

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of January 31, 2005

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

Sylvia Larsen	State Senator from Concord
Larry Elliott	State Representative from Hillsborough
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
Thomas Horgan	Executive Director, New Hampshire College and University Council
Martha Gooze	Public Member from Durham

Absent were:

John Ward	State Representative from Littleton
Father Jonathan DeFelice	President, Saint Anselm, representing the Post Secondary Education Commission
Peter Bragdon	Senator from Milford
A representative from Governor Lynch's office	

Also present were Jeff Troutman, David Pearlman, Mary Connors, and Bob Corcoran from Fidelity. Also attending was Kathryn Dodge and Judy Knapp of the Post Secondary Education Commission, Catherine Provencher, Director of Audits from the Office of the Legislative Budget Assistant and Ann Kennedy of PriceWaterhouse Coopers.

The minutes of the meeting of October 25, 2004 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Mr. Horgan. The minutes were approved unanimously.

The item of new business was the election of officers for the Commission. Representative Elliot nominated Senator Larsen as Chair and Mr. MacKay as Vice Chair

of the Commission. Ms. Lemaire seconded the nomination. There were not further nominations for officers. Senator Larsen and Mr. MacKay were elected unanimously to a two year term as Chair and Vice Chair respectively.

Catherine Provencher, the Director of Audits for the Office of the Legislative Budget Assistant introduced Ann Kennedy of PriceWaterhouseCoopers who reviewed for the Commission the results of their audit for the fiscal year ending 9/30/2004 for both the UNIQUE College Investing Plan and the Fidelity Advisor 529 Plan. Ms. Kennedy described the audit process and the approach her firm takes to review the two plans. She described some of the specific areas they focus on, including internal controls, investments, the trust fee structure and the preparation of the financial statements. She also discussed some the steps taken to attempt to identify risk areas for fraud. The financial statements for both Plans received “clean” opinions from the auditors.

Mr. Ablowich made a request of the Commission. He requested the payment of \$400 for the state to be a member of the College Savings Plan Network for one year. The request was motioned for approval by Mr. MacKay and seconded by Ms. Lemaire. The motion was approved unanimously.

Mr. Ablowich discussed the efforts by the National Association of State Treasurers (NAST) and the College Savings Plan Network (CSPN) to work more efficiently and effectively with key stakeholder and regulatory groups in Washington DC. NAST and CSPN have formed a “Federal Initiatives Task Force” comprised of nine state treasurers and executive directors of college savings or prepaid plans. Mr. Ablowich is a member of this Task Force.

The Task Force’s purpose is to maintain and enhance the leadership role of states, proactively address concerns raised by Congress, federal regulators, and the media about Section 529 Plans and coordinate NAST/CSPN activities as states advocate for the improvement of Section 529 Plans. To achieve this purpose the Task Force has established a strategic plan. Within this strategic plan one of the key tasks is to hire a Washington, D.C. based lobbyist to assist the work of the Task Force. To fund the cost of the work of the Task Force, and in particular the hiring of a lobbyist, each state is being asked to contribute \$10,000 toward this effort. Mr. Ablowich indicated that at the next meeting he will be requesting that the Commission approve a payment of \$10,000 to the College Savings Plan Network for this purpose.

Mr. Ablowich then discussed another opportunity for the Commission to support efforts nationally and in Washington D.C. to promote and enhance 529 Plans. The College Savings Foundation is an industry group made up primarily of investment management and other private sector service providers to 529 Plan sponsors. There are also a few states who are members of this group. Mr. Ablowich indicated that a membership in this group would be another positive opportunity for the plan to advocate for its participants on a variety of issues including, most importantly, making permanent the federal tax benefits enjoyed by participants which is set to expire on December 31, 2010. Mr. Ablowich indicated that at the next meeting he will be requesting that the

Commission approve an associate membership in the College Savings Foundation for this purpose.

Ms. Lemaire, in her capacity as Chair of the Statewide “GEAR UP” Planning Committee requested consideration of a one time contribution toward the establishment of a scholarship trust for the benefit of low-income students who qualify as scholarship recipients under the federal “GEAR UP” Program. She described “GEAR UP”, the history of the program in New Hampshire, the application process and how the program would work.

“GEAR UP” is “Gaining Early Awareness and Readiness for Undergraduate Programs” and was established as a discretionary federal grant program in 1998. It is designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The federal legislation allows for local partnership grants and statewide grants.

In order to provide scholarships for a cohort of 150 students and associated counseling and support services within the context of the “GEAR UP” program the request was made to the Commission to provide funding of \$300,000 or one quarter of the non federal share. The other three quarters of the non-federal share is expected to be provided by the state of New Hampshire, NHHEAF Network Organizations and some private scholarship donors. One of the questions for Ms. Lemaire concerned whether the Commission could be assured that funding from the Commission would be for New Hampshire students attending New Hampshire institutions. Ms. Lemaire indicated that in the aggregate endowment funds used to fund the \$300,000 would be spent in accordance with this intention which is consistent with the statute establishing the endowment fund from which these dollars would be spent.

After some discussion about the proposal, Mr. Cryans made a motion to approve a \$300,000 commitment to the GEAR UP proposal, contingent upon NHHEAF being named the lead agency for the grant and successful completion of the grant application. Ms. Weddleton seconded the motion. Representative Elliot expressed concerns about whether the effectiveness of the program had been adequately measured against the dollars allocated. The motion was approved with all members voting in favor of it less Representative Elliot who voted against the motion.

Mr. MacKay discussed a proposal to amend the current Excellence in Higher Education Endowment Fund (the “Endowment Fund”) policy. In general, the current policy is to reserve a significant amount of the annual revenue by using a very conservative 5% payout of the past 12 quarters’ balances in the Endowment Fund for the purpose of determining scholarships available for students. Mr. MacKay’s proposal was to distribute more of the revenue directly to institutions for the purpose of establishing endowments at New Hampshire institutions which would in turn provide scholarships to New Hampshire students. His proposal was not intended to replace the direct aid to students provided by the endowment but rather to supplement the direct aid with indirect aid in the form of locally managed endowments with a similar group of targeted students

as beneficiaries. After some discussion the Commission decided to form a subcommittee to review Mr. MacKay's proposal and bring suggestions and recommendations to the full Commission at some later date.

Mr. Troutman reviewed the current load waiver policies for the Fidelity Advisor 529 Plan. Current FA 529 Plan load waiver policies allow for purchase of Class A Units with no sales charge after meeting certain provisions. Two of the provisions under the FA 529 Plan are currently under review. First, purchases with proceeds from a rollover distribution from a non-Fidelity 529 program on which the customer had previously paid a sales charge and second, purchases with redemption proceeds from Fidelity Advisor Funds or other mutual funds on which a sales charge had previously been paid. Both these load waiver policies were approved at the July 2003 Advisory Commission meeting.

Mr. Troutman indicated that feedback from brokers was that these waiver provisions create potential compliance issues. In particular broker application of the provisions cannot be adequately supervised and due to the regulatory scrutiny related to application of mutual fund breakpoints many firms are looking closely at these types of provisions. Two firms have indicated that they will no longer sell the FA 529 Plan, because of the current load waivers which they believe they cannot properly implement and supervise. Other firms are likely to re-visit the policy in coming months. After some discussion Mr. MacKay made a motion to allow the Mr. Ablowich, as trustee, in consultation with Mr. Troutman to suspend portions of the load waiver policy at his discretion if it is ultimately in the best interests of the plan. The motion was seconded by Mr. Horgan. The motion passed unanimously.

In lieu of a formal review of the business results for the FA 529 Plan and UNIQUE Plan for the most recent quarter, which were handed out to the Commission members, Mr. Corcoran highlighted for the committee a slide in the presentation regarding the regulatory environment. Mr. Pearlman described the current 529 regulatory environment and the different potential outcomes of discussions in Washington DC in the legislature and within regulatory agencies.

The meeting adjourned at 12:00 P.M. The next meetings are scheduled for May 2nd, 2005, July 25th, 2005 and October 31st, 2005. The endowment subcommittee will meet on May 2nd at 8:30 A.M. prior to the regular meeting and the investment subcommittee will meet on July 25th at 8:30 A.M. prior to the regular meeting. The meetings will take place at the New Hampshire Higher Education Assistance Foundation.