

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of January 23, 2006

The fifty-eighth 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 the New Hampshire Higher Education Assistance Foundation in Concord. 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

Absent were:

Martha Gooze	Public Member from Durham
John Ward	State Representative from Littleton
Peter Bragdon	State Senator from Milford
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 Salem
John Dolan	Budget Director, Office of the Governor

Also present were David Pearlman, Jeff Troutman, Bob Corcoran, and Heidi Siegal from Fidelity. Also attending was Brad Jacobson, Deputy State Treasurer.

There was not a quorum present for the meeting.

The minutes of the meeting of October 31, 2005 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Ms. Lemaire to be corrected for the spelling of Mr. Cryans name.

The Commission next discussed the proposed amended rules for CSP 600 and proposed rules for CSP 700. The purpose of the discussion was to review the result of the legislative hearing on the rules with amendments proposed the day of the hearing. Both sets of rules had been amended and approved by the Joint Legislative Committee on

Administrative Rules (JLCAR). Mr. MacKay motioned that the Commission approve the “600 series” rules as amended and adopted by JLCAR. Ms. Lemaire seconded the motion. The motion was approved by those in attendance. Mr. MacKay then motioned that the Commission approve the “700 series” rules as amended and adopted by JLCAR. Ms. Lemaire seconded the motion. The motion was approved by those in attendance.

The Commission then discussed implementation of the amended 600 rules and the new 700 rules. The implementation of programs within the rules will require that participating colleges and universities apply for and receive scholarship funds. Mr. MacKay, in consultation with staff at the University System of New Hampshire drafted suggested documentation to implement these new programs. It was motioned by Ms. Lemaire and seconded by Ms. Weddleton that the Treasurer, as trustee, proceed with development of documentation (including agreements or applications, as necessary) to enact the new scholarship programs and distribution methodology contained within the new rules. The motion was approved by those in attendance.

Senator Larsen proceeded to the new business items.

Mr. Ablowich requested that \$400 be paid from the administrative budget for a one year membership in the College Savings Plan Network (CSPN). Ms. Lemaire motioned approval of the request, which was seconded by Ms. Weddleton. The motion was approved by those in attendance.

Mr. Ablowich requested that \$1,000 be paid from the administrative budget to reimburse him for estimated costs to attend the “College Savings Foundation Forum” on February 2 and 3, 2006. Mr. MacKay motioned approval of the request, which was seconded by Ms. Lemaire. The motion was approved by those in attendance.

Mr. Ablowich requested that previous expenses of \$392.90 be transferred from the operating budget of the Treasury to the Commission’s administrative budget. Mr. Ablowich had traveled to Washington DC on Sept. 26, 2005 for the purpose of presenting training to House and Senate legislative staff on 529 college savings plans in conjunction with the College Savings Foundation. Mr. MacKay motioned approval of the request, which was seconded by Ms. Lemaire. The motion was approved by those in attendance.

Mr. Ablowich then discussed with the Commission a letter from the Nashua School District concerning the distribution of marketing materials through the school. The school district was hesitant to distribute information on the UNIQUE Plan in the future given that Fidelity was a for-profit entity and the policy of the district is not to distribute materials for for-profit entities. Mr. Ablowich agreed to follow up with the Department of Education to find out if this was an issue that may be of concern to other school districts.

Prior to the regularly scheduled Commission there was a meeting of the investment committee. One of the issues discussed was with regard to the allocation of equity funds within the age based portfolios between domestic and international funds.

Fidelity had proposed more closely aligning the international equity exposure of the age based portfolios with the static portfolios. This change would shift the target international allocation from 10% to 15% of the equity portion of the portfolio. After some discussion the Commission endorsed this change but would discuss it further at the next scheduled meeting when a quorum was present.

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. The average number of UNIQUE accounts per participant has been slowly increasing over time, an indication that existing customers may look favorably at the UNIQUE Plan by opening multiple accounts. Mr. Corcoran also noted that the rebate dollars from the MBNA credit card partnership have continued to increase.

Mr. Pearlman described the steps taken by the 529 industry to make progress toward tax permanency. Much progress has been made in getting sponsors of the House and Senate tax permanency bills. Mr. Pearlman and Mr. Ablowich also, in the context of a regulatory issue, briefly discussed a forthcoming proposal for a new web site (web resource/tool) that would compare 529 plans for customers. This site is in response to the regulatory concerns that 529 plans are too complicated for investors. The intention of this new site, sponsored by the College Savings Plan Network, was to simplify the analysis by investors by allowing for a side by side comparison.

Mr. Corcoran outlined upcoming changes in the MBNA Card program. As of the meeting date Fidelity was working with MBNA to keep the 2% rebate program through the end of calendar year 2007, with new cardholders, beginning in July of 2006, to start with a 1.5% rebate. Eventually all customers would receive a 1.5% rebate on the card, still higher than the standard industry rate of 1%. This agreement is still subject to discussion and negotiation.

Mr. Corcoran reviewed with the Commission business results for the 4th quarter of calendar year 2005 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of over \$3.6 billion and total accounts of over 290,000. Mr. Corcoran reviewed recent and pending marketing and distribution initiatives as well as important recent and pending product and service enhancements.

Mr. Corcoran announced to the Commission that this would be his last Commission meeting. He is leaving the UNIQUE Plan product and changing jobs within Fidelity. As of the meeting date no replacement had been named.

Mr. Troutman reviewed with the Commission business results for the 4th 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 over \$1.6 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 also updated the Commission on “investment only” activities. As of the end of 2005 Fidelity had nearly \$280 million in assets through other 529 Plans. In these other 529 Plans a Fidelity fund may be offered as part of a menu of “single fund options”.

Mr. Ablowich briefly updated the Commission on the status of the endowment fund. At the end of the 4th quarter the balance in the endowment was over \$20 million.

The meeting adjourned at 12:00 P.M. The next meetings are scheduled for May 1st 2006, July 31st 2006 and October 23rd, 2006. They are planned to take place in Concord at the New Hampshire Higher Education Assistance Foundation.