

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

The fifty-seventh meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Senator Sylvia Larsen, Chairman. The meeting was held at the offices of Fidelity Investments in Merrimack, New Hampshire. Present were:

Sylvia Larsen	State Senator from Concord
Ingrid Lemaire	Vice President, representing the NH Higher Education Assistance Foundation organizations
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
Thomas Horgan	Executive Director, New Hampshire College and University Council
Kathryn Dodge	Executive Director, Post Secondary Education Commission
Michael Cryans	Public Member from Hanover
Russell Ingram	State Representative from Windham
John Dolan	Budget Director, Office of the Governor
<u>Absent were:</u>	
Martha Gooze	Public Member from Durham
John Ward	State Representative from Littleton
Peter Bragdon	State Senator from Milford

Also present were David Pearlman, Jeff Troutman, Bob Corcoran, Heidi Siegal and Mary Connors from Fidelity. Also attending was Judy Knapp of the Post Secondary Education Commission and Brad Jacobson, Deputy State Treasurer.

Senator Larsen called to order a previously scheduled public hearing with regard to the proposed amended rules for CSP 600 and proposed rules for CSP 700. The purpose of the public hearing was to seek public input into changes to the Commission's rules with regard to the administration of its scholarship programs, new and existing. The rules had been reviewed by the staff of the Joint Legislative Committee on Administrative Rules (JLCAR). Through its review the JLCAR staff suggested a number of modifications and amendments, a number of which will be incorporated into the final version of the rules.

Senator Larsen opened the hearing for public input. Having received none, Mr. Cryans motioned to approve the rules, which was seconded by Ms. Weddleton. The motion carried unanimously.

Mr. Horgan motioned to close the public hearing, which was seconded by Ms. Dodge. The motion carried unanimously.

Senator Larsen called to order the regular meeting of the Commission. The minutes of the meeting of July 18, 2005 were reviewed. The minutes were motioned for approval by Mr. Cryans and seconded by Mr. MacKay including one minor adjustment on the 3rd page of the minutes to amend “2006-2006 school year” to the “2005-2006 school year”. The minutes were approved unanimously.

Mr. Troutman began the meeting by discussing a proposal to launch two new individual fund portfolios into the Fidelity Advisor 529 Plan. The two new funds will each be single mutual funds: the Fidelity Advisor New Insights Fund and the Fidelity Advisor Strategic Income Fund. The Fidelity Advisor New Insights Fund is an equity fund and Fidelity Advisor Strategic Income Fund is a fixed income fund. Both funds have performed well and were requested by financial intermediaries for inclusion in the FA 529 Plan. Mr. Troutman outlined the two funds’ characteristics and past performance and described the timetable for their offering if approved by the Commission. After some discussion Mr. Mackay motioned to approve the launch of these two new funds, seconded by Ms. Lemaire. The motion carried unanimously.

Mr. Troutman then described a proposed additional load waiver policy. Fidelity is requesting approval for a new provision to be added to the load waiver policy for the Fidelity Advisor 529 Plan’s Class A and Old Class A units in conjunction with an identical policy being implemented for the Fidelity Advisor mutual funds Class A shares. This proposed provision will allow for a waiver of the front-end sales charge on purchases of \$5 or less into Class A and Old Class A units. Mr. Troutman described the instances where a sales load on very small purchases results in a sales charge significantly larger than the stated rate. By waiving the sales charge on these small purchases it will remove the possibility of a greater than expected charge from occurring. This same policy change is being implemented by Fidelity Investments for other non-529 advisor sold mutual fund products. After some discussion Ms. Dodge made a motion to waive sales charges on purchases of \$5 or less into Class A and Old Class A units of the Fidelity Advisor 529 Plan. The motion was seconded by Mr. Cryans and approved unanimously.

Mr. Corcoran provided an overview of the 529 Plan market place. New Hampshire continues to maintain its market share of the 529 industry but the overall market continues to grow at a slow pace. The existing growth in assets is primarily attributable to customers making contributions to existing accounts as new account openings are continuing to be quite modest. Mr. Corcoran noted that the rebate dollars from the MBNA credit card partnership have continued to increase as had the number of accounts per household.

Mr. Pearlman described the steps taken by the 529 industry to make progress toward tax permanency. He described the efforts of the College Savings Plan Network and the College Savings Foundation to get sponsors on bills in congress to make the preferential federal tax treatment of 529 plans made permanent.

Mr. Corcoran described the desire of Fidelity to market products and services other than 529 college savings plans to the plans' participants. Mr. Corcoran described one of the benefits of this strategy is to have access to more potential customers. This access would make it easier for him or Mr. Troutman to secure incremental funding for UNIQUE or FA 529 marketing programs and/or product enhancements. Mr. Corcoran described that for non-529 retail customers, Fidelity typically seeks to send 1 to 2 direct mail programs per household per year and maintains a count of programs per household, so as to avoid excessive mail. Fidelity maintains a "no-mail" list and a "no-call" list, and promptly adds customers to those lists when asked to do so.

After some discussion among the Commission members and Mr. Corcoran, Mr. Cryans made a motion to allow for up to 2 direct mailings per UNIQUE customer household per year, subject to the Trustee's review and that all mailings will have disclosure language prominently displayed that describes Fidelity's "opt-out" policy with regard to subsequent mailings. This motion was seconded by Ms. Lemaire and approved unanimously.

Mr. Corcoran then reviewed the current contribution limit for the UNIQUE and FA 529 Plans. The current contribution limit is \$270,000. This limit had been unchanged in 2005 compared to 2004 since there are very few customers who ask for a higher limit and that increasing the limit gives the appearance of structuring either product to exceptionally high net worth customers. After some discussion of the methodology of the current maximum contribution limit, which would provide for a limit of nearly \$290,000 and a comparison with other 529 plans, the commission agreed to leave the limit unchanged. Mr. Cryans motioned to leave the limit unchanged at \$270,000, which was seconded by Ms. Dodge. The motion passed unanimously.

Mr. Corcoran reviewed with the Commission business results for the 3rd quarter of calendar year 2005 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of nearly \$3.4 billion and total accounts of over 280,000.

Mr. Corcoran reviewed recent and pending marketing and distribution initiatives as well as important recent and pending product and service enhancements. Mr. Corcoran also shared with the Commission some analysis comparing the .30% program fee charged to UNIQUE customers to asset based fees other than mutual fund expenses of the ten largest direct channel 529 programs. His conclusion was that New Hampshire's .30% compared quite favorably to the other largest plans and in fact was the lowest of the ten except for Utah at .25% and had a fee the same as Massachusetts (also administered by Fidelity Investments).

Mr. Troutman reviewed with the Commission business results for the 3rd quarter of calendar year 2005 for the Fidelity Advisor 529 Plan (FA 529 Plan). At the end of the quarter the FA 529 Plan had assets of nearly \$1.5 billion. As with the UNIQUE Plan and the rest of the 529 market, new account openings have slowed as well as incoming contributions to existing accounts. Mr. Troutman highlighted the rollover activity of accounts being transferred from competing 529 plans to the FA 529 Plan. Rollover activity has leveled out to approximately \$10 – \$15 million dollars per quarter which accounts for about 10% of sales activity in the same period.

Mr. Troutman described a number of marketing and product activities designed to both make the FA 529 Plan easier to use on the part of customers and easier to introduce to customers by financial intermediaries. He indicated that November and December are periods where financial intermediaries attempt to market the FA 529 Plan as part of a holiday gifting strategy to either open new accounts or add dollars to existing accounts.

Mr. Troutman discussed a new business opportunity for the FA 529 Plan. National Financial Services is a subsidiary company of Fidelity Investments. This firm essentially operates an accounting and fund and stock transfer and clearing service that can be accessed by financial intermediaries. National Financial Services is in discussions with Fidelity Investments Institutional Company, Inc. (FIIS), the Fidelity subsidiary under which the FA 529 Plan is marketed, to facilitate the setup of accounts and execute transactions in and out of the FA 529 Plan. Many firms with selling agreements for the FA 529 Plan currently use the services of National Financial Services, so engaging in this partnership would be a natural extension of the existing platform. However National Financial Services would also provides record keeping for competing advisor sold 529 plans on this same platform. Mr. Troutman discussed some of the pros and cons of this proposed relationship. The Commission did not make a decision at this time on this proposal but the consensus was that they were open to hearing more about this as details were made available. Mr. Troutman will keep Mr. Ablowich apprised of the discussions with National Financial as additional details related to the product enhancement emerge.

Mr. Ablowich briefly updated the Commission on the status of the endowment fund. At the end of the 3rd quarter the balance in the endowment was over \$17.5 million, and the calculated funds available for scholarships was \$287,000 for the 2005-2006 school year.

The meeting adjourned at 12:00 A.M. The next meeting is scheduled for January 23rd, 2006 and is planned to take place in Concord at the New Hampshire Higher Education Assistance Foundation.