

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

The sixty-first meeting of the NH College Savings Plan Advisory Commission (Commission) was called to order at 10:10 A.M. by Senator Sylvia Larsen, Commission Chair, at the offices of the New Hampshire Higher Education Assistance Foundation in Concord.

Present were:

Sylvia Larsen	State Senator
Ingrid Lemaire	Vice President, representing the NH Higher Education Assistance Foundation organizations
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
Russell Ingram	State Representative
Kathryn Dodge	Executive Director, Post Secondary Education Commission

Absent were:

Michael Ablowich	State Treasurer
Martha Gooze	Public Member
John Ward	State Representative
Peter Bragdon	State Senator
Michael Cryans	Public Member
Linda Hodgdon	Representative from the Office of the Governor

Also present were David Pearlman, Jeff Troutman and Heidi Siegal from Fidelity Investments and Brad Jacobson, Deputy State Treasurer.

The minutes of the meeting of July 31, 2006 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Ms. Dodge. The motion passed unanimously.

Ms. Siegal provided an overview of the 529 Plan market place. New Hampshire continues to maintain its position as the third leading sponsor of section 529 college savings plans with 7.6% market share following the Virginia and Rhode Island plans. The entire 529 industry currently approximates \$80 billion in assets. Net assets in the

two New Hampshire 529 plans increased almost 30% in the last year and remains within the top 10% of the industry. Average account balances of the New Hampshire plans remain in the top 20% of the industry. The MBNA Rewards Card rebates reached \$45.5 million inception to date.

Mr. Pearlman informed the Commission that the recently enacted federal pension legislation contained a provision making permanent the enhancements made in 2001 to section 529 of the Internal Revenue Code. He noted that the next major event will be the drafting of final regulations by the U.S. Treasury Department, and that the industry has presented a position paper to the Treasury concerning the potential content of the regulations. He noted that the Treasury is currently focused on whether to try to finalize all regulations in a single release, or to do multiple releases, and that Treasury's decision will have a significant impact on the timing and content of any proposal.

Mr. Troutman presented the results of a recent market survey conducted by Synovate Research, on behalf of Fidelity, during August and early September of 2006. The survey focused on 1000 families with children aged 10 or younger, with an overweighting of parents in those states where Fidelity currently manages 529 plans. Some of the findings of the survey are:

1. 45% of parents have not started savings for college. (80% of parents using financial advisors are saving, however.)
2. 40% of all parents expect to pay most or all of their children's college costs.
3. 52% of college savers use bank savings accounts while only 23% use 529 plans. (Parents with financial advisors are most likely to use 529 Plans.)
4. As a result of the passing of tax permanency:
  - a. 53% of non-owners of 529 accounts will likely open accounts and
  - b. 36% of current owners of 529 accounts will likely increase contributions.

The survey results will be used in future marketing and communications efforts of Fidelity and may be used by members of the Commission in their own future presentations.

Ms. Siegal presented information supporting Fidelity's recommendation to increase the New Hampshire maximum contribution for 2007 from \$270,000 to \$300,000. Facts supporting the recommendation are:

1. Seven years of the annual cost of education (\$45,963) at New Hampshire's most expensive school (Dartmouth) would equal \$321,741.
2. Contribution limits of the other four state 529 plans managed by Fidelity are at \$300,000 or slightly above.
3. Contribution ceilings of all other states in 2006 range from \$224,465 to \$341,000.

Mr. MacKay moved the motion to increase the maximum contribution to \$300,000 for 2007. The motion was seconded by Ms. Lemaire and, after some discussion, was approved unanimously.

Ms. Siegal reviewed the business results of the UNIQUE Plan with the Commission. At the end of the 3rd quarter of 2006 the UNIQUE Plan had assets of over \$4.2 billion and total accounts of almost 316,500.

Future communications and marketing of the UNIQUE plan, and the Plan's new enhancements, were presented by Ms. Siegal. An Op-Ed piece focusing on the needs to save for college and to minimize student debt levels is scheduled to be released in late October. A release on the new UNIQUE enhancements is scheduled for early November to coincide with the launch of the plan enhancements on November 16, 2007. New brochures addressing the Pension Protection bill, including 529 plan tax permanency, and 529 plan enhancements will also be available later in the 4<sup>th</sup> quarter of 2007. In-school distributions are scheduled for January of 2007 with other in-state advertising scheduled for February.

Future discussions with Joe Hurley ("guru" of college savings) are being planned by Fidelity to ensure that the New Hampshire plans are being reviewed in an objective manner. Results of these discussions will be presented to the Commission at a future meeting.

Relating to the new Unique Plan enhancements, Mr. Jacobson reported that the First Amendment to the New Hampshire Higher Education Savings Plan Trust, the Amendment to the Restated Investment Management Agreement and Restated Management and Administrative Services Agreement have been executed and approved by the Governor and Executive Council.

Mr. Troutman reviewed the business results for the 3rd quarter of calendar year 2006 for the FA 529 Plan. At the end of the quarter the FA 529 Plan had assets of just under \$2.0 billion. Mr. Troutman discussed the relatively high levels of cash outflows expected this time of year, due to the payment of education expenses during the quarter, and the ongoing rollover activity of accounts being transferred to and from competing 529 plans and the FA 529 plan. Cash outflows are higher than expected, however, and Mr. Troutman is going to investigate and report his findings to the Commission. Rollovers are starting to flatten out compared to relatively high levels last year, however. New account activity is expected in the 4<sup>th</sup> Quarter. Marketing and communications of the Advisor 529 Plan will be focused on encouraging systematic investments over the next several months.

Mr. Jacobson updated the Commission on the status of the NH Excellence in Higher Education Endowment Trust fund and provided an update on the Annual and Endowment Allocation Program disbursements made to eligible and participating institutions to date. The fund has a balance of \$19,549,764 as of September 30, 2006. As of today, the fund has disbursed over \$8.1 million to institutions participating in the UNIQUE Annual and Endowments Allocation Programs.

Mr. MacKay led a discussion on the timing and process for the potential reimbursement to postsecondary educational institutions in the event that they expend more scholarships than funds provided to them under the UNIQUE Annual Allocation Program for the 2006-07 school year. Institutions will be submitting requests for reimbursement around March 1, 2007 for Commission consideration during the 2<sup>nd</sup> Quarter meeting (May 7, 2007). The Postsecondary Education Commission will be communicating this information to the institutions participating in the Annual Allocation Program. This process will permit the institutions the time required to finalize all scholarship disbursements and, if provided by the Commission, the ability to process refunds within the same school year. The Commission has made no commitments for any reimbursements at this point, however.

During the January 2007 meeting, the Commission will be discussing and approving, among other things, the total amount of Annual Allocation to be made available for the 2007-08 school year, the amount of each student award and the EFC level for eligible students. This information will then be communicated to the participating institutions for their financial aid planning for the upcoming school year.

Mr. Pearlman informed the Commission that discussions are in progress work is underway between outside counsel and the New Hampshire Treasury Department to identify a way to be able to make modifications to the 529 programs without having to change the Csp-series Administrative Rules. Because the Commission was formed by and operates under state statutes, and changes to the various programs are voted on by the Commission, there may be a way to enact these changes without going through the laborious process of changing the Administrative Rules.

Other issues, of interest to the Commission members, were presented as follows:

1. Mr. Jacobson - New Hampshire financial disclosures are due to the Secretary of State's office by January 19, 2007. Treasury had requested guidance from the Attorney General's office if Commission members were required to submit disclosure forms. The request will be forwarded to the new Executive Branch Ethics Commission for consideration. Copies of the new state statute, disclosure form and website reference were provided to Commission members.

2. Mr. Jacobson - The National Association of State Treasurers is holding a conference in New Orleans on December 3 – 6 which includes several college savings sessions which may be of interest to Commission members. Information regarding the conference, including the estimated cost, was provided.
3. Mr. Jacobson - Two one-day conferences will be held in Boston relating solely to college savings on November 30 and December 1 which may be of interest to Commission members. Information regarding those conferences was provided.
4. Mr. Jacobson - Mike Ablowich sent “thank-you” letters, on behalf of the Commission, to the New Hampshire delegation for their support and sponsorship of the Pension Protection Act which included tax permanency for 529 plans. Copies were previously provided to Commission members by email.
5. Mr. Pearlman – The College Savings Foundation conference will be held on February 7 - 9, 2007. Conference materials will be mailed out in the near future.

The calendar 2007 meeting dates were established as follows:

Monday January 22, 2007	9:00 Investment Subcommittee 10:00 Commission Meeting
Monday May 7, 2007	10:00 Commission Meeting
Monday July 23, 2007	9:00 Investment Subcommittee 10:00 Commission Meeting
Monday October 22, 2007	10:00 Commission Meeting

All meetings are planned to be held at the New Hampshire Higher Education Assistance Foundation.

The meeting adjourned at 11:35 A.M.