

UNIQUE COLLEGE INVESTING PLAN  
Minutes of the Meeting of October 25, 2004

The fifty-second meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Mr. Ed MacKay, Vice Chairperson. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation. Present were:

Ingrid Lemaire	Senior Director, Research and State Relations, NH Higher Education Assistance Foundation
Michael Ablowich	State Treasurer
Ann Weddleton	Director of System Research and Grants, representing the Community Technical College System
Edward MacKay	Vice Chancellor, representing the University System of New Hampshire
Michael Cryans	Public Member from Hanover
Martha Gooze	Public Member from Durham
Thomas Horgan	Executive Director, New Hampshire College and University Council
Richard Leone	State Representative from Sunapee
<u>Absent were:</u>	
Sylvia Larsen	State Senator from Concord
Larry Elliott	State Representative from Hillsborough
Father Jonathan DeFelice	President, Saint Anselm, representing the Post Secondary Education Commission
Andrew Peterson	Senator from Peterborough
A representative from Governor Benson's office	

Also present were Jeff Troutman, David Pearlman, Mary Connors, Bob Corcoran, and Heidi Siegal from Fidelity. Also attending was Kathryn Dodge of the Post Secondary Education Commission.

The minutes of the meeting of August 2, 2004 were reviewed. The minutes were motioned for approval by Ms. Gooze and seconded by Representative Leone. The minutes were approved unanimously.

Mr. Corcoran began the meeting by reviewing the overall 529 plan industry and a variety of key issues that were common to both the FA 529 and UNIQUE Plans.

Mr. Corcoran reviewed the continued growth of the state's 529 plans and the associated program revenue that has been received by the state. While New Hampshire's market share of the 529 industry has remained at approximately 7.8%, the pace of new account openings at all of the Fidelity administered 529 plans slowed in the 3rd quarter of the calendar year. One possible explanation for this slowdown may be that investors are pausing as the economy has paused and possibly waiting for the resolution of the November elections before committing more dollars to their savings strategies.

Mr. Corcoran updated the committee on three issues related to the regulatory environment for 529 plans. First, the fact kits for the UNIQUE and FA 529 Plans have been reviewed and are substantially in compliance with the College Savings Plan Network voluntary disclosure guidelines. Second, the industry is anxiously awaiting the release of the SEC's 529 Plan Task Force report due sometime in December. This report should give some sense of the direction federal regulators may take over the near future in crafting new rules or proposed legislation regarding the federal role with regard to 529 Plans. Lastly, on September 30<sup>th</sup>, the Senate Governmental Affairs Committee held a hearing on 529 plans which was an offshoot of this committee's past scrutiny of the mutual fund industry's sales and marketing practices.

Mr. Corcoran updated the Commission on the MBNA 529 Rewards Card which continues to exhibit healthy growth since its introduction. Fidelity is in on-going negotiations with MBNA to continue the product offering despite its very generous pricing (relative to other similarly structured credit card offers).

Mr. Corcoran recommended that the Commission maintain the UNIQUE and FA 529 contribution caps at \$270,000 for calendar year 2005. Mr. Cryans motioned to keep the contribution cap at \$270,000 for calendar year 2005. Ms. Lemaire seconded the motion. The motion was approved unanimously.

Mr. Corcoran reviewed with the Commission business results for the 3<sup>rd</sup> quarter of calendar year 2004 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of over \$2.5 billion. New account openings offset some market depreciation to keep assets flat for the quarter. As Mr. Corcoran mentioned in the broader market context new account openings have slowed to a lower than expected pace but not slower than the overall 529 market. Incidental to continued marketing efforts, the number of incoming account transfers increased dramatically in August and September compared to May, June and July of 2004, however account transfers still only account for a very small portion of monthly gross sales. Mr. Corcoran reviewed a number of upcoming marketing and distribution initiatives as well as product and service enhancements.

Mr. Troutman presented an overview of the FA 529 Plan business results for the third quarter of calendar year 2004. The third quarter of 2004 saw sales continue to increase sharply over the prior year, however the year over year growth is starting to slow. The FA 529 Plan ended the quarter with over \$933 million in assets. Cash flows to

the age-based portfolios continue to be strong as is the case with UNIQUE. Rollover activity has slowed but is still a significant component of monthly sales figures.

Mr. Troutman summarized a number of marketing and promotional activities that had been completed, including a large survey of parents and teens and their attitude toward saving for and paying for higher education expenses. Mr. Troutman described some marketing and promotional activities coming up including a holiday gifting campaign. This campaign is designed to get parents and grandparents to consider opening a new 529 account or contributing to an existing account as an alternative to traditional gift giving.

Mr. Troutman briefly updated the Commission regarding "Rights of Accumulation", "Letters of Intent" and "Breakpoints". These enhancements had been added by the Commission and will be available in late November. He also updated the Commission on investment only activities.

Mr. Ablowich briefly reviewed the status of the Endowment Fund.

The meeting adjourned at 11:15 A.M. The next meeting will be January 31, 2005 at 10 A.M. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.