

DRAFT  
New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of March 11, 2024

The March 11, 2024 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 10:00 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	Present
Senator Ruth Ward	State Senator	Present
Rep. Kenneth Weyler	State Representative	Present
Dr. Mark Rubinstein	NH Higher Education Commission	Absent
Catherine Provencher	University System of New Hampshire	Absent
Shannon Reid	Community College System of New Hampshire	Present
Rep. Robert Lynn	Public Member Appointed by the Governor	Present
Joseph Doiron	Governor Designee	Present
Rep. Marjorie Smith	State Representative	Arrived at 10:11am

Also present at the meeting were Anthony Durkan, Elise Randazzo and Dan Terio from Fidelity Investments. Moira Valenti of Granite Edvance. Christine Young from the Office of Legislative Budget Assistant, and Declan Byrne from PricewaterhouseCoopers. Lauren Warner and Allison Shablin from the NH State Treasury. Ron Hazel from Fidelity Investments by conference call.

**Election of Advisory Chairperson**

Dr. Scire announced she would be stepping down as the Advisory Commission Chairperson and nominated Christiana Thornton to take over as the new Chairperson. Ms. Reid moved to accept Ms. Thornton as the new Chairperson, seconded by Mr. Thornton. All members present were in favor and the motion passed.

**Review of Prior Meeting Minutes**

The minutes of the December 4, 2023 meeting were presented for approval by Ms. Thornton. Hearing no additional comments, Rep. Weyler moved to adopt the meeting minutes and Mr. Doiron seconded the motion. Rep. Lynn, Senator Ward and Senator D’Allesandro abstained and the motion passed.

**Q4 2023 Investment Review**

Ms. Randazzo provided an update of the capital markets and the Plan's performance during Q4 2023. She shared that softening inflation data, a downward third quarter Gross Domestic Product revision and moderating jobs growth led the market to reprice expectations for 2024 Federal Reserve actions. With this shift in sentiment, rates declined considerably, and U.S. equity markets rallied. Most major asset classes posted positive results. Within U.S. equities, growth-oriented benchmarks generally outperformed value and rate sensitive sectors were the top performing segments. Commodities posted a negative return as oil prices were weaker over the quarter.

The majority of the active age-based portfolios underperformed benchmarks while the majority blend age-based portfolios outperformed benchmarks. Active Asset Allocation being underweight to U.S. equities detracted. Manager selection helped in Developed Markets and Emerging Markets equities, but detracted in U.S. Equities.

Ms. Randazzo stated that the strategic asset allocation reflects long-term views and insights on participants' 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. 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 fair value with a focus on fundamentals to determine the relative attractiveness of investment opportunities such as underweight U.S. equities, overweight non-U.S. equities, and overweight duration.

Mr. Terio presented the Competitor Age-Based Portfolio Comparisons stating that over the 1-, 5- and 10-year periods, the majority of the active portfolios were ranked in the top half of Morningstar rankings outperforming at least 50% of their peer group. Overall, the New Hampshire portfolios continue to perform well compared to its peers.

## **Overview of the 529 Programs**

### *529 Industry Market Update*

The New Hampshire 529 program remains the fourth largest in the country with over \$24.4 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$84.4 billion in assets), New York (\$46.9 billion in assets) and Nevada plans (\$40.5 billion in assets). 529 industry assets increased by 9.3% from quarter three 2023 to quarter four 2023 and increased by 15.1% year-over-year, while New Hampshire assets increased by 8.9% for the quarter and increased 14.7% respectively during the same time periods. U.S. Equities increased by 12.1% for the quarter and increased 26.1% year-over-year. Non-US Developed equities increased 10.5% for the quarter and increased 18.2% year-over-year. Investment grade debt increased 6.8% for the quarter and decreased 5.5% 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 8.9% from quarter three to quarter four 2023 and increased by 12.5% year-over-year, while New Hampshire's Fidelity Advisor 529 ("FA 529") Plan assets increased by 6.6% for the quarter and increased 6.8% year-over-year. As of December 31, 2023, the FA 529 plan had approximately \$5 billion in market-value assets and 160,000 active participant accounts.

Mr. Hazel reported that in quarter four 2023, new account growth increased 5% compared to the same quarter in 2022. Year to date new account growth increased 2% compared to year to date 2022. Quarter four contributions increased 5% compared to quarter four in 2022 and year to date contributions decreased 3.5% compared to the same period in 2022. Quarter four distributions increased 11% compared to quarter four 2022, while distributions by New Hampshire residents increased 12% in quarter four compared to the same period in 2022.

#### *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 9.5% from quarter three 2023 and increased by 16.7% year-over-year, while the NH UNIQUE plan assets increased 6.6% for the quarter and increased 16.9% respectively during the same time periods.

Mr. Durkan reported that as of December 31, 2023, the UNIQUE plan had \$19.4 billion in market-value assets (up 17% year-over-year) and had 799,000 active participant accounts. Quarter four new account growth increased by 55% compared to quarter four in 2022 and new account contributions rose 56%. Total contributions increased by 56% compared to the same quarter last year while overall distributions increased 9%. Distributions by New Hampshire residents remained flat to last year.

#### **Review of 2023 External Audits**

Ms. Young indicated that her office, in collaboration with the State Treasury, is responsible for procuring an external auditor for the two 529 plan audits. Ms. Young shared that the Fiscal Committee ("Committee") authorized the release of the audits back in November of 2023 as requested by the State Treasurer in order to comply with SEC rules, and at their February 2024 meeting, Mr. Byrne presented the results of the audits to the Committee.

Mr. Byrne presented the 2023 audit results to the Advisory Commission, stating that the financial statements as of, and for the year ended, September 30, 2023, 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 stated overall the audits yielded good results.

After the audit presentation, Ms. Thornton requested a motion to accept the audit reports presented by PwC. Senator D'Allesandro moved to accept the audit, seconded by Rep. Weyler and the motion passed.

### **FAFSA Rollout Update**

Moira Valenti led an informative discussion on the recent changes to the Free Application for Federal Student Aid (“FAFSA”) form and its rollout. The Advisory Commission was informed of the ongoing challenges the U.S. Department of Education has been having with its implementation. The Advisory Commission also discussed any potential impact to the distribution of the scholarship funds and is awaiting more information on the change and transition from Expected Family Contribution (“EFC”) to Student Aid Index (“SAI”), which may significantly impact the number of students eligible for the federal Pell Grants and thereby eligible for New Hampshire scholarships. There is a growing concern that the challenges and delays caused by the FAFSA rollout may result in lower student enrollments, an issue the Advisory Commission will be monitoring closely.

### **Dashboard Review as of December 31, 2023**

Ms. Mezzapelle presented the semi-annual update of the Dashboard Report as of December 31, 2023 including the following:

- Revenue estimates were updated by Fidelity projecting that New Hampshire revenues would reach \$19.1 million, \$18.9 million, and \$18.9 million in calendar years 2024, 2025, and 2026, respectively.
- Average plan assets were also updated projecting \$24.3 billion, \$24.4 billion, and \$24.8 billion in 2024, 2025, and 2026, respectively. Note: Commission revenue is derived from average plan assets.
- Regarding scholarship results, during the 2022-23 academic year, colleges and universities granted a total of 6,309 individual UNIQUE annual awards to full-time and part-time students compared to 4,489 (+28%) in the previous year, while restricted institution endowments distributed 2,886 individual awards of at least \$1,000 each compared to 2,719 (+6%) in the prior academic year, for a total distribution of approximately \$7.2 million from endowment earnings.

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

Treasurer Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through December 31, 2023, highlighting that the trust fund had received \$8.8 million in assessment revenue from Fidelity and had a net market gains of \$1.3 million.

With respect to scholarship disbursements, the State Treasury distributed the initial allocation amount of \$3 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 \$252.9 million in assessment revenues and has distributed approximately \$239.3 million in scholarship funds through December 31, 2023.

The endowment trust fund incurred \$478,760 in administrative expenses, consisting of: 1) \$399,664 paid to PricewaterhouseCoopers for the audits of the UNIQUE and Fidelity Advisor 529 Plans; 2) the investment management fees of \$37,150; 3) the first and second quarterly Treasury overhead allocation of \$35,400; 4) \$6,455 in membership dues paid to the College Savings Plan Network; and 5) \$91 in miscellaneous expenses. The trust fund balance as of December 31, 2023 was approximately \$20.9 million.

### **Governor's Scholarship Program Update**

Treasurer Mezzapelle provided an update of the Governor's Scholarship Fund. As of December 31, 2023, the fund had a balance of \$14.5 million of which \$8.9 million was restricted and \$5.9 million was unrestricted.

### **State Legislation Update**

The Advisory Commission engaged in a brief discussion of discussed Bill 473 – Governing unclaimed horse racing ticket and voucher money. The bill proposes such unclaimed funds shall be deposited into the Governor's Scholarship Fund.

### **Other Business**

Treasurer Mezzapelle proposed rescheduling the next meeting from May 20, 2024 to June 10, 2024. After some brief discussion, it was decided that the best date for most of the present members of the Commission would be June 17, 2024 at 10am. Senator D'Allesandro moved to accept the new meeting date, which was seconded by Rep. Weyler and the motion passed.

The meeting adjourned at 11:55 a.m.

**NOTE:** The next regular meeting is scheduled for Monday, June 17, 2024.