. Weyler seconded the motion. Advisory Commission members voted in favor, with the exception of Senator Ward abstaining from the August 22, 2022 meeting minutes. The motion passed.

Q3 2022 Investment Review

Ms. Randazzo provided an overview of the capital markets as well as an update of the Plan’s performance during Q3 2022.

During the quarter, active and blend age-based portfolios underperformed their benchmarks. Manager selection in U.S. equities and U.S. investment grade bond added value while being overweight to emerging market 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 being overweight to emerging market 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 New Hampshire plans continued to add value to participants relative to peer groups as over half of the Active portfolios had outperformed at least 50% of their peer group.

Overview of the 529 Programs

Fidelity Advisor 529 Plan Review

Mr. Hazel provided an update of the Advisor-sold industry. 529 Advisor-sold plan assets decreased by 6.9% from quarter two to quarter three 2022 and decreased by 19.1% year over year, while New Hampshire's FA 529 Plan assets decreased by 7.6% for the quarter and 20.6%, respectively during the same time period. As of September 30, 2022, the FA 529 plan had \$4.47 billion in market-value assets and 166,600 active participant accounts.

Mr. Hazel reported that in Q3 2022, new account growth decreased 30% compared to the same quarter in 2021. Q3 contributions decreased 18% compared to Q3 in 2021 and year to date total assets decreased 20% year over year. Q3 distributions decreased 3% compared to Q3 2021, while distributions by New Hampshire residents decreased 20% in the same time period.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Durkan presented the results of the Direct-sold industry stating that the 529 Direct-sold plan assets decreased 5.6% from Q2 2022 and decreased by 12.6% year over year, while the UNIQUE plan assets decreased 6.1% and 13% for the same time period. As of September 30, 2022, the UNIQUE plan had \$15.67 billion in market-value assets and 720,000 active participant accounts.

Quarter three new account growth decreased by 25% compared to quarter three in 2021 and new account contributions decreased 30% to \$3,000 per new account. Total contributions decreased by 14% compared to the same quarter last year while overall assets decreased 13%. Total distributions decreased by 1% while distributions by New Hampshire residents decreased 6%.

UNIQUE and Fidelity Advisor 529 Plan Marketing Update

Ms. Litwin provided an overview of the UNIQUE Plan Marketing Strategy for 2023 focusing on building awareness about the UNIQUE Plan and its benefits, driving new account opens and increasing contributions from exiting account holders, and making it

easier to save more and stay on track to meet savings goals. The goal is to reach the right audience in the right way at the right time through targeted ads for users who fit into a specific demographic primarily focusing on digital marketing to consumers, while in-person events are more used as local awareness actions. Ms. Litwin explained that the total marketing budget specific to the UNIQUE plan is \$215,000 with an additional \$65,000 for a national campaign.

Ms. Perkins presented the Media Plan, for which she highlighted adding new platforms ads for the 529 Plans will run on that Fidelity believes will better support the marketing efforts than previous platforms. She explained the use of Pandora had been replaced by Acast, a new partner. Additionally, Amazon is a new display market they are currently testing where ads will be displayed for users of Amazon's Fire TV products.

Ms. Leclair shared the Fidelity Advisor 529 Plan Marketing Strategy for 2023 indicating that their objective is to support new account growth by encouraging advisors to distribute the FA 529 Plan as part of a complete financial plan and help customers organize clear strategies to achieve their financial goals ---- planning for higher education is one of life's big moments. The team focuses on educating Financial Advisors to best serve their clients by leveraging leadership and product content. Ms. Leclair provided examples of thoughtful imagery used in their ads, as well as highlighting the tax advantages of the plan to help resonate their message with their clients. Ms. Leclair further explained that they track the "click-through" rates for these marketing emails.

Update of Endowment Trust Fund and Scholarship Disbursements

Treasurer Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through September 30, 2022, highlighting that the Trust Fund had received \$4.4 million in assessment revenue from Fidelity and had realized a net market gain of \$4,622.

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 \$1.3 million in monthly allocations to the restricted endowments of institutions participating in the UNIQUE Endowment Allocation program. Pursuant to administrative rule Csp 702.01(b), 30% of gross proceeds from assessments collected were distributed to participating institutions. Additionally, since program inception, the endowment trust fund had received \$231.5 million in assessment revenues and had distributed approximately \$185.3 million in scholarship funds through September 30, 2022.

The Endowment Trust Fund also incurred \$31,112 in administrative expenses through September 30, 2022, consisting of: 1) investment management fees of \$13,838, 2) the first quarterly Treasury overhead allocation of \$10,801, 3) \$6,455 in membership dues paid to the College Savings Plan Network and 4) \$18 in office supplies. The trust fund balance as of September 30, 2022 was approximately \$12.7 million.

UNIQUE Scholarships Report for the 2021-22 Academic Year

Mr. Davis from the NH State Treasury presented the UNIQUE scholarship results for the 2021-22 academic year, which were compiled from the annual reports and data collection request

submitted on or before November 1, 2022 by participating higher education institutions. The following was highlighted:

- 2022-23 full-time New Hampshire resident student enrollment (all sectors) decreased by 1,415 students (-8.2%) from the previous year to a total of 15,901.
- 2021-22 part-time New Hampshire resident student enrollment decreased by 4,600 students (-31.8%) from the previous year to a total of 9,888.
- Total endowment dollars maintained by restricted endowments decreased by \$7,442,167 to a total of \$172,068,885. This is 4.1% decrease as opposed to a 30.3 increase in 2021-22.
- Institutions distributed \$3,026,465 in UNIQUE Annual Awards (direct scholarships) to 1,790 full-time and 2,698 part-time students, and they expect to distribute \$4,916,000 in UNIQUE Annual Awards in the next academic year (2023/24) to 3,423 full-time and 2,986 part-time students.

UNIQUE 2023-24 Endowment Allocation Program

Treasurer Mezzapelle explained that pursuant to Csp 702.01(b), the Advisory Commission is required to set the annual endowment allocation percentage to be distributed during the 2023-24 academic year. She reminded the commission that the current percentage for the 2022-23 academic year is currently 30%.

After a brief discussion, Ms. Thornton moved to set the endowment allocation percentage at 30% for the 2023-24 academic year. Rep. Lynn seconded the motion. All Advisory Commission members voted in favor and the motion passed.

UNIQUE 2023-24 Annual Allocation Program

Treasurer Mezzapelle reviewed the projections that the State Treasury prepared including one that increased the EFC threshold from \$5,846 to \$7,000 while keeping the annual award amount at \$1,300 while the other increased both the EFC and award amount to \$8,000 and \$1,500, respectively. The estimated cost of these projections and 10-year cash flows were reviewed.

The Advisory Commission reviewed the amount of the initial allocation amount disbursed in July of each year. In prior years, the Advisory Commission disbursed a total of \$1 million to participating institutions in July and then the rules allow schools to seek reimbursement for any additional funds disbursed over the amount of their initial allocation. Ms. Provencher recommended raising the initial disbursement amount so the schools are not carrying the costs of the scholarships until they are reimbursed in May, at the end of the academic year.

Rep. Lynn moved to set the initial funding allocation to participating institution to \$3 million, the award amount to \$1,500, the eligibility Expected Family Contribution threshold to \$8,000, and the FAFSA filing deadline to January 31, 2024. Ms. Reid seconded the motion. All Advisory Commission members voted in favor and the motion passed. The State Treasury will notify all the participating institutions of the approved eligibility criteria.

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

Treasurer Mezzapelle reviewed the Statement of Revenues, Expenditures, and Changes in Fund Balance as of September 30, 2022 of the Governor's Scholarship Program. The Governor's Scholarship Fund ended the quarter with a balance of \$15.0 million of which approximately \$11.5 million is deemed restricted, as it has already been awarded to students in prior academic years.

For the 2022-23 award year, preliminary results from invoices received on or before November 30 indicated that of the \$5.4 million allocated for the award year, approximately \$3.6 million had been awarded.

Ms. Provencher moved to allocate \$5,000,000 for the Governor's Scholarship Program to participating institutions noting any unused funds would lapse back to the Governor's Scholarship Fund. Rep. Lynn seconded the motion. All Advisory Commission members voted in favor and the motion passed.

The Advisory Commission expressed an interest in reviewing scholarship provisions that may allow more students to participate in the program, but did not currently have the relevant data needed for the discussion on hand. This topic will be reviewed in future meetings.

Annual financial disclosures due to Secretary of State on or before January 20, 2023

Dr. Scire 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 20, 2023). The State Treasury will send reminder Advisory Commission members to ensure everyone files prior to the deadline.

Other Business

Mr. Davis provided an update on the outreach efforts to participating institutions regarding the scholarship programs.

Hearing no new business, Dr. Scire adjourned the meeting at 11:45am.

NOTE: The next regular meeting is scheduled for Monday, March 13, 2023.