

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 15, 2107

The May 15, 2017 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”), held at the offices of the New Hampshire Higher Education Assistance Foundation in Concord, was called to order at 10:00 a.m. by Dr. Edward MacKay, Advisory Commission Chair.

Members present, constituting a quorum, were:

Edward MacKay (Chair)	Public Member, appointed by the Governor; Retired Chancellor, University System of New Hampshire
Tori Berube	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Michael Cryans	Public Member, appointed by the Governor
Bill Dwyer	State Treasurer
Ross Gittell	Chancellor, Community College System of New Hampshire
David Mahoney	Representing the Higher Education Commission – Dept. of Education
Kenneth Weyler	State Representative

Members absent were:

Lou D’Allesandro	State Senator
Thomas Horgan	President & CEO, representing the New Hampshire College and University Council
Daniel Innis	State Senator
Sylvia Larsen	Representing the Governor; Retired State Senator
Todd Leach	Chancellor, University System of New Hampshire
Peter Leishman	State Representative

Also present at the meeting were Kyla Doyle, Keith Bernhardt, and Ron Hazel from Fidelity Investments (“Fidelity”), and Monica Mezzapelle from the New Hampshire State Treasury.

### **Review of Prior Meeting Minutes**

Minutes of the March 6, 2017 meeting were presented for approval by Dr. MacKay. Dr. MacKay requested a motion to approve the meeting minutes as distributed. Mr. Cryans moved and Ms. Berube seconded the motion. The motion was unanimously approved.

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

Treasurer Dwyer presented the Endowment Trust Fund and Scholarship Disbursements update for quarter ending March 31, 2017. During the third quarter of the State’s fiscal year 2017, the

endowment trust fund received nearly \$9.9 million in management fee income (or assessments) from the two 529 Plans and had disbursements of approximately \$9.3 million. Through March 31, 2017, administrative expenses totaled \$392,143, comprising of 1) \$315,115 paid to PwC for the two 529 Plan audits, 2) \$7,442 for the trust fund management fees, 3) \$26,880 for three quarterly Treasury overhead allocations, 4) \$6,600 for the annual membership dues paid to the College Savings Plan Network and College Savings Foundation, combined, 5) \$36,000 for the administrative support provided by the Division of Higher Education, and 6) \$106 for purchase of supplies. The endowment trust fund concluded the quarter with a balance of a little over \$3 million.

With regard to the scholarship programs, an initial allocation of approximately \$1 million was distributed to participating institutions of the UNIQUE Annual Allocation program in July of 2016 and institutions are now beginning to request reimbursement funds for scholarships granted in excess of the initial allocation amount. Through March 31, 2017, Treasury disbursed \$16,188 to two institutions who demonstrated awarding funds to eligible New Hampshire students and an additional \$1.4 million has been requested, so far, through April 30<sup>th</sup> which is lower than initial expectations. Dr. MacKay mentioned that the decrease in reimbursement requests could be due to declining enrollment and/or a result of the improving economy, as less students have an EFC of \$0 to qualify for the UNIQUE scholarships. One positive aspect of this outcome, is that the endowment trust fund should have more funds to cover future scholarship obligations. Ms. Mezzapelle added that the endowment trust fund is projected to finish the fiscal year with a balance of \$2.3 million. In addition, on the UNIQUE Endowment Allocation program side, nearly \$8 million in monthly allocations were distributed to colleges and universities participating in the program through March 31, 2017. Since program inception, the endowment trust fund has received over \$141 million in revenue and has surpassed the \$100 million mark in combined scholarship disbursements, with over \$107 million distributed to participating colleges and universities through March 31, 2017.

In response to Ms. Berube's question, Dr. MacKay mentioned that the last time the EFC was greater than \$0 was in 2014 (\$1,000). Dr. MacKay also reminded Commission members that this criterion could be evaluated in the future once there is more experience with the award amount increase from \$700 to \$800. Dr. Gittell commented that institutions who participate in UNIQUE Endowment Allocation program may benefit students with greater EFC, as they have more flexibility determining who is eligible to receive funds – expressing support for the current structure.

### **Fiscal Year 2018 College Savings Program Budget Review**

Treasurer Dwyer presented the proposed fiscal year 2018 program budget to the Advisory Commission.

The fiscal year 2018 budget includes \$13 million in management fee income derived from projected assets in the two 529 Plans updated by Fidelity semi-annually and reported to the Advisory Commission in the Dashboard Report. The budget projects over \$9.1 million in

assessment revenue from the UNIQUE College Investing Plan (typically 70% of total revenue) and nearly \$4 million in projected revenue from the Fidelity Advisor 529 Plan. Treasurer Dwyer stated that this year the budget includes a line item that estimates the amount of trust fund monies that need to be contributed during the fiscal year to cover program expenses. Typically, annual contributions from the endowment trust fund are approximately \$400,000, and this year due to the increase in the individual Annual Award amount from \$700 to \$800 for a full-time student, we estimate an additional \$600,000 will be required from the endowment trust fund.

Program disbursements include the UNIQUE endowment allocations of over \$10.4 million (80% of \$13 million in revenue, as required by the administrative rules), which are paid monthly to participating institution endowments, and the UNIQUE annual award allocations of \$3.2 million. The UNIQUE Annual Award amount was derived from an estimated 3-year average of annual awards granted as well as the award increase estimate approved by the Advisory Commission during its February 2017 meeting for the 2017-18 academic year.

In addition to the scholarship programs, approximately \$420,000 are being reserved for administrative expenses. This amount covers the two 529 Plan audits contracted with PwC, the endowment trust fund management fees, association dues, the quarterly Treasury overhead allocations, the administrative support paid to the Division of Higher Education, and miscellaneous expenses.

In response to Rep. Weyler's question regarding funds that go to institution endowments, Dr. MacKay explained that institutions have the obligation to distribute at least 4% of their endowment balances and they are not allowed to use UNIQUE funds to cover administrative costs. Treasurer Dwyer added that close attention is paid to this activity; for example one year, one of the institutions did not disburse the minimum funds required and they were asked to disburse twice the amount in the following academic year.

After hearing no further discussion, Dr. MacKay requested a motion to approve the fiscal year 2018 budget as presented by Treasurer Dwyer. Mr. Cryans moved and Dr. Gittell seconded. The Advisory Commission unanimously approved the fiscal year 2018 budget.

### **Overview of the 529 Programs**

#### *529 Industry Market Update*

Mr. Hazel presented the 529 Industry update for quarter one of 2017 noting that New Hampshire continues as the fourth largest in the country with over \$15.7 billion in market-value assets and 5.9% of the market share. Industry assets increased by 5.4% during the quarter and increased by 12.8% year over year. New Hampshire assets also increased during the quarter by 4.7% and by 9.5% year over year. Asset growth was in line with market performance: The Dow Jones U.S. Total Stock Market Index posted an increase of 5.8% during the quarter and 18.1% for the 1-year period. The Barclays U.S. Aggregate Bond Index returned 0.8% for the quarter and 0.4% for the 1-year period.

New Hampshire again trailed Virginia with \$59.4 billion in assets (managed by American Funds), New York with \$25 billion (managed by J.P. Morgan), and the Nevada plans with \$19.6 billion in assets (multiple managers – including Vanguard).

*Fidelity Advisor 529 Plan Review*

Mr. Hazel continued with the update of the 529 Advisor-sold space indicating that as of March 31, 2017, the FA 529 Plan had \$4.5 billion in market-value assets, distributed across 188,517 participant accounts and maintaining a 3.8% of the market-share. 529 Advisor-sold plan assets, industry-wide, increased 5% from quarter four 2016 to quarter one 2017 and by 10.2% year over year. The NH FA 529 plan increased 3.9% during the quarter and by 6.5% year over year. The New Hampshire plan remains the sixth largest in the country, after the Virginia (\$55.6 billion in assets), Maine (\$8.5 billion in assets), Rhode Island (\$6.2 billion in assets), Ohio (\$4.9 billion in assets) and Alaska (\$4.6 billion in assets) plans.

New account growth was up during the quarter, increasing 7.5% and adding 2,186 new accounts. Conversely, new account growth decreased 16.7% in quarter one of 2017 compared to quarter one in 2016. Contributions increased 8.7% in the quarter, however, decreased by 10.4% year over year. The average balance in a FA 529 plan account was \$23,892, with New Hampshire residents averaging \$21,526. Mr. Hazel also pointed out that in working with their top clients, such as Ameriprise, it is known that new account opening is declining on the advisor-sold side.

As mentioned in prior meetings, Mr. Hazel stated that due to the fact that the New Hampshire 529 plans are more mature compared to other states, distributions are gradually increasing every year. For example, in 2013, the FA 529 plan had \$327.1 million in distributions compared to \$430.4 million in 2016. Distributions in quarter one 2017 were \$94.9 million compared to \$84.8 million in quarter one of 2016. Mr. Hazel mentioned that even though distributions have been increasing and impacting overall asset growth, it is an indication that the Plan is being utilized as originally intended. Dr. Gittell inquired if it would be possible to obtain the same type of information about New Hampshire accounts in order to evaluate if funds saved are being spent in New Hampshire institutions. Fidelity agreed to follow up with their reporting team to determine whether or not the information could be obtained and be provided in future meetings.

Mr. Hazel also shared that they are on track to have the system upgrade in August of 2017 and plans continue to have a new omnibus arrangement with a new firm in 2018.

*Direct-sold (UNIQUE) 529 Plan Review*

On the 529 Direct-sold side, Ms. Doyle indicated that as of March 31, 2017, the UNIQUE Plan had over \$11.2 billion in market-value assets, distributed across 663,729 participant accounts. The Plan remains third in the country with 7.7% of the market-share. The UNIQUE Plan again trailed New York with \$20.6 billion in assets, and Nevada with \$14.7 billion. 529 Direct-sold plan assets increased by 5.8% from quarter four of 2016 to quarter one 2017 and by 15.1% year

over year. The UNIQUE Plan assets had a net increase of 5.1% for the quarter and 10.8% year over year.

Ms. Doyle reported that the Plan had a strong quarter with new account growth increasing 9%, adding 15,876 new accounts, and an increase of 31% in quarter one 2017 compared to quarter one 2016. Looking ahead, April also performed well with over 4,500 new accounts, a 16% increase year over year. Contributions to the Plan also increased by 6% during the quarter and by 22% year over year. Contributions in April were also strong, with an increase of 17% year over year. Ms. Doyle also shared account distributions for the UNIQUE Plan, stating that distributions for quarter one of 2017 were \$228.3 million compared to \$178.5 million in quarter one of 2016, a 28% increase year over year.

The average account size in a UNIQUE account was \$24,816, with New Hampshire residents averaging \$20,086 in account balance. The average monthly contributions to new and existing UNIQUE accounts nationwide were \$3,875 and \$161, respectively, while New Hampshire residents contributed an average of \$2,382 to new accounts and an average of \$269 to existing accounts.

Ms. Berube inquired if there were any plans for “529 Day”. Ms. Doyle stated that Fidelity will have some social media posts and Mr. Hazel shared that the FA 529 will have a 5-day campaign with Ameriprise beginning on May 29. With increasing distributions from the two 529 plans, Ms. Doyle added that marketing efforts have been enhanced to compensate for the loss of assets through account distributions. Mr. Hazel mentioned that the marketing strategies of the two Plans are based on their audiences, for example, the FA 529 marketing approach targets financial advisors and the UNIQUE plan approach focuses on individual participants – typically younger parents. Ms. Doyle provided more details of their approach using digital advertising, digital out-of-home advertising, and participation in local sponsorships. The UNIQUE Plan is being advertised on Savingforcollege.com, babycenter, evite, CNN Money, Marketwatch, Parenting.com, and WMUR.com. Search engines such as Google, Yahoo, and Bing are also utilized. Out-of-home advertising includes newborn channel in hospital maternity wards playing throughout the day. The local sponsorship initiatives for quarter one 2017 include the partnerships with the Children’s Museum of NH in Dover, where the UNIQUE Plan is the exclusive sponsor of the “Thinkering Lab”, and Ski NH. The partnership with Ski NH included three on-mountain events (Bretton Woods, Mount Sunapee Resort, and Gunstock) which took place the February New Hampshire school vacation where Fidelity representatives were on-site to promote the Plan. The FA 529 Plan marketing strategy also includes social media promotion through Twitter and LinkedIn, and other methods that deliver content to further expand outreach: flyers, Direct Mail, Videos, webinars, etc.

In response to Dr. MacKay’s question regarding the slight decline in revenue the Commission is receiving from the two Plans, Mr. Bernhardt mentioned that the composition of Index vs. managed funds (aged-based) is changing. In the past, 80% was in managed funds compared to 20% Index funds, now the trend is 50/50, as half of the new accounts are Index. Hence, even though assets under management are growing, the lower revenue-share of those funds is impacting the revenue Fidelity and the Commission receive.

### **Northeast Catholic College Application for the UNIQUE Annual Allocation Program**

Dr. MacKay indicated that the Northeast Catholic College submitted an application and required documentation, as the College is interested in participating in the UNIQUE Annual Allocation scholarship program. The College is a not-for-profit in good standing with the Secretary of State's office and authorized by the Higher Education Commission to operate in New Hampshire.

After a brief discussion, Dr. MacKay requested a motion to approve Northeast Catholic College request to participate in the UNIQUE Annual Allocation Program. Mr. Mahoney moved and Mr. Cryans seconded. The Motion was unanimously approved.

### **State Legislation Update**

#### *Update of the Children's Savings Account Program (RSA 195-J)*

Dr. MacKay provided a brief update on the Children's Savings Account Program ("CSA"). After HB 609 was introduced, the House Education Committee decided to retain the bill. Rep. Ladd will propose the creation of a study committee to evaluate the proposal included in the bill. HB 609 included a \$100 increase in the licensing fee paid for each mutual fund class and such increase was dedicated to fund the CSA program. Based on testimony from the Bureau of Securities Regulation, an estimated \$2.6 million in revenue would be available to fund the program, based on the number of mutual fund classes registered (26,000) with the Bureau.

### **Other Business**

Treasurer Dwyer reminded Commission members that a few Advisory Commission appointments will be expiring on June 30, 2017 pursuant to RSA 195-H:2,1(b)). Dr. MacKay announced that Mr. Mahoney's re-appointment was already authorized by the Higher Education Commission and Ms. Mezzapelle added that Dr. Gittell will also continue with the Commission for another two-year term. Treasury will be sending letters requesting re-appointments or new appointments prior to June 30<sup>th</sup>.

Hearing no additional new business, Dr. MacKay adjourned the meeting at 11:30 a.m.

**NOTE:** The next regular meeting is scheduled for Monday, August 21, 2017 at 10:00 a.m., preceded by the Investment Committee meeting beginning at 9:00 a.m., at the New Hampshire Higher Education Assistance Foundation in Concord. All Advisory Commission members are invited to attend.