

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of December 9, 2019

The December 9, 2019 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. Todd Leach, Advisory Commission Chair.

Members present, constituting a quorum, were:

Todd Leach	Advisory Commission Chair, and Chancellor - University System of New Hampshire
Tori Berube	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Sr. Paula Buley	President, Rivier University, representing the Higher Education Commission – Dept. of Education
Joseph Doiron	Deputy Director Office of Strategic Initiatives, representing the Governor,
Bill Dwyer	State Treasurer
Ross Gittell	Chancellor - Community College System of New Hampshire (“CCSNH”)
Jay Kahn	State Senator
Peter Leishman	State Representative
Robert Lynn	Public Member, appointed by the Governor; Retired Chief Justice
Debby Scire	Interim President & CEO, representing the New Hampshire College and University Council (“NHCUC”)
Kenneth Weyler	State Representative

Members absent were:

Lou D’Allesandro	State Senator
Jay Knowler	Public Member, appointed by the Governor

Also present at the meeting were Justin Rozzero and Ron Hazel from Fidelity Investments (“Fidelity”), Christiana Thornton, NH Higher Education Assistance Foundation CEO, Joel Maiola, McLane Middleton GPS, and Monica Mezzapelle from State Treasury.

Election of Vice Chairperson

Dr. Leach requested nominations to elect a Commission member to serve as the Vice Chairperson. Sister Bouley nominated Dr. Scire from the New Hampshire College and University Council for Vice Chairwoman. All members voted in favor.

Review of Prior Meeting Minutes

Draft minutes of the August 19, 2019 meeting and November 22, 2019 meeting were distributed in advance and presented for approval by Dr. Leach. Hearing no comments or corrections, Dr. Leach first asked for motion to approve the August 19th minutes. Rep. Weyler moved and Treasurer Dwyer seconded. The minutes were unanimously approved, with Mr. Lynn abstaining, as he was not present during that meeting. Dr. Leach then requested a motion to approve the minutes of November 22nd. Rep. Weyler moved and Dr. Gittell seconded the motion. All members voted in favor and Mr. Lynn abstained.

Update of Endowment Trust Fund and Scholarship Disbursements

Treasurer Dwyer provided an update of the Endowment Trust Fund and Scholarship Disbursements through September 30, 2019, highlighting that the trust fund had received nearly \$4 million in assessment revenue from Fidelity and had earned \$30,000 in net market gains and interest and dividend income. With respect to scholarship disbursements, Treasury distributed \$1 million in July 2019 as academic year “seed funding” to colleges and universities participating in the UNIQUE Annual Allocation program and over \$3.1 million in monthly allocations to the restricted endowments of institutions participating in the UNIQUE Endowment Allocation program. Additionally, since program inception, Treasurer Dwyer stated that the endowment trust fund had received \$178 million in assessment revenues and had distributed approximately \$145 million in scholarship funds through September 30, 2019.

The endowment trust fund had also incurred \$14,371 in administrative expenses through September 30, 2019, consisting of: 1) investment management fees of \$3,116, 2) the first quarterly Treasury overhead allocation of \$9,380, and 3) a partial payment to the College Savings Plan Network for annual membership dues of \$1,875. The trust fund balance as of September 30, 2019 was approximately \$2.4 million.

UNIQUE Scholarships Report for the 2018-19 Academic Year

Treasurer Dwyer presented the UNIQUE scholarship results for the 2018-19 academic year, which were compiled by Janet Fiderio from the Department of Education (Division of Education Analytics and Resources, previously part of the Higher Education Commission) in collaboration with State Treasury; higher education institutions submitted their annual reports on or before October 15 as required by the administrative rules. The report reviewed by Treasurer Dwyer included 2019-20 enrollment data (also due November 1), actual scholarship results from both programs (the UNIQUE Annual and Endowment Allocation Programs), as well as projections on the number of students who will be benefiting from the UNIQUE Annual Award program in the current academic year (2019-20). The following results were highlighted:

- 2019-20 full-time New Hampshire resident student enrollment (all sectors) declined by 824 students (4.29%) from the previous year to a total of 18,399. 2019-20 part-time New

Hampshire resident student enrollment dropped by 60 students, or 0.5%, to a total of 12,437.

- Total endowment dollars maintained by restricted endowments increased by \$13,672,009 to a total of \$126,749,662. This is 12.09% growth, compared 16.1% growth in 2018-19.
- Institutional restricted endowments distributed \$4,199,733 in endowment awards (minimum of \$1,000 each) to 2,447 New Hampshire resident students. This was \$539,504 more in awards, serving 518 more students than last year (a 14.7% increase in dollars distributed to 26.9% more students).
- Institutions distributed \$2,510,086 in UNIQUE Annual Awards (direct scholarships) to 1,746 full-time and 2,990 part-time students, and they expect to distribute \$2,687,133 UNIQUE Annual Awards in the current academic year to 2,064 full-time and 2,921 part-time students.

UNIQUE 2020-21 Annual Allocation Program Scholarship Award Decisions

Dr. Leach began the discussion by indicating that the Advisory Commission needed to make the yearly determination regarding the 2020-21 eligibility criteria for the UNIQUE Annual Allocation (Award) program, which currently provides individual awards of \$800 (\$400 for part-time students) to New Hampshire resident students with an Expected Family Contribution (“EFC”) of \$0. Dr. Leach stated that one of the considerations this year could be whether the current 80/20 breakdown used to distribute the assessment revenue the Commission receives from Fidelity should be changed in order to provide more direct student aid to New Hampshire resident students, or whether a range could be established to allow the Advisory Commission to make an annual determination. Currently, 80% of the assessment revenue received from Fidelity goes to restricted endowments of institutions participating in the UNIQUE endowment program and the remaining funds go to the UNIQUE Annual Allocation program, net of administrative expenses. Legislative members of the Advisory Commission shared that during the budget process, certain individuals were interested in changing the current breakdown, however at the end, the budget passed without a change, with the understanding that proposals were going to be introduced during the 2020 legislative session. Dr. Leach suggested that Commission members could be proactive and pursue a change of this breakdown either through the administrative rule change process, or by participating in the legislative process through testimony. A lengthy discussion took place and several motions were put forth expressing support for a different breakdown for funding the endowment scholarship program and the direct scholarship program (“Annual”). Rep. Weyler first moved to change the allocation to 50/50 and Rep. Leishman seconded the motion. Senator Kahn noted that there appears to be legislative support for resetting the breakdown in order to provide 20% to the endowment program and 80% to direct scholarships. After further discussion, the Commission voted in favor of tabling the motion, with Rep. Weyler opposing. Lastly, Treasurer noted that with approximately \$14 million in yearly assessment revenue net of administrative expenses, each 10% shift between the two programs would have an impact of approximately \$1.4 million.

Treasurer Dwyer mentioned that Treasury prepared two sensitivity analyses to assist the Advisory Commission in the determination of the UNIQUE Annual Award eligibility criteria for the 2020-21 academic year. Both analyses utilized the approved fiscal year 2020 operating budget and calculated a total program cost, as well as the impact on the NH Excellent in Higher Education Endowment Trust Fund balance (“endowment trust fund” pursuant to RSA 6:38). The first analysis calculated outcomes by reflecting individual full-time award amounts to \$800, \$900, and \$1,000, resulting in program costs of \$2.8 million, \$3.1 million, and \$3.5 million, respectively. Using these assumed scholarship amounts, the projected balance of the endowment trust fund at June 30, 2021 would be reduced to \$2 million, \$1.3 million, and \$0.65 million, respectively. Additionally, a second analysis calculated the cost of the program by changing the EFC from \$0 to increased cap ranges. Higher education institutions provided estimates of New Hampshire resident students with EFCs of \$0-\$250, \$0-\$500, \$0-750, and \$0-\$1,000. The results estimated that the program cost would increase to \$4.2 million, \$4.3 million, \$4.5 million and \$4.7 million, respectively, making these options unaffordable under the current rules (maintaining the 80% allocation of net assessment revenue to the restricted endowments), as the endowment trust fund balance would be overdrawn in each scenario.

Advisory Commission members acknowledged that current laws and rules constrain how much direct aid can be provided to New Hampshire resident students during the 2020-21 academic year. However, the Commission expressed its desire to increase the individual award amount, as well as raise the EFC limit in the future in order to increase participation in the UNIQUE Annual Award program. Therefore, Dr. Gittell moved to maintain the same eligibility criteria that are in effect for the 2019-20 academic year. Rep. Leishman seconded the motion. The eligibility criteria were unanimously approved.

The UNIQUE Annual Allocation Program eligibility criteria for 2020-21 academic year will be as follows:

- Initial allocation amount of \$1 million to be distributed to participating institutions in July 2020 and subsequent payout to reimburse institutions for all scholarships paid to eligible students;
- A maximum EFC of \$0;
- An annual maximum award of \$800 for a full-time student, prorated for part-time; and
- A FAFSA filing deadline of December 31, 2020.

With the additional information provided, Rep. Weyler later moved to change the breakdown between the two scholarship programs to 40/60 (endowment payments vs. direct scholarships) and Rep. Leishman seconded the motion. Three members voted in favor, seven voted against it, with Treasurer Dwyer abstaining --- the motion did not carry. At the end of the discussion, the Advisory Commission was unable to reach an agreement on the specific action the Advisory Commission should take with respect to changing the 80/20 breakdown. The Advisory Commission will take up this matter at its next meeting scheduled for March 9, 2020, with the benefit of any new legislation publicly known by that time.

Overview of the 529 Programs

Request of Amendment of Existing Agreements due to Fidelity's Reorganization

Mr. Hazel shared with Commission members that Fidelity Investments was planning to merge several of its Investment Advisers and Broker Dealer organizations to streamline operations and increase efficiencies effective January 1, 2020. The State currently contracts with Fidelity Management and Research Company, Inc. ("FMR Co."), and this organization will be merging into Fidelity Management and Research Company, LLC. As a result of the re-organization, the existing agreements will need to be amended, as FMR Co. will no longer exist when the reorganization takes effect. Therefore, Fidelity was seeking approval to proceed with the amendment process and allow State Treasury to bring the contract amendment before the Governor and Executive Council in January 2020 for final approval.

After a brief discussion, Rep. Weyler moved and Mr. Doiron seconded the motion. All members voted in favor.

529 Industry Market Update

Mr. Hazel provided an overview of the 529 Industry during quarter three of 2019, stating that the capital markets had mixed results, however, most of the UNIQUE and FA 529 portfolios had positive results even though net asset growth lagged the industry, which was partly attributed to distribution outflows. 529 industry assets decreased by 0.5% from quarter two to quarter three 2019 and increased by 5.1% year over year. New Hampshire assets decreased by 0.9% in quarter three, but increased 5.1% year over year. In comparison, U.S. equities increased by 1.1% for the quarter and 2.8% year over year. Investment grade debt (bonds) increased by 2.3% for the quarter and 10.3% year over year. The New Hampshire 529 plan remains the 4th largest in the country with over \$18.4 billion in market-value assets, representing 5.7% of the market-share. The New Hampshire plans continue to trail Virginia (\$71 billion in assets managed by American Funds), New York (\$32.5 billion in assets managed by Ascensus) and the Nevada plans (\$26.9 billion in assets managed by multiple providers, including Vanguard).

Mr. Hazel also announced that on October 22nd, Morningstar upgraded the UNIQUE Plan from Bronze to a "Silver" medal, while the FA 529 plan maintained its "Neutral" rating. Mr. Rozzero added that Morningstar viewed the investment enhancements approved by the Commission early in the year very positively.

Mr. Rozzero also mentioned that the implementation of the "Blend portfolios" (combination of actively managed funds and index funds) as well as the roll-down from Multi-Firm portfolios to Fidelity Fund portfolios was successful and noted that as of November 14, 2019, \$8.2 million had been invested in the UNIQUE Plan Blend portfolios. Mr. Rozzero explained that overall feedback had been positive.

An update on legislation in California (AB 211) was also provided, noting that the legislation initiative passed both the State Assembly and Senate, however, Governor Newsom vetoed the bill,

stating it would be best addressed through the budget process. AB 211 would provide a \$5,000 state income tax deduction for a contribution to an in-state 529 plan (\$10,000 for married couple filing jointly).

Fidelity Advisor 529 Plan Review

Mr. Hazel provided more details with regard to the Advisor-sold space, indicating that the Virginia plan remains the top advisor-sold plan in the country with 48% of the advisor-sold market-share. 529 Advisor-sold plan assets decreased by 1.3% from quarter two to quarter three 2019 and increased by 1.4% year over year. New Hampshire FA 529 assets decreased by 2.1% for the quarter and increased by 0.3% year over year. As of September 30, 2019, the FA 529 Plan had \$4.8 billion in market-value assets remaining flat from quarter three 2018.

Additionally, Mr. Hazel noted the following:

- New account growth was up 4% from quarter three 2018;
- By the end of quarter three 2019, total active accounts were 174,900, a 3% decrease year over year;
- FA 529 participants added \$77.1 million to accounts for the quarter, representing a 7% decrease compared to quarter three 2018; and
- Total distributions for the quarter were \$195.4 million, an overall increase of 3% from quarter three 2018, reiterating the age of the FA 529 plan as more college savers attend college.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Rozzero presented the Direct-sold industry update, reporting that 529 Direct-sold plan assets increased by 0.6% from quarter two 2019 and by 8% year over year while UNIQUE plan assets decreased by 0.5% during the quarter and increased by 6% year over year. As of September 30, 2019, UNIQUE Plan market-value assets sit at \$13.6 billion, representing 7.2% of the Direct-sold market-share.

New account growth continued to be strong in the third quarter of 2019 as 16,100 new accounts (a 1% increase from the same quarter in 2018) were added to the U N I Q U E plan and first time contributions to new accounts averaged \$3,700 per new account. Mr. Rozzero noted that by the end of the third quarter 2019, total active accounts grew to 527,900 (826,900 accounts since plan inception). Contributions for the quarter totaled \$254 million, representing an 11% increase year over year. Distributions from U N I Q U E plan increased 10% (\$541.8 million) over the third quarter in 2018, while distributions made by New Hampshire participants remained flat (\$23.8 million). Mr. Rozzero highlighted that participant accounts are well-distributed across the age spectrum and that assets are more tilted toward the older beneficiary, as expected based on the age of the U N I Q U E plan.

Mr. Rozzero mentioned that efforts continue in promoting the online gifting tool and that year over year, contributions via online gifting were up 56%, adding \$2.8 million to the U N I Q U E plan

in the third quarter 2019. Participants also continue to take advantage of the Fidelity rewards card as an alternative method for generating account contributions, with \$6.3 million added to the UNIQUE plan during the quarter. A marketing update was also provided by Mr. Rozzero, highlighting the promotion of the UNIQUE plan through Pandora Streaming Radio and other initiatives on social media platforms.

Update of Governor’s Scholarship Program and Approval of Award Allocation Amount for the 2020-21 academic year (Stra 1103)

Dr. Leach mentioned that the administrative rules for the Governor’s Scholarship Program (“GSP”) need to be updated to reflect the recent changes enacted in HB 4 (trailer bill), Laws 2019. Dr. Leach cited a few of the rule changes needed and, after an initial discussion, Ms. Mezzapelle suggested that Advisory Commission review the materials provided in order to facilitate the discussion and answer some of the questions that were raised during the November 22nd special meeting. Ms. Mezzapelle focused her presentation on the GSP program results for fiscal year 2019, highlighting the following:

- The total fiscal year 2018 appropriation for scholarships and grants, which was carried forward to fiscal year 2019, was \$4,150,000 (\$5 million, less funds appropriated to the CCSNH Dual and Concurrent Program).
- Total funds committed (but not distributed) to participating institutions in fiscal year 2019, which were approved by the Governor and Executive Council, totaled \$4,070,000.
- 490 students were identified as eligible by the various participating institutions.
- If those students remained eligible for the remainder of their respective programs (2 or 4 years), the total projected cost for the award year 2018-19 would be \$2,027,000.
- Taking into account actual (fiscal year 2019) and preliminary (fiscal year 2020) award information provided by participating institutions regarding both academic years, an estimated \$4.4 million remained available for future scholarship commitments.
- Participating institutions requested \$609,332 in reimbursements from the previous GSP administrator, the Office of Strategic Initiatives (“OSI”), for students attending the Fall of 2018 and again for students attending in the Spring of 2019 for 2018-19 award year.

Senator Kahn explained that the intent of the legislation, as amended by HB 4, was to award scholarship funds to as many students as possible and that the manner in which allocations were distributed in the previous biennium were done without considering enrollment. Dr. Leach stated that that would be an example of a change required in the administrative rules. Senator Kahn continued the discussion, indicating that identical allocations were provided to the University of New Hampshire (“UNH”) and Dartmouth, however, UNH would have more eligible students due to higher New Hampshire resident student enrollment. Senator Kahn, who participated in the budget negotiations, reiterated that the intent of the legislation was to distribute the scholarship dollars on an enrollment basis, as opposed to equal allocations across a number of institutions. Senator Kahn made a motion to approve an allocation based on student enrollment for the 2020-21 academic year, as illustrated in a sample provided to Commission members, and utilizing the

available funding of \$4.4 million. Rep. Leishman seconded the motion. All members attending voted in favor, with Mr. Doiron opposing. Treasurer Dwyer abstained. The motion carried.

With the authorization for Treasury to pursue administrative rules changes granted during the November 22nd meeting and some direction provided during this meeting, Treasury will begin the process of drafting amendments to the administrative rules and present the draft to the Advisory Commission at the next meeting.

Annual financial disclosures due to Secretary of State on or before January 17, 2020

Treasurer Dwyer 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 17, 2020). An email reminder will be distributed to all Commission members with the 2020 form and a link to the website where this information can be located.

Hearing no additional new business, Dr. Leach asked for a motion to adjourn. Rep. Weyler moved and Mr. Doiron seconded the motion. All member voted in favor to adjourn. The meeting adjourned at 12:14 p.m.

NOTE: The next regular meeting is scheduled for Monday, March 9, 2020 beginning at 10:00 a.m. at the New Hampshire Higher Education Assistance Foundation in Concord, preceded by an Investment Committee meeting beginning at 9:00 a.m.