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New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 22, 2023

The May 22, 2023, meeting of the New Hampshire College Tuition Savings Plan Advisory Commission ("Advisory Commission") was called to order at 10:05 a.m. by Dr. Deborah Scire, Advisory Commission Chair. The meeting was held at the University System of New Hampshire's office located at 5 Chenell Drive, Suite 301, Concord, NH 03301.

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	Absent
Rep. Kenneth Weyler	State Representative	Present
Sr. Paula Buley	NH Higher Education Commission	Absent
Catherine Provencher	University System of New Hampshire	Absent
Shannon Reid	Community College System of New Hampshire	Present
Senator Ruth Ward	State Senator	Present
Rep. Robert Lynn	Public Member Appointed by the Governor	Present
Joseph Doiron	Governor Designee	Present
Rep. Marjorie Smith	State Representative	Present

Also present at the meeting were Ron Hazel, Tony Durkan, Nancy Litwin, Alex LeClair, Elise Randazzo, and Dan Terio from Fidelity Investments ("Fidelity"). Lauren Warner and Allison Shablin from the State Treasury.

Review of Prior Meeting Minutes

The minutes of the March 13, 2023 meeting were presented for approval by Dr. Scire. Mr. Doiron moved to adopt the meeting minutes, and Rep. Weyler seconded the motion. All Advisory Commission members present voted in favor with the exception of Shannon Reid, who abstained, and the motion passed.

Overview of the 529 Programs

529 Industry Market Update

Mr. Hazel shared that the New Hampshire 529 program remains the fourth largest in the country with $22.4 billion in market-value assets, representing 5.5% of the market-share. The New Hampshire plans continue to trail the Virginia ($86 billion in assets), New York ($42.7 billion in assets) and Nevada ($36.6 billion in assets) plans. 529 industry assets increased by 5.3% from Q4 2022 to Q1 2023 and decreased by 5.4% year-over-year ending March 31, 2023, while New Hampshire assets increased by 5.4% for the quarter and decreased 5.1% year-over-year. U.S. equities were up 7.2% for the quarter and decreased 8.8% year-over-year. Non-U.S. developed

equities increased 8.1% for the quarter, and decreased 2.5% year-over-year. Investment grade debt increased by 3.0% for the quarter, and decreased 4.8% year-over-year.

Fidelity Advisor 529 Plan Review

Mr. Hazel went on to provide 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 4.5% from Q4 2022 to Q1 2023 and decreased by 8.8% year-over-year, while New Hampshire's FA 529 Plan assets increased by 3.4% for the quarter and decreased by 10.9% year-over-year. As of March 31, 2023, the FA 529 plan had $4.8 billion in market-value assets and 163,800 active participant accounts.

Mr. Hazel reported that in Q1 2023, new account growth was down 19% compared to the same quarter last year. Q1 2023 contributions were down 18% compared to the same quarter last year, while Q1 2023 distributions were down 1% compared to the same quarter last year. Q1 2023 distributions by NH residents were down 6% compared to the same quarter last year.

Direct-sold (UNIQUE) 529 Plan Review

Mr. Durkan also provided an update on the 529 Direct-sold space, reporting that Direct-sold plan assets increased 5.8% from Q4 2022 to Q1 2023 and decreased 3.2% year-over-year, while New Hampshire's UNIQUE College Investing Plan increased 5.9% for the quarter, and decreased 3.4% year-over-year from 2022 to 2023. As of March 31, 2023, the UNIQUE plan had $17.6 billion in market-value assets, and 748,000 total active participant accounts.

Mr. Durkan also reported that in Q1 2023, new account growth decreased by 3% compared to Q1 2022 and new account contributions declined 17%. Total contributions decreased by 10% compared to the same quarter last year, while overall distributions increased by 5% compared to the same quarter last year. Distributions by New Hampshire residents also fell by 18% for Q1 2023 as compared to Q1 2022. Mr. Durkin 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. Year-over-year, contributions via the Online Gifting tool were $10.4 million, down 6% in Q1 2023 compared to Q1 2022, and accounted for just under 1.5% of total contributions into the UNIQUE Plan for the year. Participants also continued to take advantage of the Fidelity rewards card as an alternative method for contributions adding $6.5 million to the UNIQUE Plan.

UNIQUE and Fidelity Advisor 529 Plan Marketing Update

Ms. Litwin provided an update for the UNIQUE Plan Marketing Strategy. Paid Search and the Saving For College website continue to be the top account open drivers. The Saving For College website drove 64% of media driven account opens and search rates continue to improve. Ms. Litwin also shared that social media clicks are up year over year. Performing well as an awareness tactic, but not as an account open driver. In 2022, Fidelity tested into Pandora, however it did not prove to be a strong account open driver.

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Media goals for 2023 include finding new opportunities and improving efficiencies. Adding new partners such as Reddit, Amazon Display, podcast audio placements, launching image extensions across all search ads, and adding new video assets on Meta, Pinterest, and Reddit.

In addition, Ms. Leclair shared that the Fidelity Advisor 529 Plan Marketing Strategy for 2023 includes maxing out the available targeted display impressions against their audience across endemic digital publications. Leveraging media partners such as Dianomi, Think Advisor, Investment News and Financial Advisor Magazine. Ms. Leclair also announced that QR codes are now live on materials and that Fidelity is working on optimizing their web experience by updating the layout of the page itself.

Q1 2023 Investment Review

Ms. Randazzo provided an overview of the capital markets as well as an update of the Plan's performance during Q1 2023. Asset prices fluctuated considerably during the first quarter of 2023 due to continued growth and inflation concerns, but ultimately most asset classes posted widespread gains for the second consecutive quarter. Within U.S. Equities, growth-oriented sectors were the top performing sectors for the quarter. 10-year Treasury yields declined, and fixed income assets posted gains. Active age-based and blend age-based outperformed their benchmarks, driven by manager selection in Emerging Market equities, U.S. equities, and U.S. investment grade debt.

Over the one-year period, performance for the active and age-based portfolios was mixed across vintages versus their benchmarks. The 2030 active portfolio outperformed driven by an underweight to and manager selection within U.S. equities. An overweight to long-term U.S. treasuries and underweight to U.S. investment grade debt detracted. Over a three-year period, the active and age-based portfolios outperformed their benchmarks as a result of both asset allocation and underlying manager performance. Over a five-year period, the active and age-based portfolios underperformed their benchmarks as a result of an underweight to and positioning within U.S. Equities. The Fidelity Index Portfolios performed in line with expectations for the quarter.

Regarding current positioning, Ms. Randazzo indicated active positioning emphasizes assets for which there is an expectation gap between the current price and Fidelity's view of fair value. Recessionary risks are mounting and as a result, the portfolios are underweight equities. Inflation-sensitive assets have realized value during the recent period of inflation. During the quarter, the investment-grade bond allocation was increased.

Mr. Terio reviewed Portfolio Performance in relation to peer groups and a 10-year spread of Morningstar percentile rankings. It was reported that Fidelity's active age-based offering only trailed those of Alaska and Maryland.

Update of Endowment Trust Fund and Scholarship Disbursements

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Treasurer Mezzapelle provided an update of the Endowment Trust Fund and scholarship disbursements through the third quarter of Fiscal Year 2023, highlighting that the Trust Fund had received nearly $12.6 million in assessment revenue from Fidelity and generated net market gains of $456,338.

With respect to scholarship disbursements, in July 2022, Treasury distributed an initial allocation of $1 million to colleges and universities participating in the UNIQUE Annual Allocation program. As authorized in the administrative rules, institutions have submitted an additional $4.7 million in reimbursement requests for awards granted in excess of the initial allocation amount of $1 million. In addition, 30% of gross proceeds from assessments collected were distributed to participating institution endowments, a total of $11.8 million through March 31, 2023. Additionally, since program inception, the Endowment Trust Fund has received $239.7 million in assessment revenues, and has distributed approximately $187.8 million in scholarship funds through March 31, 2023.

The Endowment Trust Fund also incurred $489,785 in administrative expenses through March 31, 2023, consisting of: 1) investment management fees of $42,39; 2) the first, second, and third quarterly Treasury overhead allocation of $32,463; 3) $6,455 in membership dues paid to the College Savings Plan Network; 4) $2,500 in membership dues paid to the College Savings Foundation; 5) $405,951 paid to PwC for the audits of the UNIQUE and FA529 plans; and 6) $18 in supplies.

As of March 31, 2023, the Endowment Trust Fund had a balance of $18.4 million

Fiscal Year 2024 Endowment Trust Fund Budget

Treasurer Mezzapelle presented the Fiscal Year 2024 Endowment Trust Fund Budget and stated that estimated revenues of $17.2 million were determined based on the latest projections from Fidelity which were provided at last meeting in the December 31, 2022 Dashboard Report. Treasurer Mezzapelle also noted that the budget includes estimates of $5.2 million for the UNIQUE Endowment Allocation program and $12 million for the UNIQUE Annual Allocation Program (Expected Family Contribution will be capped at $8,000 and the individual award amount will be $1,500). The plan for administrative expenses include amounts the Advisory Commission will pay for audits, fund management fees, association dues, Treasury's administrative support, and other miscellaneous expenses, a total of approximately $550,000.

Hearing no additional comments, Rep. Lynn moved to adopt the Fiscal Year 2024 Budget, Ms. Thornton seconded the motion. All commission members voted in favor and the motion passed.

<u>Update of Governor's Scholarship Program</u>

Treasurer Mezzapelle provided an update of the Governor's Scholarship Program and shared preliminary results of the scholarships granted during fiscal year 2023. Treasurer Mezzapelle stated that colleges and universities are required to request reimbursement for scholarships granted to currently enrolled students. Invoices were due April 30 and the State Treasury is

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currently reviewing all reimbursements requested. For the 2019-20 award year, of the $4.8 million allocated, $1.6 million was awarded through the fourth year. For the 2020-21 award year, of the $4.5 million allocated $2.3 million will be paid through the third of four years. For the 2021-22 award year, of the $5.4 million allocation, $1.5 million will be paid through the second of four years. For the 2022-23 award year, of the $5.5 million allocation, approximately $953,000 will be paid through the first of four years. Final results will be shared with the Advisory Commission at the August 2023 meeting.

State Legislation Update

Treasurer Mezzapelle reported that the Governor's Scholarship Program Budget, housed in the State Treasury's budget, was approved by the Governor, House, and Senate Finance. The State budget will be finalized over the next several weeks. No other state legislative update was noted.

Other Business

Hearing no additional new business, the meeting adjourned at 12:09 p.m.

NOTE: The next regular meeting is scheduled for Monday, August 28, 2023.

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