

UNIQUE COLLEGE INVESTING PLAN  
Minutes of the Meeting of July 23, 2001

The thirty seventh meeting of the NH College Savings Plan Advisory Commission was called to order by Chairman Sylvia Larsen at 10:00 am. Present were:

Michael Cryans	Public Member from Hanover
Linda Hodgdon	Budget Director representing the Governor
Sylvia Larsen	Senator from Concord
Ingrid Lemaire	Director of Public Relations, NH Higher Education Assistance Foundation
Edward MacKay	Vice Chancellor, representing the University System
Andrew Peterson	Representative from Peterborough
Georgie A. Thomas	State Treasurer
Alan Thulander	Representative from Frankestown
Ann Weddleton	Grants Coordinator, representing the Community Technical College System

Absent were:

Father Jonathan DeFelice	President, Saint Anselm's, representing the Post Secondary Education Commission
Martha Gooze	Public Member from Durham
Edward Gordon	Senator from Bristol
Richard Gustafson	President, Southern New Hampshire University, representing the College and University Council

Also present were Eric Nottonson and David Pearlman from Fidelity.

Michael Cryans moved, seconded by Ingrid Lemaire to accept the minutes of the previous meeting. Motion adopted unanimously. Georgie Thomas announced that Father Jonathan DeFelice, president of Saint Anselm's has been appointed to represent the Post Secondary Education Commission, replacing Hannah McCarthy.

Ed MacKay presented the report of the Investment Committee. Since inception, all portfolios have experienced positive returns and have exceeded the benchmarks. Trailing six months returns have been less than the benchmark, while the most recent quarter returns have led the benchmark. The portfolios are performing as designed with the shorter portfolios showing positive returns. UNIQUE has had large nonqualified redemptions recently as a result of the last year's market performance. These outflows have been an industry wide phenomenon. Fidelity monitors these trends closely.

Portfolio investments for the endowment also were presented. These portfolios are exceeding the benchmarks although nine months (when the funds were initially invested) returns have not been positive.

Eric Nottonson reviewed the Trustee report for the quarter ended June 30, 2001. Telephone inquiry volume has increased from the publicity engendered by the tax legislation of 2001. Inquiries have been level to down industry wide. However UNIQUE's April results were affected by the introduction of investment choice. Contributions continue to increase and 65 percent of accounts now use the automatic account builder. To date, the State has received over \$1,130,000 from management and penalty fees. Discussion took place regarding the amount being distributed in grants. The subject will be reviewed at the next endowment committee meeting.

David Pearlman presented the required SEC disclosure document which must be executed by both the State and Fidelity. On motion of Georgie Thomas, seconded by Mike Cryans, the Treasurer was authorized to execute the document to conform to rule SEC 15c2-12.

David Pearlman also presented amendments to the Commission's rules. Introduction of the Advisor product occurring as the Commission met, requires changing certain sections of the definitions as does the recommendation to increase the contribution cap by using only Dartmouth as the index for costs. Further the tax act also eliminates the requirement that states impose penalty fees. Instead, beginning in 2002 a federal penalty tax will apply. Andrew Peterson moved, seconded by Ingrid Lemaire to accept these changes and adopt the rules as amended.

David Pearlman also reviewed other provisions of the tax law of 2001, including the sunset on January 1, 2011.

Eric Nottonson updated the Commission on the UPROMISE/Fidelity link. The program has been received enthusiastically and the first sweep of rebates will occur at the end of the current quarter. Eric also briefed the Committee on Fidelity initiatives which will bring new assets into the Plan. Major corporate customers want to add college savings as a corporate benefit. He also noted that Fidelity currently has three to four million retail customers on its books. Currently only five percent of these customers have added college savings. Fidelity will make an effort to increase participation in this group.

The Commission discussed access by Fidelity to the customer list who have only 529 plans with the firm. Under section 9.4 of the agreement New Hampshire owns the customer list with the one exception that Fidelity has one chance to convert the customers should the agreement with Fidelity terminate. Currently UNIQUE participants consist of 55 percent preexisting Fidelity customers and 45 percent non customers. Marketing efforts aim to increase the non customer percentage.

Extensive discussion took place regarding the privacy requirements of Gramm, Leach, Bliley. The UNIQUE trust is silent on the subject and Fidelity itself does not share its lists. Ed MacKay raised concern about the State's position in 2013, when the current contract terminates. Should the State choose to change providers, participants with more than one relationship may likely stay with Fidelity. Andrew Peterson stated that he was willing to give Fidelity access to the UNIQUE list for promoting additional products but would not consider reducing the State's 15 basis point fee. Sylvia Larsen wanted a clear and easy opt out provision for customers to inform Fidelity they did not wish to be solicited. Eric Nottonson offered to place a checkout box on new customer applications to make clear that this was an option.

On motion by Georgie Thomas, seconded by Andrew Peterson, the Commission voted to permit Fidelity to market to the UNIQUE list, provided that existing customers could elect not to receive information after a six months trial period and that new customers may elect not to be solicited on the application form.

Discussion took place regarding increasing the contribution cap, currently set as five times the yearly cost of attending Dartmouth, or \$166,600. Fidelity reported that the cap was being used as a marketing tool against the UNIQUE plan by the Alliance/Putnam/TRowePrice sales forces. Eric recommended setting the cap in the range of \$225,000 which remains below the highest levels of \$250,000. Mike Cryans moved, seconded by Alan Thulander to raise the cap immediately to seven times Dartmouth. Motion was adopted unanimously.

The next meeting will be held October 22, 2001 at 10:00 preceded by an Endowment Committee meeting at 9:00 and an Investment Committee meeting at 9:30 which will be attended by Ren Chang.