

DRAFT

New Hampshire College Tuition Savings Plan Advisory Commission Minutes of the Meeting of June 17, 2024

The June 17, 2024, meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:05 a.m. by Christiana Thornton, 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
Christiana Thornton, Chair	NH Higher Education Assistance Foundation	Present
Dr. Deborah Scire	NH College and University Council	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
Dr. Mark Rubinstein	NH Higher Education Commission	Arrived @ 10:20am
Catherine Provencher	University System of New Hampshire	Arrived @ 10:25am
Shannon Reid	Community College System of New Hampshire	Arrived @ 10:06am
Rep. Robert Lynn	Public Member Appointed by the Governor	Absent
Joseph Doiron	Governor Designee	Absent
Rep. Marjorie Smith	State Representative	Present

Also present at the meeting were Ron Hazel, Elise Randazzo, Dan Terio, Nancy Litwin and Alex LeClair from Fidelity Investments (“Fidelity”). Shelby Miuzzao from Granite Edvance. Lauren Warner and Allison Shablin from the State Treasury. Tony Durkan, Whitney Pouliot, and Meredith McHale from Fidelity via video conference call.

Q1 2024 Investment Review

Ms. Randazzo provided an overview of the capital markets as well as an update of the Plan’s performance during Q1 2024. Sentiment remained strong in the first quarter of 2024 as recession fears dissipated and investors coalesced around the probability of a “soft landing”. Inflationary pressures persisted, however, and despite a repricing of rate cut expectations and a back-up in Treasury yields, equity performance remained positive and resilient, particularly in the U.S. Non-U.S. equities also advanced with developed market countries generally outperforming emerging markets. With interest rates rising, investment-grade fixed income asset classes generally had negative returns.

Majority active age-based portfolios and blend age-based portfolios outperformed benchmarks. Asset Allocation: Underweight to U.S. equities detracted. Manager Selection: Manager selection helped in U.S, Developed Market and Emerging Market equities. Fidelity Index Portfolios performed at par to the benchmark.

Regarding current positioning, Ms. Randazzo indicated the strategic asset allocation reflects Fidelity's long-term views and insights on participant needs, diversification, and capital markets. Long-term stock and bond returns and the spread between them will be lower than in the past and that the secular inflation backdrop could be changing. Therefore, the strategic asset allocation continues to emphasize diversification to navigate changing market regimes.

Active positioning emphasizes assets for which there is an expectation gap between the current price and Fidelity's view of fair value. We focus on fundamentals (discount rates, cashflows) in an effort to determine the relative attractiveness of investment opportunities. Active asset allocation views are underweight in U.S. equities, overweight in non-U.S. equities, both developed and emerging markets and overweight in duration.

Mr. Terio provided a competitive overview, sharing that the active portfolios are ranked in the top third of the competitive universe. Only three other states are offering products that have generated a higher return over 10 years.

Overview of the 529 Programs

529 Industry Market Update

Mr. Hazel shared that the New Hampshire 529 program remains the fourth largest in the country with \$25.9 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$100.5 billion in assets), New York (\$49.7 billion in assets) and Nevada (\$42.9 billion in assets) plans. 529 industry assets increased by 5.7% from Q4 2023 to Q1 2024 and increased by 15.6% year-over-year ending March 31, 2024, while New Hampshire assets increased by 6.0% for the quarter and increased 15.4% during the same time periods. U.S. equities were up 10% for the quarter and increased 29.4% year-over-year. Non-U.S. developed equities increased 5.7% for the quarter, and increased 15.5% year-over-year. Investment grade debt decreased by 0.8% for the quarter, and increased 1.7% year-over-year.

Fidelity Advisor 529 Plan Review

Mr. Hazel went on to provide 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 5.5% from Q4 2023 to Q1 2024 and increased by 13.6% year-over-year, while New Hampshire's FA 529 Plan assets increased by 4.2% for the quarter and increased by 7.6% year-over-year. As of March 31, 2024, the FA 529 plan had \$5.2 billion in market-value assets and 158,500 active participant accounts.

Mr. Hazel reported that in Q1 2024, new account growth was up 27% compared to the same quarter last year. Q1 2024 contributions were up 18% compared to the same quarter last year, while Q1 2024 distributions were up 9% compared to the same quarter last year. Q1 2024 distributions by NH residents were flat compared to the same quarter last year.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Durkan provided an update on the 529 Direct-sold space, reporting that Direct-sold plan assets increased 5.9% from Q4 2023 to Q1 2024 and increased 16.8% year-over-year, while New Hampshire's UNIQUE College Investing Plan increased 6.5% for the quarter, and increased 17.6% year-over-year from 2023 to 2024. As of March 31, 2024, the UNIQUE plan had \$20.7 billion in market-value assets, and 827,000 total active participant accounts.

Mr. Durkan also reported that in Q1 2024, new account growth increased by 62% compared to Q1 2023 and new account contributions rose 64%. Total contributions increased by 40% compared to the same quarter last year, while overall distributions increased by 10% compared to the same quarter last year. Distributions by New Hampshire residents also rose by 14% for Q1 2024 as compared to Q1 2023. Contributions via the Online Gifting tool were up 54% in Q1 2024 compared to Q1 2023, and accounted for just under 2% of total contributions into the UNIQUE Plan for the year.

UNIQUE and Fidelity Advisor 529 Plan Marketing Update

Ms. McHale shared that data was received from a College Savings Indicator (CSI) study that provides insight into the saving behaviors related to college education. Fidelity is planning to use that data to leverage their marketing efforts.

Ms. Litwin provided an update for the UNIQUE Plan Marketing Strategy, sharing that the 529 industry is seeing increased growth in account openings and assets in a return to pre-pandemic levels despite market volatility in recent years. Parents have been saving more in 529 plans despite an overall national savings rate decrease, highlighting that families are making 529 education savings a priority. Ms. Litwin stated that they're seeing an increase of 17% in search interest for 529 plans topics year over year, including Roth IRA, 529 calculator, and 529 plan deduction, signaling more interest in the features and benefits of a 529.

Ms. Litwin went on to dive deeper into 2023 results, including that accounts are up 30% year over year, attributable to paid media and search. Paid search continues to be the top driver of new accounts. Social continues to be a strong driver of awareness and consideration. Amazon was the top performing display partner. A 37% year over year increase in onsite/mobile account completes.

Ms. Litwin shared some of the 2024 marketing strategy changes and goals for their Paid Media/Advertising efforts, including shifting more investment into Search and Amazon display due to strong performance, developing new creative assets based on declining performance, removal of ads via streaming audio and reduced investment with Saving for College. For Fidelity's owned platforms includes refreshing 529 creative, launching 529 gifting and 529 goal setting message. Fidelity's marketing team also plans to host local marketing events in the state of New Hampshire again this year as well.

Ms. Pouliot added that the access to the CSI data points will help optimize their campaigns throughout the year and help spend the marketing budget more wisely.

Ms. Leclair provided an overview of the Fidelity Advisor 529 Plan Marketing Strategy for 2024, including highlighting the campaigns throughout the year, including call-to-actions (URL and QR codes) that drive to FA 529 webpage, messaging specific to tax advantages of the plan, how the plan can help investors meet their college savings goals and qualified K-12 expenses.

Review of Prior Meeting Minutes

The minutes of the March 11, 2024 meeting were presented for approval by Ms. Thornton. Rep. Weyler moved to adopt the meeting minutes, and Senator Ward seconded the motion. All Advisory Commission members present voted in favor with the exception of Dr. Rubinstein, who abstained, and the motion passed.

FAFSA Update

Shelby Miuzzo from Granite Edvance shared that nationally, only 44.1% of students from the class of 2024 had completed the FAFSA, which is down about 12.8% from last year. NH is outperforming the national average at 44.7% completed, down 10.5%. Making NH #6 in the country. Ms. Miuzzo noted that a major challenge is that the FAFSA form is now different for returning students and that the U.S. Department of Education has not committed to an October 1, 2024 open date, which implies that a delay is still uncertain at this time.

Update of Endowment Trust Fund and Scholarship Disbursements

Treasurer Mezzapelle provided an update of the Endowment Trust Fund and scholarship disbursements through the third quarter of Fiscal Year 2024, highlighting that the Trust Fund had received nearly \$13.4 million in assessment revenue from Fidelity and generated net market gains of \$1.4 million.

With respect to scholarship disbursements, in July 2023, Treasury distributed an initial allocation of \$3 million to colleges and universities participating in the UNIQUE Annual Allocation program. As authorized in the administrative rules, institutions have submitted an additional \$5 million in reimbursement requests for awards granted in excess of the initial allocation amount of \$3 million. In addition, 30% of gross proceeds from assessments collected were distributed to participating institution endowments, a total of \$4 million through March 31, 2024. Additionally, since program inception, the Endowment Trust Fund has received \$257.5 million in assessment revenues, and has distributed over \$200 million in scholarship funds through March 31, 2024.

The Endowment Trust Fund also incurred \$518,965 in administrative expenses through March 31, 2024, consisting of: 1) investment management fees of \$57,015; 2) the first, second, and third quarterly Treasury overhead allocation of \$53,240; 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; 5) \$399,664 paid to PwC for the audits of the UNIQUE and FA529 plans; and 6)

\$91 in supplies. As of March 31, 2024, the Endowment Trust Fund had a balance of \$24.2 million.

Fiscal Year 2024 Endowment Trust Fund Budget

Treasurer Mezzapelle presented the Fiscal Year 2025 Endowment Trust Fund Budget and stated that estimated revenues of \$19 million were obtained from the latest projections provided by Fidelity which were previously reported in the December 31, 2023 Dashboard Report. Treasurer Mezzapelle also noted that the budget includes estimates of \$5.7 million for the UNIQUE Endowment Allocation program and \$13.6 million for the UNIQUE Annual Allocation Program (individual award amount will be \$2,500). The plan for administrative expenses includes amounts the Advisory Commission will pay for audits, fund management fees, association dues, Treasury's administrative support, and other miscellaneous expenses, a total of approximately \$603,000.

Hearing no additional comments, Ms. Provencher moved to adopt the Fiscal Year 2025 Budget, Rep. Weyler 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 Fund. As of March 31, 2024, the fund had a balance of approximately \$15 million of which \$8.9 million was restricted and \$6.1 million was unrestricted. Reimbursements to colleges and universities occurred in the fall 2023 for about \$1.2 million and in May 2024 for about \$1.1 million. Complete results will be presented at the next meeting.

State Legislation Update

Treasurer Mezzapelle reported that SB 473, Governing Unclaimed Horse Racing Ticket and Voucher Money, had initially earmarked the unclaimed funds to the Governor's Scholarship Program; however, an amendment was adopted to deposit the funds in the general fund. No other state legislative update was noted.

Other Business

Hearing no additional new business, the meeting adjourned at 12:10 p.m.

NOTE: The next regular meeting is scheduled for Monday, August 26, 2024.