

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 24, 2021

The May 24, 2021 meeting of the New Hampshire College Tuition Savings Plan Advisory Commission (“Advisory Commission”) was called to order at 10:02 a.m. by Dr. Deborah Scire, Advisory Commission Chair. The meeting was held via Zoom 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, as extended.

Attendance:

Member	Representing	Roll Call
Dr. Deborah Scire, Chair	NH College and University Council	Present and alone
Catherine Provencher	University System of New Hampshire	Present and alone
Rep. Robert Lynn	Public Member Appointed by the Governor	Present and alone
Rep. Kenneth Weyler	State Representative	Absent (joined call later)
Rep. Peter Leishman	State Representative	Absent
Senator Lou D'Allesandro	State Senator	Absent
Senator Jay Kahn	State Senator	Present and alone
Joseph Doiron	Governor Designee	Present and alone
Jay Knower	Public Member appointed by the Governor	Absent
Shannon Reid	Community College System of New Hampshire	Present and alone
Christiana Thornton	NH Higher Education Assistance Foundation	Present and alone
Sr. Paula Buley	NH Higher Education Commission	Present and alone
Monica Mezzapelle	State Treasurer	Present and alone

Also attending were Ron Hazel, Justin Rozzero, Heather Zakian, and Daniel Terio from Fidelity Investments, and Kevin Davis from the State Treasury.

Election of Vice Chairperson

Dr. Debby Scire advised the Advisory Commission that they are in need of a Vice Chair and that the topic will be taken up at the August Commission meeting. Ms. Mezzapelle further explained that having a Vice Chair is included in the administrative rules and the Advisory Commission has a requirement to elect a Vice Chair. In addition, she explained the importance of having a Vice Chair in the event the Chair is not available for a meeting so meetings could continue in the Chair’s absence.

Review of Prior Meeting Minutes

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 24, 2021
Page 2 of 8

The minutes of the March 8, 2021 meeting were presented for approval by Dr. Scire. Ms. Mezzapelle advised that one correction needed to be made to the minutes in the Update of the Governor's Scholarship Program section where "2020-21" needed to be updated to "2021-22." Hearing no additional comments or corrections, Ms. Mezzapelle moved to adopt the meeting minutes as corrected, and Ms. Thornton seconded the motion.

Advisory Commission members voted as follows:

Member	Roll Call
Dr. Deborah Scire	Yes
Catherine Provencher	Yes
Rep. Robert Lynn	Yes
Rep. Kenneth Weyler	Absent
Rep. Peter Leishman	Absent
Senator Lou D'Allesandro	Absent
Senator Jay Kahn	Yes
Joseph Doiron	Yes
Jay Knower	Absent
Shannon Reid	Yes
Christiana Thornton	Yes
Sr. Paula Buley	Yes
Monica Mezzapelle	Yes

Q1 2021 Investment Review

During the previous Commission meeting on March 8, 2021, the Commission requested quarterly investment reviews from Fidelity which started with this meeting. Ms. Zakian provided an overview of the capital markets as well as an update of the Plan's performance during Q1 2021. Ms. Zakian reported a reflation rally in Q1, which propelled riskier assets during the quarter, specifically with U.S. small cap stocks, U.S. mid cap stocks and commodities which were up 12.7%, 8.1%, and 6.9%, respectively. The rotation in the market continues and the fixed income markets fared worse with investment grade bonds, U.S. corporate bonds, and long government bonds down 3.4%, 4.5%, and 10.4%, respectively. Inflation expectations continue to rise. Global manufacturing is booming while Israel's vaccination progress suggests a global rebound in services.

During the quarter, all of the active age-based, blend age-based and static portfolios outperformed their benchmarks, driven by being underweight to and underlying managers of investment grade debt, underlying managers of U.S. equities, allocation to commodities and being overweight to non-U.S. equities.

Over the one year period, all of the active age-based, blend age-based and static portfolios outperformed their benchmarks, driven by being underweight to and underlying managers of

investment grade debt, being overweight to and underlying managers of Non-U.S. equities and the underlying managers of U.S. equities.

Over the three and five-year periods, most of the active age-based and static portfolios outperformed their benchmarks, driven by being underweight to investment grade debt, underlying managers of non-U.S. equities, U.S. equities, investment grade debt and being overweight to non-U.S. equities.

The Fidelity Index Portfolios performed in line with expectations for the quarter.

Ms. Zakian indicated in their active and blend strategies, they maintain a 6.9% underweight in investment grade debt. In addition, the portfolios maintain a 5.0% underweight in U.S. equities feeling that they are overvalued. At the other end of the spectrum, they maintain 4.7% overweight to emerging market equities feeling like there is more value. Lastly, they also maintain a 2.6% and 2.0% overweight to commodities and inflation protected debt, respectively.

Mr. Terio reviewed the competitor overview over the 1-, 3- & 5-year timeframes where Fidelity continues to add value to their shareholders relative to their peer groups as all Fidelity Fund (active) portfolios are ranked in the top half of Morningstar rankings demonstrating the value of their strategic asset allocation.

Overview of the 529 Programs

529 Industry Market Update

The New Hampshire 529 program remains the fourth largest in the country with \$22.7 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia (\$91.3 billion in assets), New York (\$42.2 billion in assets) and Nevada (\$35.3 billion in assets) plans. 529 industry assets increased by 3.4% from Q4 2020 to Q1 2021 and increased by 34.7% year-over-year ending March 31, 2021, while New Hampshire assets increased by 2.9% for the quarter and 29.2% year-over-year. Asset growth was primarily driven by the performance of the capital markets: U.S. equities was up 6.4% for the quarter and 62.7% year-over-year. Non-U.S. developed equities increased 4.1% for the quarter and 46.1% year-over-year. Investment grade debt increased by 3.4% for the quarter and increased 0.7% year-over-year.

Mr. Hazel also shared that capital markets are facing unique sources of uncertainty and many assets are priced meaningfully higher than long-term averages. The investment team maintained a neutral allocation to equities while positioning the portfolios in areas where there is a gap between current prices and their assessment of fair values. Lastly, on March 23rd, House Bill H.R. 2171 and companion Senate Bill S.905 were introduced and would expand 529 qualified distributions to postsecondary credentials.

Fidelity Advisor 529 Plan Review

Mr. Hazel continued his presentation providing 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 2.8% from Q4 2020 to Q1 2021 and by 33.5% year-over-year, while New Hampshire's FA 529 Plan assets increased by 1.2% for the quarter and by 24.4% year-over-year. As of March 31, 2021, the FA 529 plan had \$5.5 billion in market-value assets and 170,900 active participant accounts.

Mr. Hazel reported that in Q1 2021, new account growth was up 15% compared to the same quarter last year. Q1 2021 contributions were up 1% compared to the same quarter last year, while Q1 2021 distributions were up 20% compared to the same quarter last year. Q1 2021 distributions by NH residents were up 8% compared to the same quarter last year.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Rozzero also provided an update on the 529 Direct-sold space, reporting that Direct-sold plan assets increased 3.9% from Q4 2020 to Q1 2021 and 35.5% year over year, while the UNIQUE College Investing Plan increased 3.4% for the quarter and 31% year-over-year from 2020 to 2021. As of March 31, 2021, the UNIQUE plan had \$17.2 billion in market-value assets and 619,000 total active participant accounts. Active participant accounts are defined as accounts with a balance.

Q1 2021 new account growth increased by 51% compared to Q1 2020 and new account contributions rose 36% to \$3,000 per new account. Total contributions increased by 27% compared to the same quarter last year while overall distributions increased by 17% compared to the same quarter last year. Distributions by New Hampshire residents also increased by 16% for Q1 2021 as compared to Q1 2020. Mr. Rozzero also reviewed the "Age Wave" chart noting that the distribution of active accounts and assets under management remain healthy as they are fairly spread out across the age spectrum and accounts for younger beneficiaries remain strong. Contributions through the online gifting platform and the rewards card continue to be positive. Year-over-year, contributions via the Online Gifting tool are up 65% in Q1 compared to Q1 2020 and accounted for 1.5% of total contributions into the UNIQUE Plan for the year. Despite less household spending nation-wide, participants continued to take advantage of the Fidelity rewards card as an alternative method for contributions.

Update of Endowment Trust Fund, Scholarship Disbursements and the FY2022 Budget

Ms. Mezzapelle provided an update of the Endowment Trust Fund and Scholarship Disbursements through Q3 of FY21, highlighting that the trust fund had received nearly \$13 million in assessment revenue from Fidelity and generated net market gains of \$318,619.

With respect to scholarship disbursements, in July 2020, Treasury distributed an initial allocation amount of \$1 million to colleges and universities participating in the UNIQUE Annual Allocation program and, as authorized in the administrative rules, institutions have submitted an additional \$2.3 million in reimbursement requests for awards granted in excess of the initial allocation amount of \$1 million. Treasury is working on disbursing these funds. In addition, \$4.5 million in monthly allocations were distributed to the restricted endowments of institutions

participating in the UNIQUE Endowment Allocation program. Disbursements to restricted endowments reflected the changes pursuant to Exhibit M to Executive Order No. 29 which temporarily changed the portion of proceeds being allocated to restricted endowments from 80% to 30%. Additionally, since program inception, the endowment trust fund had received \$203 million in assessment revenues and had distributed approximately \$160.8 million in scholarship funds through March 31, 2021.

The endowment trust fund had also incurred \$433,167 in administrative expenses through March 31, 2021, consisting of: 1) investment management fees of \$13,770, 2) the first, second, and third quarterly Treasury overhead allocation of \$15,537, 3) \$6,000 in membership dues paid to the College Savings Plan Network, 4) \$36,000 paid to the Department of Education for the administrative support provided, 5) \$275 in miscellaneous expenses for a Zoom meeting license, and 6) \$361,525 paid to PwC for the FY20 audit. The trust fund balance as of March 31, 2020 was approximately \$10.4 million.

Ms. Mezzapelle presented the fiscal year 2022 NH College Tuitions Savings Plan Advisory Commission budget. Revenues are based on the projections that Fidelity provided us in the last quarterly meeting and reported in the semi-annual Dashboard Report. We anticipate \$18.4 million in revenue coming to the trust fund. Ms. Mezzapelle noted the UNIQUE Endowment Allocation disbursement of \$14.7 million reflects the expiration of Exhibit M to Executive Order No. 29 at the end of the fiscal year causing the endowment program to receive 80% of the receipts from the 529 plan as opposed to the 30% it had been receiving. The current trust fund balance is approximately \$10 million, which will allow us to maintain the eligibility criteria the Advisory Commission approved last December for the UNIQUE Annual Allocation Program (EFC will be capped at \$1,000 and the individual award amount will be \$1,000). As a result, we budgeted less than FY20 (\$5 million), but since financial aid offices have had more time to communicate the approved eligibility criteria, we are optimistic we will be able to disburse more funds than we did in the prior year. Administrative expenses include amounts we pay for audits, fund management fees, association dues, and other miscellaneous expenses.

Ms. Provencher asked when the participating institutions were notified of the eligibility criteria. Ms. Mezzapelle explained that the institutions were notified earlier in the year as the criteria was approved by the Advisory Commission during the December 2020 meeting. Ms. Provencher also asked about the impact that HB2 may present based on which version will ultimately be passed. Ms. Mezzapelle indicated that regardless of the outcome of HB2, the proposed FY22 budget will not be impacted due to the existing healthy balance of the trust fund. As such, we should have enough surplus to cover the proposed FY22 budget. Ms. Provencher then asked with the EFC of \$1,000 and a \$1,000 award, do we think we are going to hit \$5 million. Ms. Mezzapelle explained that in the past the program had an EFC of \$0 and that we had collected EFC information from the schools and determined that by increasing the EFC from \$0 to \$1,000 would increase the number of students who would be eligible to participate in the program. A discussion ensued regarding the rules and the impact the expiration of Exhibit M to Executive Order No. 29 changing the annual and endowment allocation percentages. Ms. Provencher recommended that the Advisory Commission draft a potential rule change so when HB2 is finalized, the Commission is ready to pursue a rule change adjusting the allocation amounts. Ms. Mezzapelle stated that the Treasury will begin reviewing the rules and will prepare a draft for the next meeting.

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 24, 2021
Page 6 of 8

Hearing no additional comments, Rep. Weyler moved to adopt the fiscal year 2022 budget, Ms. Provencher seconded the motion.

Advisory Commission members voted as follows:

Member	Roll Call
Dr. Deborah Scire	Yes
Catherine Provencher	Yes
Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Absent
Senator Lou D'Allesandro	Absent
Senator Jay Kahn	Yes
Joseph Doiron	Absent
Jay Knower	Absent
Shannon Reid	Yes
Christiana Thornton	Yes
Sr. Paula Buley	Yes
Monica Mezzapelle	Yes

Update of Governor's Scholarship Program

Ms. Mezzapelle provided an update of the Governor's Scholarship Program. She explained that state law and the rules require participating institutions to submit an invoice to be reimbursed for awards they have granted to students. She continued to explain that this program originated with the Office of Strategic Initiatives and has since been moved to the Treasury. For the 2018-19 award year, OSI had allocated approximately \$4 million and we will have paid approximately \$1.1 million through the third of four years. For the 2019-20 award year, OSI had allocated approximately \$4.8 million and we will have paid approximately \$1.1 million through the second of four years. For the 2020-21 award year, the program was transferred to the commission which allocated approximately \$4.5 million and we will have paid approximately \$1.0 million through the first of four years. Ms. Mezzapelle explained the commission was responsible for the oversight of the program for award year 2020-21 and they changed the rules to say the allocation to schools will be based on enrollment. As such, the commission took some of the funding that was not utilized in prior years and it was reallocated to award year 2020-21.

Request to Approve Dartmouth College's UNIQUE and GSP Reimbursement Requests

Ms. Mezzapelle brought to the commission's attention that Dartmouth College was a late with their reimbursement requests for both the UNIQUE and Governor's Scholarship Programs. She

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 24, 2021
Page 7 of 8

explained that the current laws and rules do not allow the Treasury to grant an extension so we wanted to bring this to the attention of the commission for approval to pay.

Hearing no additional comments, Dr. Scire asked for a motion, Senator Kahn moved to approve the disbursement to Dartmouth College, and Rep. Weyler seconded the motion.

Advisory Commission members voted as follows:

Member	Roll Call
Dr. Deborah Scire	Yes
Catherine Provencher	Yes
Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Absent
Senator Lou D'Allesandro	Absent
Senator Jay Kahn	Yes
Joseph Doiron	Absent
Jay Knower	Absent
Shannon Reid	Yes
Christiana Thornton	Yes
Sr. Paula Buley	Yes
Monica Mezzapelle	Yes

State Legislation Update

Ms. Mezzapelle explained the status of the budget is that the House removed the Governor's proposal to create the student loan relief program and instead, Rep. Umberger submitted an amendment to HB2 to provide the Commission with the authority to transfer funds from the NH Excellence in Higher Education Trust Funds to the Governor's Scholarship Program. In addition, it moves the chapter and the law from the Office of Strategic Initiatives to the College Tuition Savings Plan Advisory Commission chapter. The funding for the Governor's Scholarship Program was also removed. Rep. Weyler stated that HB2 is currently in flux at this point and they will continue to work on it for the next week or two. As soon as the budget is passed, the commission can meet to determine what actions need to be taken.

Potential Changes to the Administrative Rules Discussion

Based on the discussion that occurred throughout the meeting, Treasury committed to start working on identifying the sections of the rules that need an amendment and we will prepare a draft for the Advisory Commission to review. A special meeting may be needed for this work.

Advisory Commission Appointments

Ms. Mezzapelle explained that there are appointments that expire on June 30, 2021 and that there are some have already expired. As such, we have sent letters to the bodies that are responsible for appointment/reappointments. In the interim, should an appointment expire, the Commission member can continue to serve on the Commission until we hear from the appropriate appointing bodies.

Other Business

Hearing no additional new business, Dr. Scire requested a motion to adjourn the meeting. Rep. Weyler moved, Rep. Lynn seconded the motion.

Advisory Commission members voted as follows:

Member	Roll Call
Dr. Deborah Scire	Yes
Catherine Provencher	Yes
Robert Lynn	Yes
Rep. Kenneth Weyler	Yes
Rep. Peter Leishman	Absent
Senator Lou D'Allesandro	Absent
Senator Jay Kahn	Absent, left early
Joseph Doiron	Absent, left early
Jay Knower	Absent
Shannon Reid	Yes
Christiana Thornton	Yes
Sr. Paula Buley	Yes
Monica Mezzapelle	Yes

The meeting adjourned at 11:35 a.m.

NOTE: The next regular meeting is scheduled for Monday, August 30, 2021 beginning at 10:00 a.m.