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Monica I. Mezzapelle
STATE TREASURER

**THE STATE OF NEW HAMPSHIRE
STATE TREASURY**

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September 15, 2021

His Excellency, Governor Christopher T. Sununu
and Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

The State Treasury requests to place this item on the Consent Calendar. Pursuant to RSA 6:43 and RSA 11:5-b, it is hereby requested that you accept the attached Annual Report of the New Hampshire State Treasury for the Fiscal Year 2021.

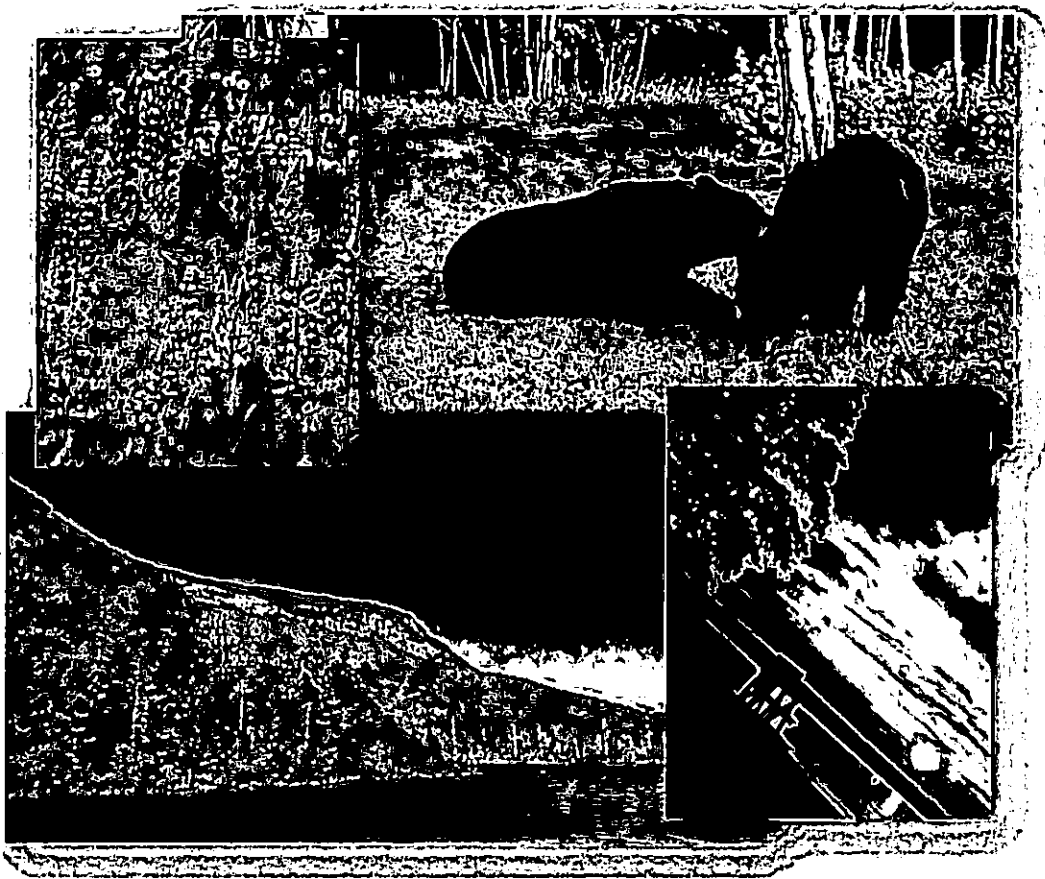
EXPLANATION

I am pleased to present the 2021 Treasury Annual Report, summarizing the activities and accomplishments of the New Hampshire State Treasury for the prior fiscal year as well as our initiatives and objectives for the current fiscal year. The mission of the New Hampshire State Treasury is to deliver professional financial management services to state government, the legislature, and New Hampshire citizens.

Sincerely,

Monica I. Mezzapelle
State Treasurer

Attachment: The State of New Hampshire Annual Report of the State Treasury, as of and for the Fiscal Year ended June 30, 2021



The State of New Hampshire
Annual Report
of the
State Treasury

As of and for the
FISCAL YEAR ENDED JUNE 30, 2021

Monica I. Mezzapelle
State Treasurer

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Monica I. Mezzapelle
STATE TREASURER



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25 CAPITOL STREET, ROOM 121
CONCORD, NH 03301

September 15, 2021

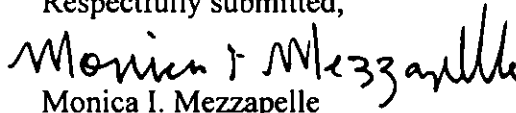
Pursuant to RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to present the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2021.

The New Hampshire Treasury is charged with executing a variety of financial management activities. Among those responsibilities, the Treasury oversees: the cash and investment management functions for the State's funds; issuance of the State's general obligation bonds, revenue bonds, and other debt, and; pursuant to RSA 471-C, is responsible for acquiring and returning all financial property that qualifies as abandoned property under the law. The State Treasurer is also a member of numerous boards and commissions and serves as trustee and custodian of various State funds.

Please note that all of the information contained in this report is preliminary, unaudited, and subject to change pending completion of the State's Annual Comprehensive Financial Report.

The staff of the Treasury and I look forward to the opportunities of the next fiscal year as we continually strive to improve and securely deliver the wide range of financial management services we provide to the residents of New Hampshire and all branches of State government.

Respectfully submitted,


Monica I. Mezzapelle
State Treasurer



STATE OF NEW HAMPSHIRE SELECTED STATE OFFICIALS

GOVERNOR

Christopher T. Sununu

EXECUTIVE COUNCIL

Joseph D. Kenney, District 1
Cinde Warmington, District 2
Janet Stevens, District 3
Theodore L. Gatsas, District 4
David K. Wheeler, District 5

SECRETARY OF STATE

William M. Gardner

STATE TREASURER

Monica I. Mezzapelle

ATTORNEY GENERAL

John M. Formella

COMMISSIONER OF ADMINISTRATIVE SERVICES

Charles M. Arlinghaus

OVERVIEW OF THE TREASURY

Part 2, Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the state of New Hampshire. In accordance with the Constitution, the State Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes. In accordance with RSA 6:20, upon the death, resignation, or removal of the Treasurer, the Governor, with the advice of the council, shall appoint some suitable person as commissioner, to take charge of the money, books, electronic records, and papers in the office, and to perform all the duties of the Treasurer until a Treasurer is elected and qualified. In colonial periods, the Treasurer was appointed by the chief executive and frequently the same person was both Secretary of the province and Treasurer.

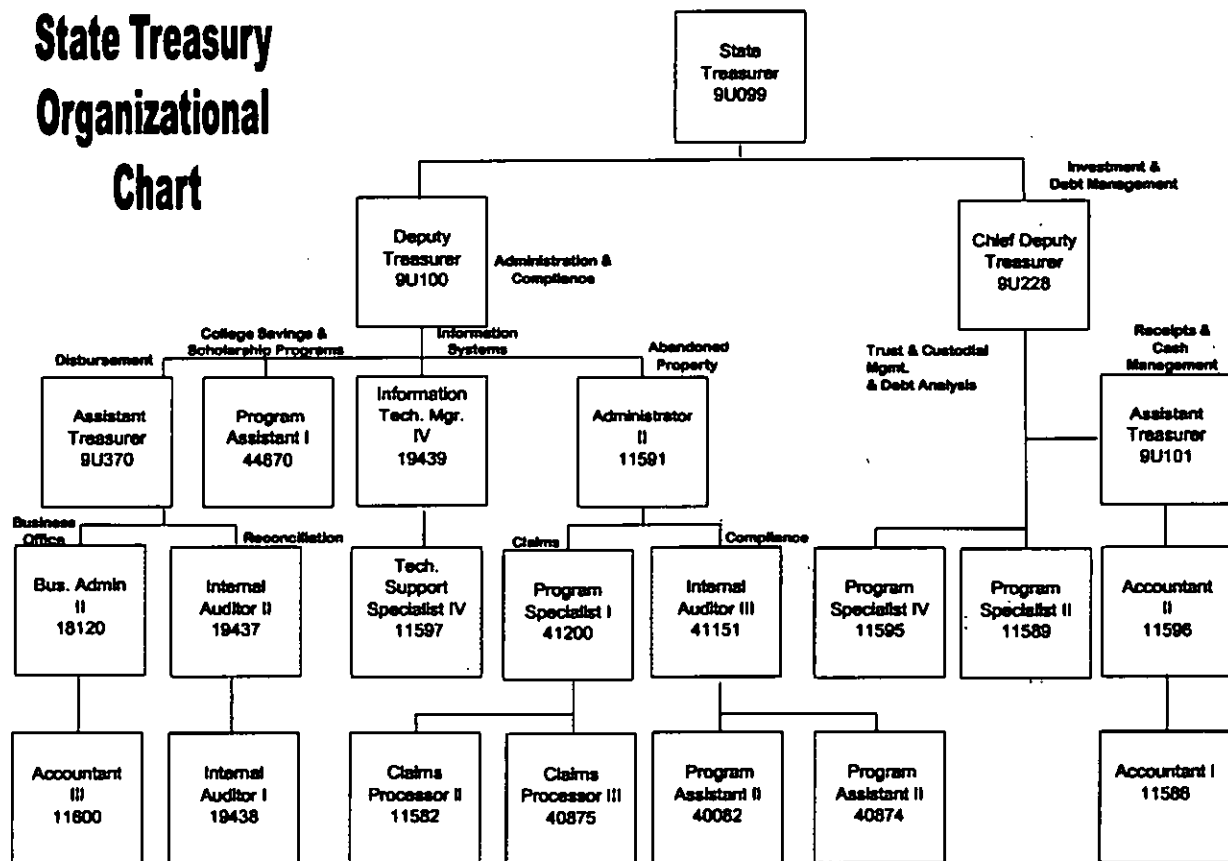
Pursuant to RSA 6:20, on February 25, 2020, Governor Christopher Sununu nominated Deputy State Treasurer Monica I. Mezzapelle to the position of Commissioner of the Treasury after State Treasurer William F. Dwyer resigned effective March 26, 2020. The Executive Council confirmed the nomination on March 25, and Ms. Mezzapelle was sworn in on March 26, serving the remainder of Mr. Dwyer's term through January 5, 2021. During a joint session of the newly-elected members of the legislature on Organization Day, Wednesday, December 2, 2020, Monica I. Mezzapelle was elected State Treasurer effective January 6, 2021 through January 3, 2023.

Today, the State Treasury is responsible for a variety of financial management activities including the management of the State's cash and investments, the debt management function, and the unclaimed and abandoned property program. The State Treasurer is an *ex-officio* member of numerous boards and commissions, including, but not limited to, the New Hampshire Retirement System, the New Hampshire Municipal Bond Bank, the New Hampshire Business Finance Authority, the Nuclear Decommissioning Financing Committee, the New Hampshire Public Deposit Investment Pool, and the New Hampshire College Tuition Savings Plan Advisory Commission. The State Treasurer is also the trustee of many trust, custodial, and escrow funds, including the UNIQUE College Investing Plan and the Fidelity Advisor 529 Plan. The State Treasurer also shares responsibilities with the Executive Director of the Governor's Commission on Disabilities regarding the administration of the STABLE NH program.

The State Treasury will optimize the use of state financial assets and financial obligations while protecting both through the deployment of secure technology, cost-effective and efficient banking practices, a commitment to the prudent management of public funds, and a dedicated and highly-qualified staff.

The authorized staffing of the State Treasury for the 2020-2021 biennium was 23 positions, 5 unclassified and 18 classified. As of the close of fiscal year 2021, there were two vacant positions. The organizational chart on the following page delineates the authorized positions for each functional area in effect as of June 30, 2021.

State Treasury Organizational Chart



As of June 30, 2021

CASH MANAGEMENT

The Treasury is responsible for a wide array of cash management activities pursuant to its role as the custodian of public funds. It is the Treasury's responsibility to maintain the appropriate amount of cash when and where needed in order to finance the State's operating and capital budgets. This responsibility is met in several ways, including cash flow forecasting, collecting and concentrating funds, administering disbursements, and investing available daily cash balances.

In fiscal year 2021, the Treasury administered over \$8.7 billion in receipts and \$8.2 billion in disbursements. A summary of receipts and disbursements for the previous three fiscal years follows:

COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS**(Unaudited)**

	As of and for the Year Ended June 30		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
BEGINNING BALANCE	2,014,071,365	1,524,834,304	1,431,625,859
TOTAL RECEIPTS	8,774,485,536	8,030,800,066	6,864,733,325
TOTAL DISBURSEMENTS	(8,220,613,910)	(7,541,563,005)	(6,771,524,880)
ENDING BALANCE	<u>\$2,567,942,991</u>	<u>\$2,014,071,365</u>	<u>\$1,524,834,304</u>

Federal COVID-19 Relief Funds

The \$1.2 billion (or 17%) increase in receipts from fiscal year 2019 to fiscal year 2020 reflects the \$1.25 billion in federal Coronavirus Aid, Relief, and Economic Security Act ("CARES") funds the state of New Hampshire received from the U.S. Treasury to assist the State in its efforts to combat the COVID-19 pandemic as well as to provide economic relief to small businesses, non-profits, municipalities, and other entities that had emergency expenses or that suffered revenue losses as a result of the pandemic.

Total receipts in fiscal year 2021 include \$497 million in additional federal aid the State received from the State and Local Fiscal Recovery Fund authorized through the American Rescue Plan Act of 2021 ("ARP"). In addition to other federal grants available to the state of New Hampshire through the CARES Act, Coronavirus Response and Relief Supplemental Appropriations Act of 2020 ("CRRSA"), and the ARP Act, in fiscal year 2021, the State Treasury received \$225 million for the Emergency Rental Assistance Program, \$179 million from the CRRSA Act and \$46 million authorized through the ARP Act.

Community Bank Program

The Community Bank Program was launched in April of 2020 in response to the financial and liquidity concerns that developed at the start of the COVID-19 pandemic. An initiative of Governor Christopher Sununu, and with the assistance of Banking Commissioner Gerald Little, the State Treasurer notified all the banks chartered in the state of New Hampshire of the State's interest in depositing public funds in their institutions with the goal of increasing their lending capacity to provide additional support to local businesses in the state.

The State Treasury signed agreements with 12 New Hampshire community banks and deposited \$50 million in collateralized certificates of deposits with an average maturity of 11.5 months and rates ranging from 0.10% to 0.75%. The Community Bank Program continued into fiscal year 2021 by reinvesting funds into New Hampshire banks, further supporting the state and local economy. Current rates range from 0.1% to 0.50% with an average maturity of 11.5 months.

Analysis of Banking Balances, Products, and Processes

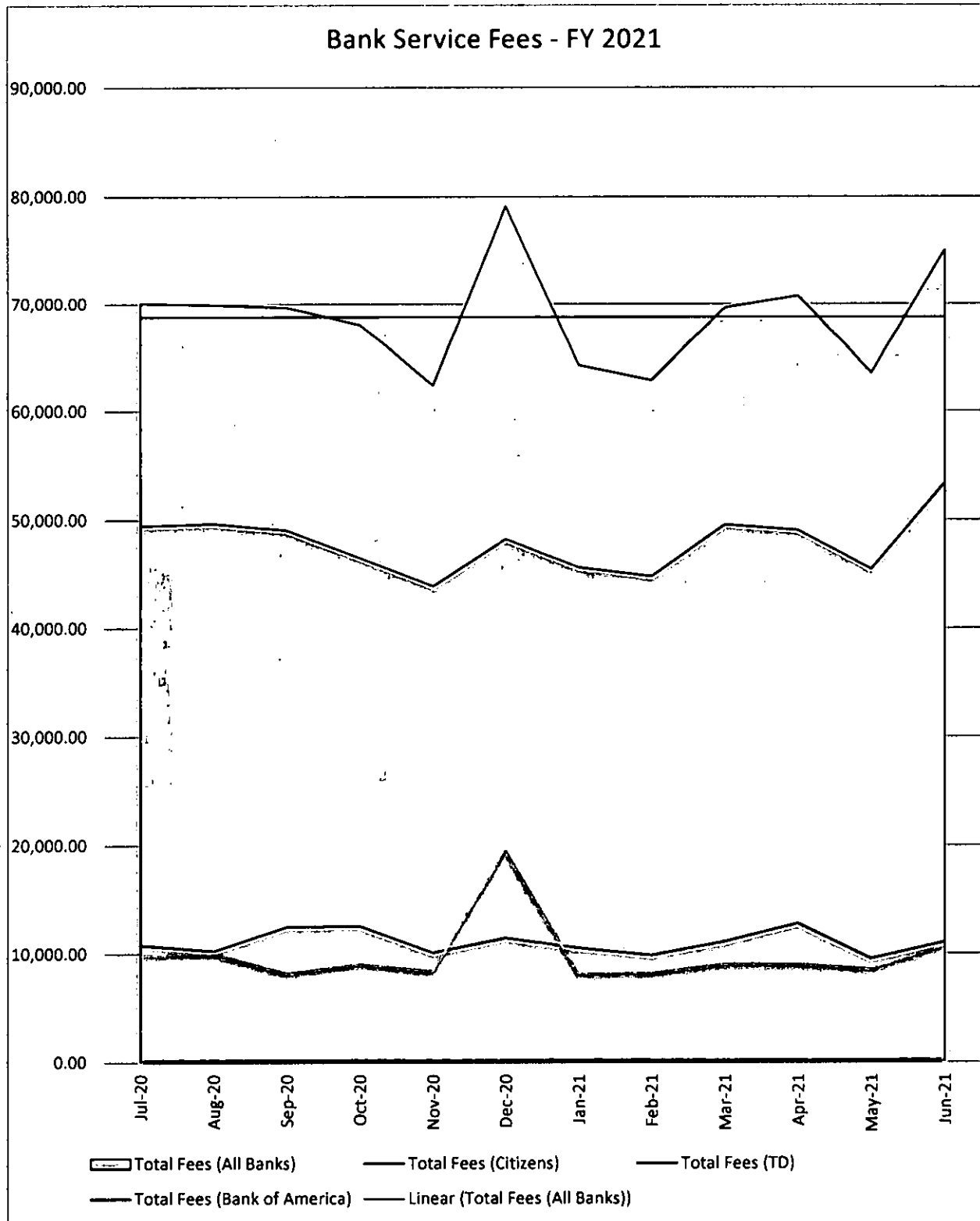
The State Treasury analyzes its relationships with banking vendors and the impact they have on statewide cash operations. This analysis is conducted in several ways and accounts for the deployment of balances held, institutional banking products utilized, and processes followed.

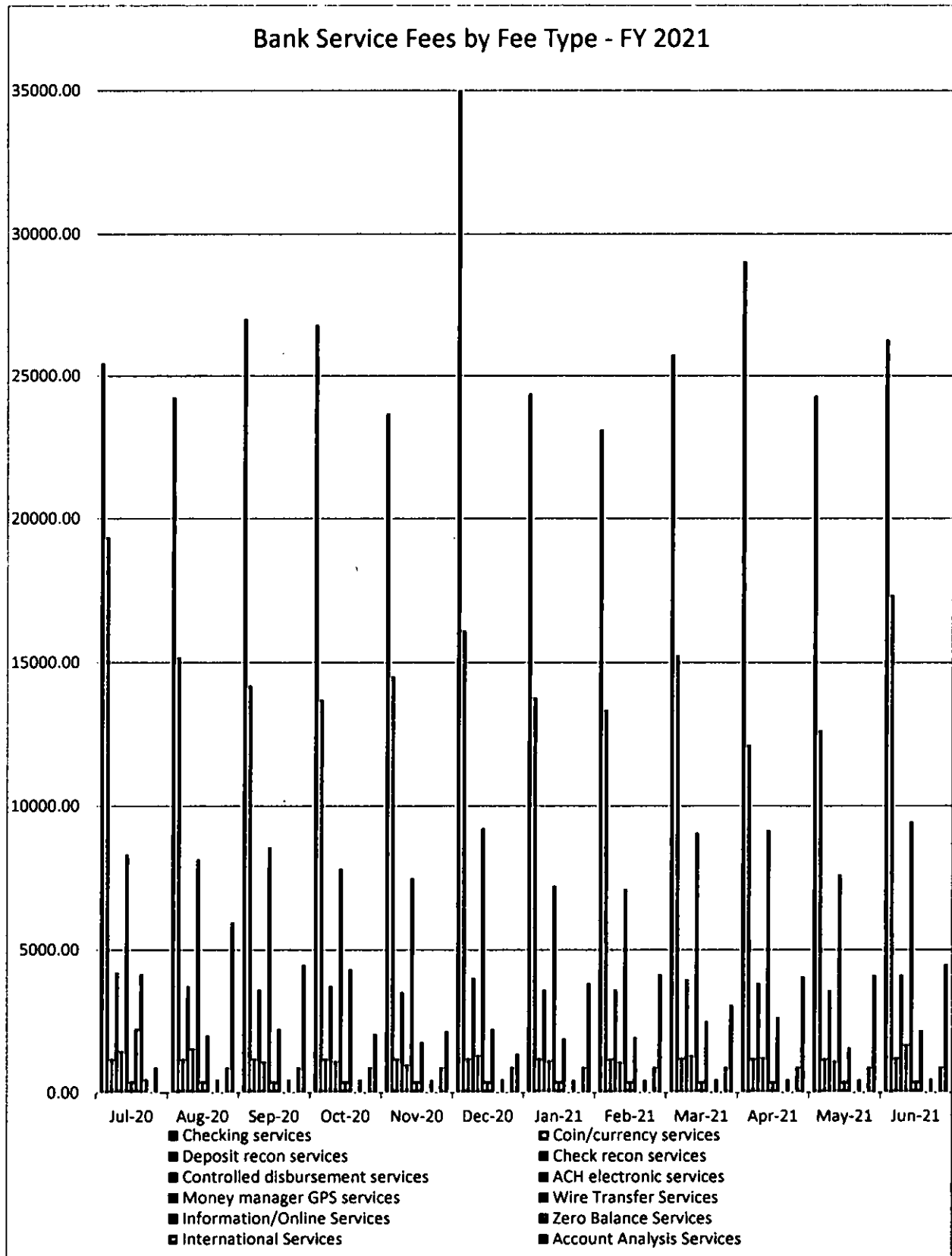
On a daily basis, Treasury performs an analysis of General Fund balances held. The result of this analysis is the administration of balances held in a manner that complies with Treasury's Cash and Investment Guidelines for Operating Funds. While ensuring safety and liquidity, balances are strategically maintained to optimize the rate of return. Despite the low interest rate environment, these efforts resulted in General Fund unrestricted net interest income totaling \$1.6 million in fiscal year 2021 (cash basis, unaudited, and subject to change). This amount is net of the cost of institutional financial services provided by banking vendors. Achieving this outcome results from not only optimizing returns, but also systematically analyzing services and the associated fees incurred for the banking services utilized by Treasury.

On a monthly basis, Treasury rigorously analyzes bank service statements to identify overall price and volume changes. This effort has identified opportunities to improve efficiency or the presence of any inconsistencies in pricing. Opportunities to improve efficiency are often discussed during regularly scheduled meetings between Treasury and its banking vendors. Inconsistencies in pricing or volume are brought to the attention of each bank's client relationship manager as they are identified.

The analysis of bank products utilized by individual agencies is performed on a rolling basis and results from either Treasury's outreach to agencies or in response to an agency's request. This analysis consistently integrates the specific bank, accounts, products, and processes utilized by the agency or entity in conjunction with the overall banking relationship the Treasury maintains with that financial institution.

Treasury collaborates with its banking vendors to not only enhance operational efficiencies generated by the use of banking products, but also to ensure specific business continuity processes that will enable secure and efficient banking operations in the event of a disruption in normal service delivery.





TRUST AND AGENCY ACCOUNTS

Pursuant to RSA 11:1, the State Treasurer serves as the custodian of “All trust funds left to and accepted by the state...”. As of June 30, 2021, the fair market value of the 39 trust and custodial funds overseen by the State Treasurer was approximately \$64.5 million, ranging from just under \$5,000 to over \$8.5 million with one escrow account remaining active but with a zero balance. Investment objectives range from short-term liquidity to maximum capital appreciation. During fiscal year 2021, no funds were liquidated and no accounts were added. All accounts originated from a variety of sources and serve a wide range of beneficiaries and purposes. A list of these trust and agency funds, along with unaudited activity and balances for fiscal year 2021, is included at the end of this report as Exhibit 1. The Drinking Water and Groundwater Trust, previously reported here, is excluded from this section and is reported with General Funds in the State’s Annual Comprehensive Financial Report.

DEBT MANAGEMENT

General Obligation Bonds

General obligation debt is paid from the State’s taxes and other revenues. As of June 30, 2021, total outstanding general obligation debt stood at \$695 million (unaudited). Approximately 70% of this debt will be repaid from unrestricted general fund revenue, while the remainder will be paid from a variety of dedicated user assessments, fines, and other revenues. During fiscal year 2021, the Treasury transacted four separate general obligation bond issues.

On August 18, 2020 the Treasury issued \$2,270,000 of capital improvement general obligation bonds (the “2020 Series B Bonds”) through a private placement with the New Hampshire Municipal Bond Bank (“NHMBB”). The NHMBB purchased these bonds as investments in its required debt service reserve fund for its own bond issues. The State uses the proceeds to fund its ongoing capital program while benefiting from a reduced cost of capital compared to that of a conventional “new money” issue. The bonds are structured to pay interest every six months and have two maturities, \$0.3 million on 8/15/2029 and the second and final maturity of \$1.94 million on 8/15/2040.

The State issued \$47,220,000 General Obligation Capital Improvement Bonds, 2020 Series C through a competitive sale on December 15, 2020. This “new money” sale closed on December 22, 2021 and resulted in an overall true-interest-cost to the State of 1.59% with coupons ranging from 1.00% to 5.00% and with final maturity on 12/01/2040. The proceeds of these bonds will be used to fund all or part of various capital projects of the State. Also on December 15, 2020 the State issued two separate series of refunding bonds. The first was a tax-exempt current refunding issuance of \$49,530,000 General Obligation Refunding Bonds, 2020 Series D, which were issued to refinance \$60,310,000 in previously issued and currently outstanding bonds at an overall true-interest-cost to the State of 0.49% and achieved present value savings of just over \$4.7 million or 7.8% of the refunded bonds. Directly following that sale, the State issued taxable advance refunding bonds, \$37,550,000 General Obligation Refunding Bonds, Series E (Federally Taxable), to advance

refund \$35,555,000 of previously issued and currently outstanding bonds at an overall true-interest-cost to the State of 0.34% and achieved present value savings of nearly \$6.7 million or 18.8% of the refunded bonds. Both refunding series closed on December 22, 2020. In the aggregate, these refunding transactions produced savings of approximately \$10.8 million over ten years with the majority coming in the first two years, specifically \$2.1 million in fiscal year 2021 and \$8.7 million in fiscal year 2022.

Turnpike System Revenue and Federal Highway Grant Anticipation Revenue Bonds

In addition to administering the issuance of general obligation debt, Treasury is responsible for issuing capital improvement revenue and refunding bonds for the Turnpike System, as well as bonds backed in large part by Federal Highway funds for the Department of Transportation called Federal Highway Grant Anticipation Revenue Vehicle Bonds ("GARVEE"). Turnpike System Revenue bonds are repaid solely from revenues (tolls) collected throughout the Turnpike System.

There were no Turnpike System bonds issued in fiscal year 2021. Total outstanding debt of the Turnpike System as of June 30, 2021 stood at \$271.8 million (unaudited).

There were no GARVEE bonds issued in fiscal year 2021. At June 30, 2021, the total amount of GARVEE bonds outstanding stood at \$75.8 million (unaudited).

Transportation Infrastructure Finance and Innovation Act (TIFIA) Financing

In collaboration with the State's Department of Transportation and pursuant to RSA 6:13-d, Treasury entered into a \$200 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the U.S. Department of Transportation in May 2016 to provide additional funding for the widening of Interstate 93 from Salem to Manchester. Borrowing under this federal program enabled the State to secure a significantly more favorable interest rate than conventional financing would have produced. Specifically, the financing agreement carries a rate of 1.09% for the term of the loan, with principal payments deferred until June 1, 2025 and a final maturity of June 1, 2034. Additionally, the loan is structured similar to a line of credit whereby drawdowns will be taken as construction funds are spent, thus minimizing interest expense on the entire \$200 million for the term of the loan. Drawdowns on the loan began in June 2016 and may continue through June 30, 2022, upon project completion and until the project has gone through the final construction audit process. As of June 30, 2021, the balance drawn on the loan stood at \$191.1 million (unaudited).

STATE GUARANTEED DEBT

The State is contingently liable for certain municipal government debt issues for water pollution control bonds, school building aid, and landfill bonds up to statutory limits. The State also provides certain guarantees for the debt issued by the Pease Development Authority and the Business Finance Authority. There are statutory limitations on these contingent debt guarantees:

1. The limit may apply to either the total amount of the original guarantee or to the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, facilitating additional guarantees to be awarded as guaranteed debt is retired.
2. The statutory dollar limit may constitute a guarantee of either the total amount of principal and interest owed, or the total amount of principal only; in the latter case interest on the principal amount outstanding may also be guaranteed notwithstanding the principal guarantee limit.

Issuance of new debt with a State guarantee requires the approval of the Governor and Executive Council.

As of June 30, 2021 the remaining unused guarantee authorizations under the various statutory limitations were:

<u>Purpose</u>	<u>Guarantee Limit</u>	<u>Remaining Capacity</u>
Water Pollution and Waste Control Bonds	\$ 50.0 million (1) (2)	\$ 50.0 million
School Building Authority Bonds	\$ 95.0 million (1) (2)	\$ 79.8 million
Superfund Site Bonds	\$ 20.0 million	\$ 20.0 million
Landfill and Waste Site Bonds	\$ 10.0 million (1) (2)	\$ 10.0 million
Business Finance Authority Bonds	\$145.0 million (1)	\$ 73.4 million
Pease Development Authority Bonds	\$ 70.0 million	\$ 13.9 million
Housing Finance Authority Child Care Loans	\$ 0.3 million (1)	\$ 0.3 million

(1) Revolving limit.

(2) Limit applies to total principal and interest.

Chapter 144, Laws of 2009, increased the State guarantee for School Bonds to \$95 million, effective July 1, 2009. In accordance with RSA 195-C:2, and as recommended by the School Building Authority and approved by the Governor and Executive Council, the State guaranteed \$51.6 million (principal and interest) of General Obligation Qualified School Construction Bonds issued by five school districts as of June 30, 2010. These bonds are federally taxable bonds created through the American Recovery and Reinvestment Act of 2009 and issued by school districts for facility construction and/or renovation or for the purchase of land upon which a facility will be built.

Chapter 47, Laws of 2015, amended the enabling legislation of the Business Finance Authority ("BFA") (RSA 162) to increase the BFA's Unified Contingent Credit Limit from \$95 million to \$115 million. The legislation, which became effective May 21, 2015, established redevelopment districts in unincorporated places, provided for the assessment of parcels located within redevelopment districts, and authorized a \$30 million State guarantee for such redevelopment bonds.

Chapter 346, Laws of 2019, granted the BFA the ability to recommend that the Governor and Council award additional State guarantees of certain indebtedness of businesses located in unincorporated areas of the state, limited to the total principal amount under such program not exceeding \$30 million at any time. This is separate and in addition to the previously existing authority to issue up to \$115 million in state guaranteed bonds and/or notes.

Chapter 346, Laws of 2019 additionally amended State guarantee provisions pertaining to indebtedness of the Pease Development Authority. Specifically, the statute repealed the authority to issue \$35 million of State guaranteed development bonds, bonds that had never been issued.

The State also bears a contingent obligation for debt issued by municipalities through the Municipal Bond Bank. If any municipality that has issued through the Bond Bank fails to make scheduled debt payments and escrowed funds are not sufficient to cover missed payments, the Bond Bank may request non-appropriated funds from the legislature in order to cover any shortfall. Although this exposure exists, the level of its risk is not easily quantifiable in considering the potential impact of such a default on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept, or "offset", program such that in the event of default by a governmental unit, the Treasurer shall pay the bond bank the defaulted amount from general or education trust fund appropriations that are due to the governmental unit which defaulted.

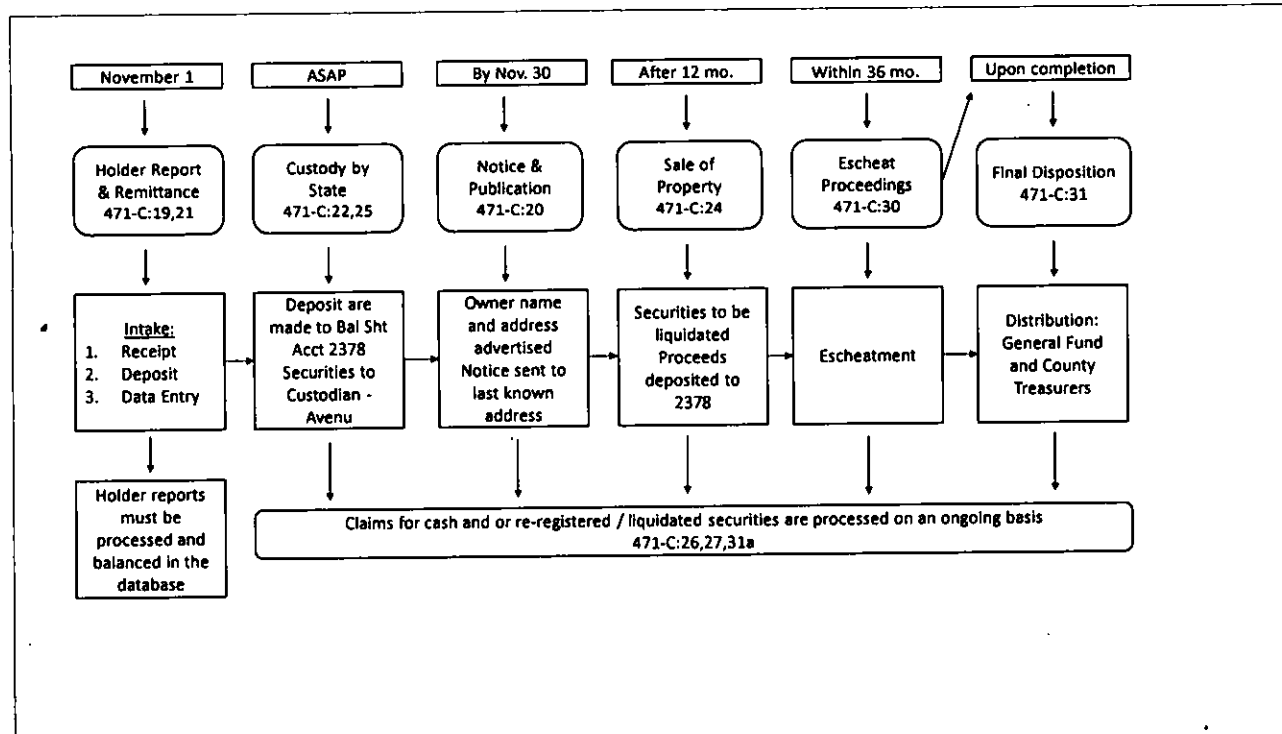
ABANDONED PROPERTY

Overview

Pursuant to the provisions of RSA Chapter 471-C, Treasury's Abandoned Property Division is charged with the task of recovering and returning intangible properties to the rightful owner or heir. Typically, such properties are in the form of cash from dormant accounts but may also include securities such as stock or mutual funds in share form. These properties are reported and remitted by the institutional "holders" of such property. By and large, holders are entities such as banks, credit unions, corporations, utilities, insurance companies, retailers, as well as government agencies and municipalities.

Diligent efforts are made to ensure that the property owners are notified that their property has been reported and remitted to the Division. Each October, an annual advertisement listing all owner names reported to the Division in the past year, and their last known addresses, is published in two consecutive weeks in a newspaper with state-wide circulation, generally the New Hampshire Union Leader. Additionally, a mailing in the form of a postcard notification is sent to the last known address of the reported owner during August and September. On-line searches of all properties the Division is presently holding can be done directly on the claims section of the Division's website: NewHampshire.findyourunclaimedproperty.com. The Division also participates in MissingMoney.com, a multi-state database of unclaimed property owner information. This multi-faceted owner reunification program affords ready access to any citizen inquiring about a lost or abandoned account.

In summary, the Division's statutory obligation and annual production cycle requires receipt and deposit of unclaimed funds and shares; maintenance of a database of the properties; sending notice to, and advertisement of, the name and last known address of the reported owner; processing claims; and escheating unclaimed funds to county treasurers and the State's general fund. The general timeline that follows provides an overview of the annual workflow.



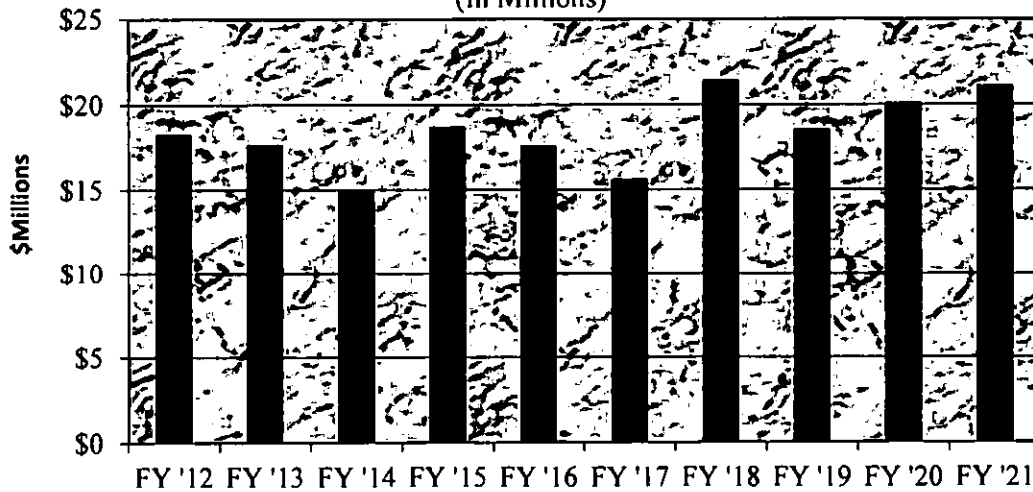
Holder Reporting and Remittances

In fiscal year 2021, approximately 4,500 institutional holders of property reported and remitted cash in excess of \$21 million and delivered over 4.4 million shares of stock and/or mutual funds to the State's custodial account. Over the past ten (10) fiscal years, the Division has taken in \$183.9 million from holders of abandoned property, averaging approximately \$18.3 million annually.

The tables below depict since fiscal year 2012 the amount of cash reported and remitted by holders as well as the number of holders reporting and remitting unclaimed property to the Division. The relatively higher number of holders reporting in fiscal years 2017 through 2021 is due to a new report import process for property received through the cooperative state reciprocal reporting arrangement. Previously, a reciprocal remit from a participating state would be counted as a single report and holder. The new process enables the identification of the underlying holder as an entity compliant with its obligation to report property to the state of New Hampshire.

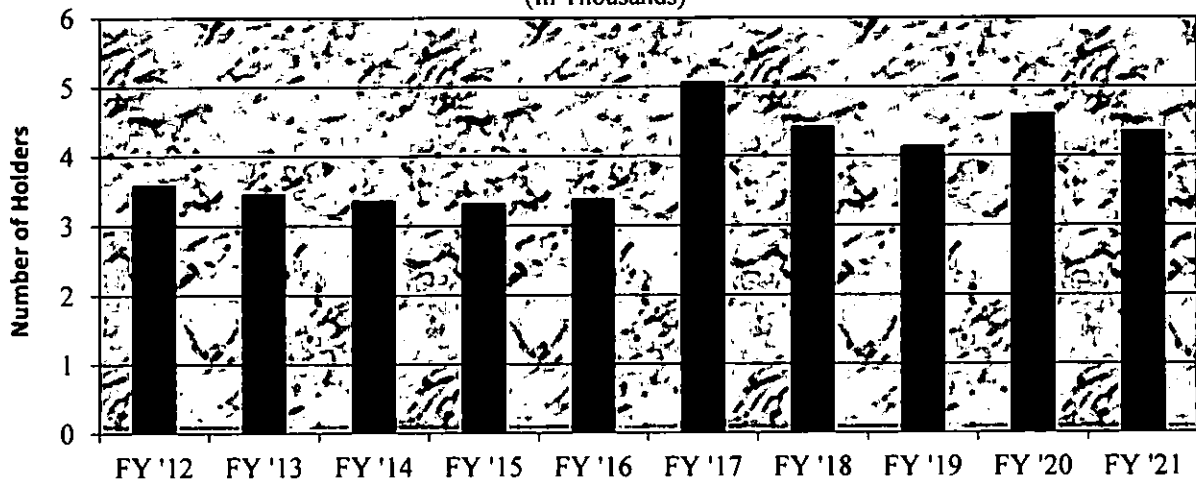
Cash Reported and Remitted

(In Millions)



Holders Reporting

(In Thousands)

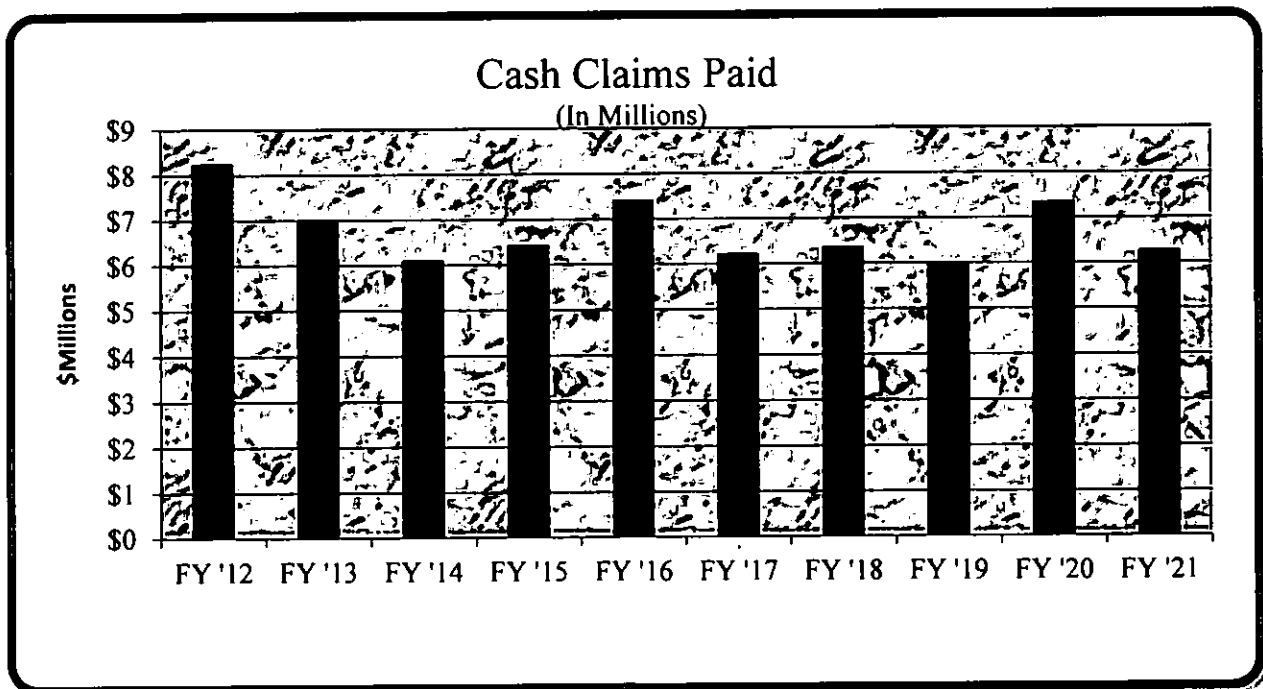


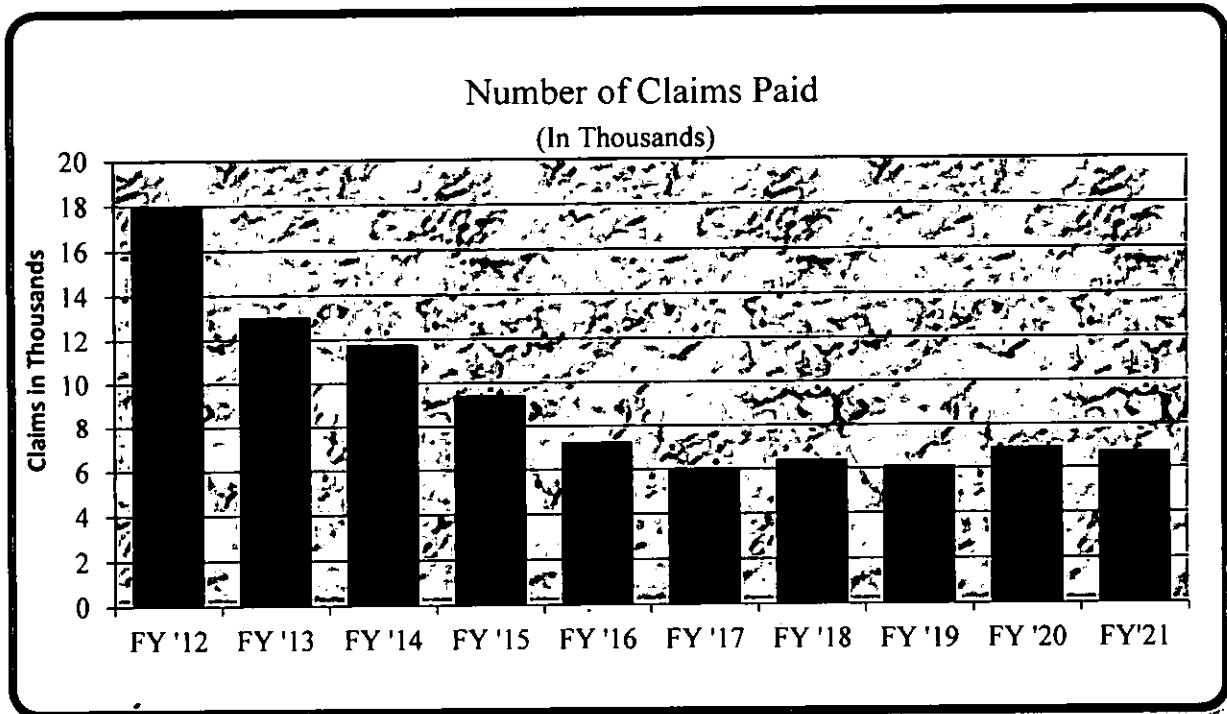
Owner Claims Processed

During fiscal year 2021, the Division returned nearly \$6.3 million to citizens, representing 6,675 claims paid (see graphs on pages 13 and 14). The reduction in the number of total claims paid beginning in fiscal year 2016 is not reflective of diminished returns of unclaimed property; rather this decline is the result of the Division's January 2015 conversion to a highly efficient unclaimed

property system which enables the payment of all properties recovered by one individual via a single claim. Prior to this conversion, a separate claim had to be processed for each asset returned. This enhancement to the claims process is only one example of how this automated system has streamlined business operations and improved the Division's customer response time.

The reduction in the number of claims paid continues to produce an increase in the size of the average claim paid. For comparison, in fiscal year 2015 the average claim size was \$683, while in fiscal year 2021 the average claim size was \$938. The largest individual claim in fiscal year 2021 totaled \$312,318. Over the past ten (10) fiscal years, \$67,327,650 has been returned to owners, an average of over \$6.7 million returned each year. The notable increase in the number of claims paid in fiscal year 2012 was largely due to additional processing of reciprocal claims paid to other states.

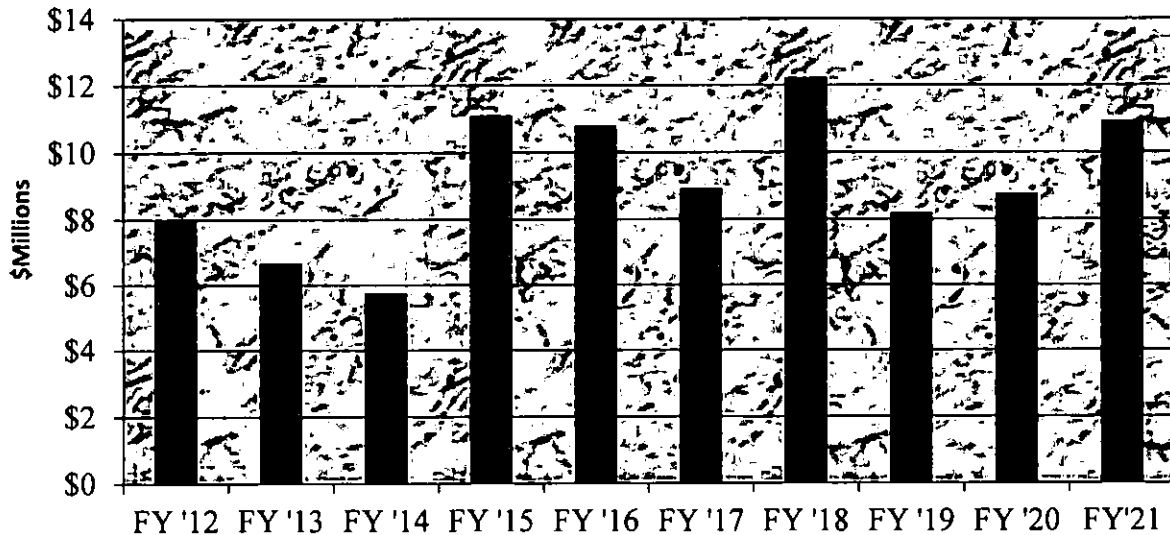


**Non-Securities Escheatment (RSA Chapter 471-C:30-31)**

On a net basis, the Division delivered nearly \$10.9 million to the General Fund during fiscal year 2021. RSA 471-C:30-31 provides for certain deductions from the gross amount available for transfer to the General Fund based on further escheatment to New Hampshire counties, as well as the payment of administrative expenses of the Division. Over the past ten (10) fiscal years, the net transfer to the General Fund is approximately \$91.5 million, an average net transfer of funds of \$9.1 million annually. The following graph excludes the impact of the liquidation of securities for fiscal years 2012 through 2021, which is summarized below the graph.

Escheated to General Fund

(In Millions)



Securities Liquidation (RSA Chapter 471-C:30-31)

The State Treasury practices with respect to the liquidation of unclaimed securities were modified in fiscal year 2007 in an effort to recover and deliver proceeds to owners' accounts and the General Fund on a timelier basis. Following a three-year hold period, proceeds from liquidated securities are transferred to the General Fund in the same fiscal year they are sold, as opposed to being held for an additional period, as was past practice. The result of this change is an increase in recent year escheatment dollars, with significant proceeds delivered to the General Fund in conjunction with, and in addition to, the annual net escheatment of cash receipts similarly subject to a 3-year hold period. Over the past ten fiscal years, liquidation proceeds were delivered to the General Fund as follows (dollars in millions):

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$3.0	\$6.4	\$9.1	\$3.6	\$5.4	\$3.9	\$5.8	\$6.1	\$2.9	\$4.6

COLLEGE SAVINGS PLANS

As the fiscal year closed, the Treasury and the New Hampshire College Tuition Savings Plan Advisory Commission ("Advisory Commission") had completed 23 years of administering the UNIQUE College Investing Plan ("UNIQUE Plan") and 19 years of administering the Fidelity Advisor 529 Plan ("FA 529 Plan") pursuant to RSA 195-H. Both plans are managed by Fidelity Investments under contract to the State through the end of calendar year 2023. The combined assets under management for the two plans totaled \$23.7 billion at the end of fiscal year 2021. The combined New Hampshire Plans ranked fourth among all state plans in the market value of assets.

Plan assets were held by nearly 810,000 participants throughout the U.S. and its territories. The average participant account balance as of the end of the fiscal year was \$28,565 in the UNIQUE Plan and \$33,914 in the FA 529 Plan, highlighting that this is a college savings vehicle primarily used by middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide array of qualified higher education expenses such as computers, books, required supplies, equipment, room and board, and tuition at accredited postsecondary schools, anywhere in the United States and at several international institutions. Furthermore, as a result of the Tax Cut and Jobs Act of 2017, 529 plans became more flexible, allowing up to \$10,000 per year in 529 savings plan assets to be used for tuition expenses for grades K-12 in addition to qualified higher education expenses. There are no income limits on participation, which is open to anyone regardless of state of residence. The UNIQUE Plan is sold directly to retail investors, while the FA 529 Plan is sold through financial intermediaries, such as financial planners. Participants in these plans have multiple investment portfolio options from which to choose, comprised of age-based target, static allocation investment, and individual fund portfolios representing both actively managed and index funds, as well as a series of blend portfolios which combine both active and passive strategies. The portfolios are largely funds of funds and range from aggressive 100% equity funds to highly conservative money market funds. Changes to investment portfolios are continually reviewed in order to ensure enhanced investment performance for college savers.

UNIQUE Scholarship Programs

The New Hampshire Excellence in Higher Education Endowment Trust Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded through a monthly investment management assessment generated by the two New Hampshire 529 plans. The purpose of the Trust Fund is to provide scholarships to financially disadvantaged New Hampshire students attending New Hampshire postsecondary education institutions, under the governance of the Advisory Commission. The Trust Fund also covers all costs associated with the administration of the Plans, including the financial audits. Two scholarship programs implemented in mid-2006, are:

1. UNIQUE Annual Allocation Program (“Annual Program”), which provides yearly scholarships to New Hampshire-resident students attending the University System of New Hampshire (“USNH”), the Community College System of New Hampshire (“CCSNH”), and nine (9) other eligible and participating New Hampshire postsecondary education institutions pursuant to Administrative Rule Csp 600. In July 2020, an initial allocation of approximately \$1 million was distributed to participating institutions, both public and private. Additional scholarship reimbursements of \$2.3 million were distributed to participating institutions at the end of fiscal 2021, resulting in a total distribution of \$3.3 million in UNIQUE Annual Awards for the year.
2. UNIQUE Endowment Allocation Program (“Endowment Program”) provides monthly distributions to restricted endowment funds maintained and managed by USNH, CCSNH, and eight (8) other eligible, non-profit New Hampshire postsecondary education institutions, pursuant to Administrative Rule Csp 700. With these institutions providing scholarships from

the earnings of the growing endowment funds, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity. Under the Endowment Program, 80% (percentage changed to 30% effective July 28, 2020 through June 11, 2021, pursuant to Exhibit M to Emergency Order No. 29) of the monthly revenue share from Fidelity is allocated to participating institutions. As a result, \$5.9 million in monthly allocations were distributed to participating institutions throughout fiscal year 2021 compared to \$12.5 million in fiscal year 2020.

Eligibility criteria for both scholarship programs were developed by the Advisory Commission and are established in administrative rules for the Endowment Program, while the eligibility criteria for Annual Program scholarships are revised and approved at least annually.

On March 27, 2020, the Advisory Commission held a special meeting to discuss possible ways to provide additional assistance to New Hampshire students impacted by the pandemic. During the special meeting, the Advisory Commission revised the eligibility criteria for the UNIQUE Annual Award Program during the 2020-2021 academic year by increasing the Expected Family Contribution cap from \$0 to \$1,000 and the individual scholarship amount from \$800 to \$1,000 each (full time-students, prorated for part-time). The Advisory Commission also decided to pursue a temporary change to the administrative rules governing the funding of the UNIQUE Endowment Allocation Program in order to provide more direct scholarships to New Hampshire students. Governor Christopher Sununu supported this initiative and on July 28, 2020, the Governor issued Exhibit M to Emergency Order No. 29, which authorized a temporary modification to administrative rule Csp 702.01(b) that states the percentage of revenue that needs to be allocated to restricted endowments. Pursuant to the Emergency Order, the percentage changed to 30% from 80%. In fiscal year 2021, postsecondary education institution endowments received \$5.9 million. Due to the expiration of the state of emergency on June 11, 2021 at midnight, the Exhibit M to Emergency Order No. 29 also expired and the funding for the UNIQUE Endowment Program returned to 80% of gross proceeds from assessments collected as prescribed in Csp 702.01(b).

Since their inception, the UNIQUE scholarship programs have distributed nearly \$165 million of scholarship funding through the end of fiscal year 2021 (in thousands of dollars):

	<u>FY 2021</u>	<u>From Inception</u>
Annual Program	\$3,344	\$35,281
Endowment Program	<u>\$5,892</u>	<u>\$128,668</u>
TOTAL	\$9,236	\$163,949

As of the end of fiscal year 2021, the Trust Fund had a market value of \$11.4 million.

GOVERNOR'S SCHOLARSHIP PROGRAM

Chapter 346, Laws of 2019, repealed and reenacted RSA 4-C:31-34, transferring the administration and oversight of the Governor's Scholarship Program from the New Hampshire

Office of Strategic Initiatives to the New Hampshire College Tuition Savings Plan Advisory Commission effective July 1, 2019, whose administration is supported by the State Treasury.

The Governor's Scholarship Program provides financial assistance to eligible New Hampshire high school graduates or recent high school graduates who enroll full-time and continuously attend a participating postsecondary education institution of their choice within the state of New Hampshire. Any first year, full-time, Pell Grant-eligible student who earns the New Hampshire Scholar designation and meets the residency and academic requirements may be eligible for a scholarship award of \$2,000 per year for up to four years. All other eligible students will qualify for a scholarship award of \$1,000 per year for up to four years. The scholarships are to be applied to the tuition, fees, and direct costs of an education at a participating institution.

The Governor's Scholarship Program was established pursuant to Chapter 156, Laws of 2017, appropriating \$5 million to the Governor's Scholarship Fund and, from that fund, \$850,000 and \$950,000 for fiscal year 2018 and fiscal year 2019, respectively, were appropriated to the department of education to fund student participation in the dual and concurrent enrollment program administered by the Community College System of New Hampshire. In addition, funding for fiscal year 2019 came from Chapter 155, Laws of 2017, which appropriated \$5 million to the Governor's Scholarship Fund. Chapter 345, Laws of 2019 (2020-2021 operating budget), appropriated another \$3 million for fiscal year 2020 and \$3 million for fiscal year 2021.

In fiscal year 2021, New Hampshire postsecondary education institutions awarded approximately 804 4-, 2-, and 1-year awards to New Hampshire students participating in the Governor's Scholarship Program compared to 509 scholarships awarded in fiscal year 2020. Of the 804 scholarships, 346 went to students who obtained the New Hampshire Scholar designation while attending high school. In fiscal year 2021, participating institutions received approximately \$1.7 million in reimbursements for eligible students enrolled and who were receiving a scholarship.

STABLE NH SAVINGS PROGRAM

Pursuant to RSA 195-K, and following the approval of the Executive Council on October 25, 2017 (item #23), the Governor's Commission on Disability and the State Treasury jointly entered into a 5-year, no-cost, partner agreement with the State of Ohio Treasury for the administration of New Hampshire's STABLE NH savings program. In December 2014, federal passage of ABLE (Achieving a Better Life Experience) legislation paved the way for each state to sponsor its own tax-advantaged savings program for the benefit of those with qualifying disabilities, with many features similar to those of a college tuition savings (529) account. Accordingly, section 529(a) of the Internal Revenue Code governs the tax treatment of ABLE accounts.

The STABLE NH savings program was operationally launched on December 15, 2017, with a formal ceremony on December 18 that featured remarks from Governor Christopher T. Sununu, Representative Lynne Ober, and former NH Health & Human Services Commissioner Jeffrey A. Meyers, as well as representatives from several area disability advocacy agencies. Following the program launch, the Governor's Commission on Disability and the Treasury began a series of

presentations promoting STABLE NH throughout New Hampshire. Those presentations continued during fiscal year 2021.

Under the federal guidelines, there are specific criteria for determining the eligibility of an individual to qualify for ownership of an ABLE account. A maximum of \$15,000 annually in after-tax funds can be deposited into an ABLE account, however, if the individual who owns the account is employed, they can deposit an additional \$12,760 of wages. Funds held in a STABLE NH account are allocated across five portfolio options: an FDIC-insured bank deposit portfolio and four Vanguard portfolios that combine equity and fixed income funds based on splits of 80/20, 60/40, 40/60, and 20/80. Distributions from a STABLE NH account are not taxed as long as the distributions are used to pay for qualified disability expenses. As of June 30, 2021, Granite Staters had opened 528 accounts in the program with a total of \$4.2 million in assets held. The average balance of a STABLE NH account as of June 30, 2021 was \$8,500.

SEABROOK NUCLEAR DECOMMISSIONING TRUST

As of June 30, 2021, the Seabrook Decommissioning Trust Fund had assets with a market-value of \$1.06 billion, an after-tax gain of 28.5% for the fiscal year due to improving investment market returns during fiscal year 2021. The decommissioning trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Station for the cost of future decommissioning, combined with the investment earnings on the trust balance, net of applicable taxes and qualified administrative expenses. The trust is invested on the basis of elections made by each individual owner, subject to an investment policy approved by the State Treasurer, and influenced by the tax status of each individual owner. Trust fund proceeds may be invested in a mix of equities (stocks), fixed income securities (bonds), opportunistic (direct lending and private equity) portfolios, and cash equivalents. The allocation of fund holdings at the end of fiscal year 2021 was 68.52% equities, 25.77% fixed income, and 5.71% opportunistic investments. In addition, \$12.1 million was held as a decommissioning funding assurance in separate escrow accounts on behalf of the owners at June 30, 2021. Escrow holdings primarily consist of cash and cash equivalents, with the State Treasurer and Deputy State Treasurer having signatory authority, but not custody of the funds.

The Seabrook Decommissioning Trust is not in the custody of the State Treasurer, nor does the Treasurer serve as the trustee. It is held in trust by Bank of New York Mellon on behalf of the owners of the Seabrook Nuclear Power Plant for the sole purpose of funding decommissioning costs when the plant ceases operations. Although the Treasurer presently serves on the Nuclear Decommissioning Financing Committee (pursuant to RSA 162-F), approves the Trust's Investment Guidelines (pursuant to the Master Trust Agreement), and fulfills certain other administrative roles, the State Treasury provides no direct financial management or custodial services to the Trust.

TREASURY ACCOMPLISHMENTS AND INITIATIVES

Treasury achieved several milestones over the past year and continues with a number of initiatives which commenced during prior fiscal years and are ongoing. As a service provider to other State agencies, these important changes could not have taken place without the full and dedicated collaboration of Treasury staff, a variety of State agencies, the Legislature, and private sector entities.

Additionally, in fiscal year 2022, the Treasury will be working on developing performance metrics to support current responsibilities as well as long term goals to assist the Treasury in the performance of its mission in future years.

COVID-19 Response

In March of 2020, immediately after Governor Chris Sununu declared the state of emergency, the State Treasury implemented procedures described in its Continuity of Operations Plan focusing on mission essential functions while conditions relative to the COVID-19 pandemic were being evaluated. A few weeks later, Treasury employees were provided with the option to work remotely and schedules were staggered to limit exposure in the workplace. This option was in place for several months which allowed the Treasury to perform its constitutional responsibilities and deliver the same level of services to New Hampshire citizens. While this experience presented a challenge for everyone, it highlighted areas of needed improvement, activities that will be preserved due to their success, and opportunities that will be pursued over time. The Treasury will continue to review and update its Continuity of Operations Plan and strategy to better support the services it provides.

Abandoned Property Current and Future Initiatives

In fiscal year 2021, the Abandoned Property Division continued with a series of enhancements that began in fiscal year 2020 with the implementation of a hosted website facilitated by its unclaimed property system provider. The provider has implemented standardized unclaimed property websites for more than half of the states' unclaimed property programs. The standardized structure of the websites has enhanced holder reporting, as holders become increasingly proficient with the uniform interactive efficiencies offered by the states. The standardized nature of the websites also benefits claimants, who see the consistency of the individual states' websites as a reinforcement of the legitimacy of the states unclaimed property programs, and also, as consumer protection-based programs focused on returning unclaimed funds to the rightful owners in an expedient and recognizable manner.

In the summer of 2020, this hosted website began allowing claimants to complete the entire claims process on-line. The enhanced unclaimed property system solution ("KAPS") allows property owners to search unclaimed property directly into the KAPS database, file claims electronically, and securely upload documents to the website. The introduction of this solution was well received as many individuals and companies conducted more business on-line during to the pandemic. During the fiscal year, approximately 70% of claimants filed a claim on-line while the other 30% continued with the traditional method of submitting inquiries directly at the Division's claims

services lines, or making an inquiry through the National Association of Unclaimed Property Administrators national on-line claims clearinghouse database via www.missingmoney.com.

Other upgrades already implemented as part of the enhanced KAPS system solution include: the imaging functionality, which allows the scanning, indexing, storing, and retrieving of documents; and the publishing of the “claim status” right on the KAPS website.

Beginning in fiscal year 2022, certain small claims (\$100.00) will be paid via an automated process utilizing a data match analysis process to verify the individual’s ownership of the funds. Claims approved through this process will typically be paid within two weeks of initiation. In conjunction with this implementation, the Division will soon be incorporating an advanced data fraud index to flag potentially fraudulent claims upon origination.

The contract with the unclaimed property system provider expires on August 24, 2024.

Component Units Dashboards

Pursuant to RSA 6:44, all component units of New Hampshire state government are required to report to the State Treasurer on a quarterly basis. These quarterly reports include interim financial information, performance metrics, and all relevant information on the component units’ activities. In accordance with the statute, the State Treasury serves as a clearinghouse of information by collecting and making these reports readily available to New Hampshire citizens and State officials on its website at <https://www.nh.gov/treasury/component-unit-dashboards>.

The New Hampshire Component Units regularly reporting to the State Treasury are listed below:

- Community college system of New Hampshire
- Community development finance authority
- Judicial retirement plan
- Land and community heritage authority
- Business finance authority
- Health and educational facilities authority
- Housing finance authority
- Municipal bond bank
- Pease development authority
- Retirement system of New Hampshire
- University system of New Hampshire

Legislation and Compliance

Treasury continued to collaborate with legislators seeking to introduce new legislation or amend existing statutes. During the 2021 legislative session, Treasury worked with several legislative committees providing information and testimony with regard to a variety of issues, particularly,

issues pertaining to capital and operating budget initiatives. Treasury also submitted fiscal notes in response to numerous legislative service requests on a variety of issues.

Additionally, in fiscal year 2021, the Treasury provided administrative support to the College Tuition Savings Plan Advisory Commission in its effort to amend the administrative rules of the Governor's Scholarship Program. With the transfer of oversight from the Office of Strategic Initiatives ("OSI") to the Advisory Commission pursuant to Chapter 346:437, Laws of 2019, the Treasury coordinated the necessary work to amend the administrative rules of the Governor's Scholarship Program initially adopted by OSI. The Treasury provided testimony and assisted the Advisory Commission during the entire rulemaking process concluding with the final adoption of the Csp 400 rules for the Governor's Scholarship Program on December 7, 2020.

Remediation of Observations from 2014 LBA Financial Audit

On June 16, 2014 Governor Maggie Hassan issued Executive Order 2014-03, which requires State agencies to report on their progress in responding to audits of the Legislative Budget Assistant on a semi-annual basis. In an LBA financial audit dated March 11, 2014, thirteen observations were identified and reported to the Legislative Fiscal Committee.

On August 12, 2014 (within 60 days of the Executive Order, as required) Treasury filed its initial remediation plan and has since filed updated status reports regarding its remediation efforts semiannually, as summarized in the table below. These reports, including the original LBA audit report, can be accessed on the Transparent NH website at <https://www.nh.gov/transparentnh/audit/treasury/index.htm>, or on the Treasury website at <http://www.nh.gov/treasury/forms-publications/index.htm#audit>. A summary of Treasury's progress in resolving audit observations follows:

Observations	1	2	3	4	5	6	7	8	9	10	11	12	13
03-21-15	P	P			P								
09-21-15	P	P			\$		P			P			P
03-21-16	\$	\$			\$		P			\$			\$
09-21-16					\$		P			\$			
03-21-17					\$		P			\$			
09-21-17					\$		P			\$			
03-21-18							P			\$			
09-21-18							P						
03-21-19							P						
09-21-19							P						
03-21-20							P						
09-21-20							P						

R – Resolved S – Substantially Resolved P – Partially Resolved U – Unresolved

Treasury remains committed to fully resolving all audit findings and includes in its updated status reports an estimated target date for the final remediation of all findings not yet fully resolved.

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TRUST AND AGENCY ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1)					
FISCAL YEAR 2021 (unaudited)					
	July 1, 2020	Dividends	Net	Net	June 30, 2021
	Beginning	&	Transactions	Change	Ending
	Market	Interest	During	in Market	Market
Fund Name	Value	Earned	Year	Value	Value
Department of Education					
- Harriet Huntress	72,853	1,046	5,009	14,213	93,121
- Hattie Livesey	37,750	515	2,693	7,643	48,601
- John Nesmith	586,311	9,082	38,382	108,539	742,313
- Special Teachers Competence	255,769	4,949	14,233	41,690	316,641
Department of Environmental Services					
- Connecticut-Coos	2,476,391	60,611	110,644	444,838	3,092,482
- Mascoma	45,263	12	0	0	45,274
- Newfound	85,112	22	0	0	85,134
- Piscataquog	13,199	3	0	0	13,203
- Squam Lake	94,369	24	0	0	94,393
- Sugar River	13,328	3	0	0	13,331
- Winnepesaukee	20,792	5	(7,000)	0	13,797
Department of Fish & Game					
- Lifetime License Fund	2,202,189	53,097	242,255	380,576	2,878,117
Health & Human Services					
- Laconia State School	126,436	32	(7,316)	0	119,152
- Matthew Elliott Memorial Trust Fund	4,948	1	0	0	4,949
- New Hampshire Hospital	7,629,289	140,937	129,238	776,755	8,676,219
- NHSLRP/JUA Escrow Account	453,104	286	3,059,958	0	3,513,348
- Youth Development Center	35,578	9	0	0	35,587
Department of Labor					
- Crown Paper Workers Compensation	15,274	2	0	0	15,275
- Special Fund for Active Cases	11,985	13	(993)	0	11,005
- Special Fund For Second Injuries	4,892,001	1,585	(1,285,255)	0	3,608,331
Dept of Natural and Cultural Resources					
- Tip-Top House Fund	21,526	6	0	0	21,531
Department of Safety					
- Financial Responsibility	141,286	37	2,962	0	144,286
- Road Toll Bonds	36,910	9	0	0	36,920
New Hampshire Veterans' Home					
- Benefit Fund	1,589,079	31,552	5,481	222,456	1,848,568
- Guy Thompson Account	15,139	177	(280)	0	15,036
- Members' Administrative Account	502,108	4,003	(100,000)	0	406,111

TRUST AND AGENCY ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1 CONT.)					
FISCAL YEAR 2021 (unaudited)					
	July 1, 2020 Beginning Market Value	Dividends & Interest Earned	Net Transactions During Year	Net Change in Market Value	June 30, 2021 Ending Market Value
Fund Name					
NH Higher Education					
-NH Higher Ed- Concord Hospital Surgical Technology Program	81,251	21	0	0	81,272
-NH Higher Ed- The Prelude Institute	35,569	8	0	(25,575)	10,002
-NH Higher Ed- The Trivium Institute	0	1	10,000	0	10,001
Office of Energy and Planning					
- Land Conservation Monitoring Endowment	4,113,928	83,355	127,005	801,816	5,126,104
Public Utilities Commission					
-Electric Assistance Program	2,540,892	1,466	677,565	0	3,219,923
Racing & Gaming					
-NH Lottery Commission Licensee Escrow	0	0	0	0	0
Treasury Department					
- Japanese Charitable Fund	162,929	2,664	9,567	34,924	210,083
- College Savings Plan Trust	3,914,994	133,582	8,236,674	(571,679)	11,713,572
University of New Hampshire					
- Benjamin Thompson Trust	2,276,770	30,275	415,698	82,916	2,805,659
Other					
- Community Conservation Endowment	5,514,404	107,330	311,526	1,321,480	7,254,740
- Conn Lakes Headwaters Natural Areas Stewardship	2,118,664	41,004	38,968	504,942	2,703,579
- Conn Lakes Headwaters Tract Monitoring Endowment	2,182,900	43,451	88,265	535,503	2,850,119
- Conn Lakes Headwaters Tract Road Maintenance	2,106,488	41,582	66,737	513,652	2,728,459
Total Trust & Escrow Accounts	46,426,776	792,756	12,192,017	5,194,691	64,606,239
- Unclaimed and Abandoned Property ⁽¹⁾	17,580,111	686,415	7,489,561	(560,308)	25,195,779
Columns may not add due to rounding.					
(1) This includes only the securities held by Avenu Insights and Analytics					