

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of March 13, 2023

The March 13, 2023 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:03 a.m. by Dr. Deborah Scire, Advisory Commission Chair. The meeting was held at the University System of New Hampshire’s office located at 5 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	Absent
Senator Ruth Ward	State Senator	Present
Rep. Kenneth Weyler	State Representative	Present
Sr. Paula Buley	NH Higher Education Commission	Present
Catherine Provencher	University System of New Hampshire	Present
Shannon Reid	Community College System of New Hampshire	Absent
Rep. Robert Lynn	Public Member Appointed by the Governor	Present, Left at 11:45AM
Joseph Doiron	Governor Designee	Present, Arrived at 10:06 a.m.
Rep. Margie Smith	State Representative	Present

Also present at the meeting were Stephen Smith from the Legislative Budget Assistant’s office, Declan Byrne from PricewaterhouseCoopers, Anthony Durkan, Ron Hazel, Daniel Terio and Elise Randazzo from Fidelity Investments, and Lauren Warner and Allison Shablin from the NH State Treasury.

Review of Prior Meeting Minutes

The minutes of the December 5, 2022 meeting were presented for approval by Dr. Scire. Hearing no additional comments, Rep. Lynn moved to adopt the meeting minutes and Sen. Ward seconded the motion. Sr. Buley and Rep. Smith abstained and the motion passed.

Q4 2022 Investment Review

Ms. Randazzo provided a capital markets’ update and a recap of the Plan’s performance during Q4 2022. Due to decelerating inflationary pressures and a more stable interest rate environment, Q4 saw a positive return across all asset classes. Investment Grade Bonds increased by 1.9%, U.S. Large Cap Stocks increased by 7.2%, Non-US Developed Equities increased by 16.2%, and Emerging Market Equities increased by 9.2%. Within U.S. equities, cyclically-oriented sectors were among the top performing sectors during the quarter. 10-year Treasury yields reached their highest level in over a decade in late October before retreating to end the quarter marginally higher than where they began. Government bonds produced positive results in Q4, with Treasury

Inflation-Protected Securities (TIPS) outperforming nominal Treasuries. Commodities produced a 2.2% return.

During the quarter, active and blend age-based portfolios outperformed their benchmarks. Over the one year period, active age-based portfolios underperformed their benchmarks. Over a 3-year period, most portfolios outperformed their benchmarks as a result of underlying manager performance. Over a 5-year period, active age-based portfolios underperformed their benchmarks as a result of an underweight to US Equities. Fidelity Index Portfolios performed in line with benchmarks for the quarter.

Mr. Terio reviewed the Competitor Age-Based Portfolio Comparisons over the 1-, 3- & 5-year timeframes. Over the one-year period, all portfolios ranked in the bottom half of Morningstar rankings. Over the 3- and 5-year timeframes, Fidelity Funds (Active) portfolios have outperformed at least 50% of their peer group, demonstrating the value of active asset allocation.

Review of 2022 External Audits

Mr. Smith indicated that his office, in collaboration with the Treasury's office, is responsible for procuring an external auditor for the two 529 plan audits. Mr. Smith shared that the Fiscal Committee ("Committee") authorized the release of the audits back in November of 2022 as requested by the State Treasurer in order to comply with SEC rules, and at their February 2023 meeting, Mr. Declan Byrne presented the results of the audits to the Committee.

Mr. Byrne presented the 2022 audit results to the Advisory Commission, stating that the financial statements as of, and for the year ended, September 30, 2022, received unmodified (clean) opinions and were issued on time. PwC audited each of the 37 portfolios within the UNIQUE Plan and 28 portfolios within the FA 529 Plan (each portfolio maintains its own set of records). Mr. Byrne added that as part of the process, PwC has to rely on Fidelity's internal controls to obtain reasonable assurance over valuations of the underlying funds, existence of assets, income classification, proper financial statement presentation and disclosures, etc. Mr. Byrne had to report on certain required communications, however, procedures and results were consistent with prior years and no issues or concerns came to their attention. Mr. Byrne stated overall the audits yielded good results.

After the audit presentation, Dr. Scire requested a motion to accept the audit reports presented by PwC. Mr. Doiron moved to accept the audit, seconded by Rep. Lynn and 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 over \$21.3 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$81.8 billion in assets), New York (\$40.3 billion in assets) and Nevada plans (\$34.6 billion in assets). 529 industry assets increased by 6.1% from quarter three

2022 to quarter four 2022 and decreased by 14.3% year-over-year, while New Hampshire assets increased by 5.6% for the quarter and decreased 13.5% year-over-year. Plan performance was in line with market performance: U.S. Equities increased by 7.2% for the quarter and decreased 19.5% year-over-year. Non-US Developed equities increased 16.2% for the quarter and decreased 14.1% year-over-year. Investment grade debt increased 1.9% for the quarter and decreased 13% year-over-year.

Fidelity Advisor 529 Plan Review

Mr. Hazel provided 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 5.8% from quarter three to quarter four 2022 and increased by 18% year-over-year, while New Hampshire's FA 529 Plan assets increased by 6.4% for the quarter and increased 11.8% year-over-year. As of December 31, 2022, the FA 529 plan had \$21.3 billion in market-value assets and 165,000 active participant accounts.

Mr. Hazel reported that in quarter four 2022, new account growth decreased 22% compared to the same quarter in 2021. Year to date new account growth decreased 23% compared to year to date 2021. Quarter four contributions decreased 25% compared to quarter four in 2021 and year to date contributions decreased 16% compared to the same period in 2021. Quarter four distributions decreased 12% compared to quarter four 2021, while distributions by New Hampshire residents decreased 11% in quarter four compared to the same period in 2021.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Durkan presented the results of the Direct-sold industry stating that the 529 Direct-sold plan assets increased 6.4% from quarter three 2022 and decreased by 11.8% year-over-year, while the UNIQUE plan assets increased 6.9% for the quarter and decreased 11.8% year-over-year.

Mr. Durkan reported that as of December 31, 2022, the UNIQUE plan had \$16.6 billion in market-value assets (down 12% year-over-year) and had 733,000 active participant accounts. Quarter four new account growth decreased by 28% compared to quarter four in 2021 and new account contributions declined 40%. Total contributions decreased by 15% compared to the same quarter last year while overall distributions increased 1%. Distributions by New Hampshire residents also increased 1%.

Dashboard Review as of December 31, 2022

Ms. Mezzapelle presented the semi-annual update of the Dashboard Report as of December 31, 2022 including the following:

- Revenue estimates were updated by Fidelity projecting that New Hampshire revenues would reach \$17.2 million, \$17.3 million, and \$17.4 million in calendar years 2023, 2024, and 2025, respectively.

- Average plan assets were also updated projecting \$21.5 billion, \$21.8 billion, and \$22.1 billion in 2023, 2024, and 2025, respectively. Note: Commission revenue is derived from average plan assets.
- Regarding scholarship results, during the 2021-22 academic year, colleges and universities granted a total of 4,489 individual UNIQUE annual awards to full-time and part-time students compared to 4,857 (-7.5%) in the previous year, while restricted institution endowments distributed 2,719 individual awards of at least \$1,000 each compared to 2,646 (2.7%) in the prior academic year, for a total distribution of approximately \$6.1 million from endowment earnings.

Update of Endowment Trust Fund and Scholarship Disbursements

Ms. Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through December 31, 2022, highlighting that the trust fund had received \$8.5 million in assessment revenue from Fidelity and had a net market loss of \$50,891.

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 \$2.6 million in monthly allocations to the restricted endowments of institutions participating in the UNIQUE Endowment Allocation program (30% of gross proceeds from assessments collected). Additionally, since program inception, the endowment trust fund had received \$235.6 million in assessment revenues and has distributed approximately \$186.6 million in scholarship funds through December 31, 2022.

The endowment trust fund had also incurred \$57,200 in administrative expenses through December 31, 2022, consisting of: 1) investment management fees of \$26,565, 2) the first and second quarterly Treasury overhead allocation of \$21,662, 3) \$6,455 in membership dues paid to the College Savings Plan Network, 4) \$2,500 in membership dues paid to the College Savings Foundation, and 5) \$18 in supplies. The trust fund balance as of December 31, 2022 was approximately \$15.4 million.

Governor's Scholarship Program Update

Ms. Mezzapelle provided an update of the Governor's Scholarship Fund. As of December 31, 2022, the fund had a balance of \$13.8 million of which \$8.5 million was restricted and \$5.4 million was unrestricted.

State Legislation Update

The Advisory Commission discussed the Governor's proposal included in HB 2, the budget trailer bill, which utilizes a portion of the administrative assessments the Advisory Commission collects from Fidelity to fund a new Student Relief Program. The Advisory Commission engaged in a brief discussion regarding the bill, however, no action was taken. HB1 (operating

budget) also included the Advisory Commission's request to fund the Governor's Scholarship program (\$3 million for each fiscal year of the biennium).

Other Business

Advisory Commission members voiced possible ideas regarding the quarterly updates the Advisory Commission receives from Fidelity Investments, the Plan's Program Manager. The State Treasury will share the feedback with Fidelity representatives.

The meeting adjourned at 12:13 p.m.

NOTE: The next regular meeting is scheduled for Monday, May 22, 2023.