

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

The May 18, 2020 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:00 a.m. by Dr. Todd Leach, Advisory Commission Chair. The meeting was held telephonically due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic and in accordance with the Governor’s Emergency Order No. 12, pursuant to Executive Order 2020-04.

Dr. Leach confirmed that the meeting was being held telephonically and that all members of the Advisory Commission had the ability to communicate during the meeting; notice to the public of the necessary information for accessing the meeting were previously provided with instructions posted to Treasury’s website; a mechanism was provided for problems accessing the meeting, otherwise the meeting was going to be adjourned and rescheduled; and that all votes required a roll call.

Attendance:

<b>Member</b>	<b>Representing</b>	<b>Roll Call</b>
Dr. Todd Leach, Chair	University System of New Hampshire	Present, home, and alone
Mr. Robert Lynn	Public Member Appointed by the Governor	Present, home, and alone
Rep. Kenneth Weyler	State Representative	Present, home, and alone
Rep. Peter Leishman	State Representative	Present, home, and alone
Senator Lou D'Allesandro	State Senator	Present, home, and alone
Senator Jay Kahn	State Senator	Present, home, and alone
Mr. Joseph Doiron	Governor Designee	Present, in his office, and with another person in the room
Mr. Jay Knower	Public Member appointed by the Governor	Present, home, and alone
Ms. Shannon Reid	Community College System of New Hampshire	Present, home, with a child
Ms. Deborah Scire	NH College and University Council	Present, home, and alone
Ms. Tori Berube	NH Higher Education Assistance Foundation	Present, in her office, and alone
Sr. Paula Buley	NH Higher Education Commission	Present, in her office, and alone
Ms. Monica Mezzapelle	Commissioner of the Treasury	Present, in her office, and alone

Also present were Melissa Ridolfi, Ron Hazel, and Justin Rozzero from Fidelity. All calling from their home in Rhode Island and attending the meeting alone. Joe Maiola also attending and calling from his home in Bedford, NH.

**Review of Prior Meeting Minutes**

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

The minutes of the March 9, 2020 meeting and April 27, 2020 meeting were presented for approval by Dr. Leach. Hearing no comments or corrections, Dr. Leach requested a motion to approve the meeting minutes. 1) For the March 9<sup>th</sup> meeting minutes, Senator D'Allesandro moved, Rep. Weyler seconded the motion.

Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Todd Leach, Chair	Yes
Mr. Robert Lynn	Abstained
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Yes
Senator Lou D'Allesandro	Yes
Senator Jay Kahn	Yes
Mr. Joseph Doiron	Yes
Mr. Jay Knower	Abstained
Ms. Shannon Reid	Yes
Ms. Deborah Scire	Yes
Ms. Tori Berube	Yes
Sr. Paula Buley	Yes
Ms. Monica Mezzapelle	Yes

2) For the April 27<sup>th</sup> meeting minutes (emergency meeting), Senator D'Allesandro moved, and Mr. Lynn seconded the motion.

Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Todd Leach, Chair	Yes
Mr. Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Abstained
Senator Lou D'Allesandro	Yes
Senator Jay Kahn	Abstained
Mr. Joseph Doiron	Abstained
Mr. Jay Knower	Yes
Ms. Shannon Reid	Yes
Ms. Deborah Scire	Yes
Ms. Tori Berube	Yes
Sr. Paula Buley	Yes
Ms. Monica Mezzapelle	Yes

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

**Update of Request for Temporary Modification of Administrative Rules**

Ms. Mezzapelle mentioned that on March 28<sup>th</sup>, after the unanimous vote by the Advisory Commission on April 27<sup>th</sup>, a request was submitted to the Governor's office pursuant to Emergency Order No. 29 to temporarily modify administrative rule Csp 702.01(b) and reduce the current allocation percentage used for the distribution of revenue assessments (or UNIQUE funds) from 80% to 30%. The reduction was going to generate additional funding for the UNIQUE Annual Allocation Program which in turn would provide more aid to New Hampshire students during this health and economic crisis. Additionally, and taking into consideration the availability of funds, the Advisory Commission decided to change the maximum Expected Family Contribution ("EFC") eligibility criterion from \$0 to \$1,000, and raise the individual award amount from \$800 to \$1,000. Ms. Mezzapelle indicated that the Department of Justice confirmed that the proposal had met the legal requirements and that an Exhibit was being drafted for consideration by the Governor's office. If approved, Ms. Mezzapelle was going to notify Commission members as well postsecondary education institutions participating in the scholarship programs.

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

Ms. Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements reporting that through March 31, 2020, the endowment trust fund had received \$11.9 million in assessment revenues from Fidelity and had a net loss of \$84,000. Regarding scholarship disbursements, Treasury had distributed \$1 million in UNIQUE Annual Award allocations in July 2019 and preliminary reimbursement requests submitted by higher education institutions before April 30<sup>th</sup> had indicated that another \$1.4 million was going to be distributed before the end of the year. Ms. Mezzapelle reiterated that these reimbursements are for institutions who granted awards to eligible students in excess of the initial allocation amount of \$1 million received in July 2019. Additionally through March 31, 2020, \$9.5 million in aggregate monthly allocations had been distributed to institution endowments participating in the UNIQUE Endowment Allocation program. The endowment trust fund had also incurred administrative expenses of approximately \$430,000, which primarily consisted of the invoice paid to PricewaterhouseCoopers for the two 529 plan audits.

Ms. Mezzapelle also highlighted that since program inception, the endowment trust fund had collected over \$186 million in assessment revenues and had disbursed over \$150 million in scholarship funds. As of March 31, 2020, the endowment trust fund balance was approximately \$3.4 million.

**Update of Governor's Scholarship Program**

Ms. Mezzapelle provided an update of the Governor's Scholarship Program stating that the spring invoices from postsecondary education institutions were received prior to April 30<sup>th</sup> providing a preliminary picture of the total funds being distributed for each award year since inception of the program. Reimbursement requests received in fiscal year 2020 (Year 2) for Governor's scholarships granted in award year 2019 (funded from fiscal year 2018

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

appropriations) were approximately \$309,166 compared to \$610,832 paid in fiscal year 2019 (Year 1); \$4 million were allocated for that award year. In addition, reimbursement requests received in fiscal year 2020 for Governor's scholarships granted in award year 2020 (Year 1) (funded with fiscal year 2019 appropriations) were \$688,332. \$4.8 million were allocated for the entire award year. Knowing that the allocations were not fully utilized by colleges and universities in the first two years of the program, the Advisory Commission will be disbursing \$4.5 million in fiscal year 2021 based on a new methodology that considers student enrollment.

Additionally, Ms. Mezzapelle indicated that the administrative rule process was on hold, as the Joint Legislative Committee on Administrative Rules ("JLCAR") had not been meeting due to the state of emergency. However, the initial proposal for amending the rules was being reviewed by one of the JLCAR attorneys and if no significant findings are identified, the Commission should be able to proceed with a public hearing in the next meeting and should not represent a significant delay in the rulemaking process. Ms. Mezzapelle added that since this program was being transferred from the Office of Strategic Initiatives and the Advisory Commission is taking steps to address any inconsistencies between the amended laws and existing rules, the Commission was deemed compliant.

### **Fiscal Year 2021 College Savings Program Budget Review**

Ms. Mezzapelle mentioned that two budget options were being provided: Option 1 followed the same methodology used in previous years and Option 2 was assuming that the proposal submitted to the Governor was approved.

Ms. Mezzapelle presented Option 1, stating that assessment revenues for fiscal year 2021 were budgeted at \$16 million, approximately \$11.2 million would be generated by the UNIQUE plan (typically 70% of total revenue) and \$4.8 million from the FA 529 plan. Program expenses included disbursements relative to the UNIQUE Endowment Allocation program budgeted at \$12.8 million (80% of \$16 million of revenue), and \$2.8 million reserved for the UNIQUE Annual Allocation program. This amount was kept at the same level as for fiscal year 2020, which is a conservative number. Additionally, approximately \$460,000 were being reserved for administrative expenses, including amounts to cover the cost of the two 529 audits (\$363,000), and \$97,000 for other expenses (such as the trust fund investment management fees, association dues, the quarterly Treasury overhead allocations, administrative support paid to the Department of Education, and miscellaneous expenses). In addition, based on budgeted disbursements, funds from the trust fund balance would be needed in order to cover program expenses.

Option 2 assumed that the proposal submitted to the Governor's office had been approved. It maintained the same projections for revenue and administrative expenses, however, it assumed that 30% of revenue assessments (or \$4.8 million) was going to the UNIQUE Endowment Allocation Program. The UNIQUE Annual Allocation Program was budgeted at \$6 million, which considered a change in the eligibility criteria as approved by the Advisory Commission on April 27<sup>th</sup> (increasing the EFC cap from \$0 to \$1,000 and the individual award amount from \$800 to \$1,000). With this option, the endowment trust fund balance would increase to approximately \$4.8 million providing a reserve in the event that revenues do not come in as anticipated and/or the number of students initially estimated were higher.

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

Dr. Leach requested a motion to approve both budget options presented to the Commission, acknowledging that if the proposal submitted to the Governor were approved, Option 2 would be adopted. Senator D'Allesandro moved, Senator Khan seconded the motion.

Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Todd Leach, Chair	Yes
Mr. Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Yes
Senator Lou D'Allesandro	Yes
Senator Jay Kahn	Yes
Mr. Joseph Doiron	Yes
Mr. Jay Knower	Yes
Ms. Shannon Reid	Yes
Ms. Deborah Scire	Yes
Ms. Tori Berube	Yes
Sr. Paula Buley	Yes
Ms. Monica Mezzapelle	Yes

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

#### *529 Industry Market Update*

Mr. Hazel provided an update on the 529 industry stating that the Coronavirus crisis forced the economy into recession in quarter one and, as a result, the majority of the Fidelity active age-based and static portfolios, across retail and advisor, experienced negative returns. Year over year, assets increased for the UNIQUE Plan while plans decreased slightly across the direct sold industry. The FA 529 Plan was on par with the industry.

The New Hampshire 529 program remains the 4<sup>th</sup> largest in the country with over \$17.6 billion in market-value assets, representing 5.7% of the market share. The New Hampshire plans continued to trail the Virginia (\$66 billion in assets), New York (\$30.7 billion in assets) and Nevada plans (\$25.6 billion in assets). 529 industry assets decreased by 11.6% from quarter four 2019 to quarter one 2020 and decreased by 3.1% year over year while New Hampshire assets decreased by 9.1% for the quarter and decreased by 1.6% year over year. The decline in assets was driven by the performance in the markets: U.S. Equities decreased by 21% for the quarter and 9.3% year over year. Non-US Developed Equities decreased by 23.2% for the quarter and 14.7% year over year. Investment Grade Debt increased by 3.1% for the quarter and 8.9% year over year.

With regard to the Investment Enhancements implemented in 2019, Mr. Hazel noted that as of March 31, 2020, there were \$62.3 million in assets in the new UNIQUE Plan Blend portfolios

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

and that customer feedback and adoption remained positive.

On the regulatory front, Mr. Hazel commented that the IRS issued recent guidance regarding the impact of COVID-19 on 529 accounts indicating that any 529 account owner who received a 529 refund from an eligible educational institution had the ability to recontribute the refund into a 529 account on or before July 15, 2020. This action provided for an extension of the normal 60-day recontribution due date, however, there was no intention to extend this period beyond July 15, 2020.

*Fidelity Advisor 529 Plan Review*

Mr. Hazel continued presenting the results of the Advisor-sold space stating that Virginia remains the top advisor-sold plan in the country with 19.9% of the Advisor-sold market-share. 529 Advisor-sold plan assets decreased by 12.8% from quarter four 2019 to quarter one 2020 and by 6.4% year over year, while FA 529 Plan assets decreased by 11.2% for the quarter and by 6.6% year over year. As of March 31, 2020, the FA 529 plan had \$4.4 billion in market-value assets.

Additionally, Mr. Hazel noted that new account growth was up 17% year over year reaching 173,000 total active accounts. Total contributions increased 20% from a year ago maintaining \$4.4 billion in assets under management. Distributions for the year increased 4% while distributions for New Hampshire residents remained flat year over year.

*Direct-sold (UNIQUE) 529 Plan Review*

Mr. Rozzero provided an update on the Direct-sold industry, stating that the 529 Direct-sold plan assets decreased 10.8% for the quarter and by 0.7% year over year, while the UNIQUE plan assets decreased 8.5% for the quarter and by 14% year over year. As of March 31, 2020, the UNIQUE plan had \$13.1 billion in assets.

Additionally, Mr. Rozzero shared that new account growth was up 37% for the year and new account contributions increased 63% from the previous year to \$3,300 per new account. By the end of the first quarter 2020 total active accounts grew to 552,000 accounts. Contributions rose 30% year over year, outpacing the industry. Assets under management dipped to \$13.1 billion, down 8% from quarter four 2019. In quarter one 2020, distributions increased 21% since quarter one 2019 while distributions by New Hampshire residents increased by 24%. Mr. Rozzero also commented on the “Age Wave” chart noting that the 552,000 accounts were fairly spread out across the age spectrum, as Fidelity continues its efforts to promote the plan to participants with younger beneficiaries. Mr. Rozzero concluded his presentation highlighting contributions from the online gifting platform, which were up 79% (or \$5.2 million) from a year ago, and from the rewards card, which had added \$6.2 million year over year.

**State Legislation Update**

Senator D’Allesandro mentioned that SB 529 had been approved by the Senate and that it was being reviewed by the House Ways and Means committee. Senator D’Allesandro also shared

New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Meeting of May 18, 2020

that the House of Representatives was planning a session at the Whittemore Center Arena, University of New Hampshire, on June 11<sup>th</sup>.

Hearing no additional new business, Dr. Leach requested a motion to adjourn the meeting. Rep. Weyler moved, Senator D'Allesandro seconded.

Advisory Commission members voted as follows:

<b>Member</b>	<b>Roll Call</b>
Dr. Todd Leach, Chair	Yes
Mr. Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Yes
Senator Lou D'Allesandro	Yes
Senator Jay Kahn	Yes
Mr. Joseph Doiron	Yes
Mr. Jay Knower	Yes
Ms. Shannon Reid	Yes
Ms. Deborah Scire	Absent
Ms. Tori Berube	Yes
Sr. Paula Buley	Yes
Ms. Monica Mezzapelle	Yes

The motion passed unanimously. The meeting adjourned at 11:11 a.m.

**NOTE:** The next regular meeting is scheduled for Monday, August 17, 2020.