

New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 7, 2007

The sixty-third meeting of the NH College Savings Plan Advisory Commission (Advisory Commission), held at the offices of the New Hampshire Higher Education Assistance Foundation in Concord, was called to order at 10:00 a.m. by Mr. MacKay, Advisory Commission Chair. Present at the meeting were:

Edward MacKay (Chair)	Vice Chancellor, representing the University System of New Hampshire
Harold Janeway	State Senator
Russell Ingram	State Representative
Robert Foose	State Representative
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
Kathryn Dodge	Executive Director, Post Secondary Education Commission
Thomas Horgan	Executive Director, New Hampshire College and University Council
Martha Gooze	Public Member
Michael Cryans	Public Member
Linda Hodgdon	Representative from the Office of the Governor
Catherine Provencher	State Treasurer

Absent was:

Margaret Hassan	State Senator
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Also present were David Pearlman, Jeff Troutman, Joe Ciccariello, Heidi Siegal and Mary Connors from Fidelity, Steve Hirt from PriceWaterhouseCoopers, Judy Knapp from Postsecondary Education Commission, Tara Payne from NH Higher Education Assistance Foundation and Brad Jacobson, Deputy State Treasurer.

Due to her pending retirement, this was Ms. Lemaire's last meeting. Mr. MacKay acknowledged her long and valuable service to the Advisory Commission and her lasting contribution to the New Hampshire College Savings Plan. Ms. Lemaire's position, representing the NH Higher Education Assistance Foundation, will be filled by Ms. Tara Payne.

Mr. MacKay reported that immediately preceding this meeting was an orientation for new members, facilitated by Fidelity Investments. Handout material from the orientation was made available to all members as a valuable future resource and Fidelity personnel were thanked for their efforts.

The minutes of the meeting of January 22, 2007 were reviewed. The minutes were motioned for approval by Senator Janeway and seconded by Ms. Weddleton. The motion passed unanimously.

There was no old business to discuss.

Annual Audit Review

Mr. Hirt reviewed the result of the annual audit, by PriceWaterhouseCoopers, of each of the 34 portfolios of the New Hampshire College Savings Plans which existed as of the audit date of September 30, 2006. The results of the audit were unqualified opinions on each of the portfolios. Mr. Hirt explained the areas of audit focus of the review of internal controls and the financial statements as well as the PWC required discussions with the state's Fiscal Committee. Other areas of discussion were:

1. Reporting of distributions – ultimate responsibility of reporting distributions, both qualified and taxable, rests with the participant rather than Fidelity.
2. Discussions are being held concerning the potential change in reporting standards from the Financial Accounting Standards Board to the Governmental Accounting Standards Board
3. The schedule for the September 30, 2007 audit should include a review by both the Fiscal Committee and the Advisory Commission prior to the release of the financial statements by Fidelity to the Plan Participants.

New Hampshire's 529 Program Overview

Mr. Ciccariello provided an overview of the 529 Plan market place as of the end of the first quarter of calendar year 2007. New Hampshire continues to maintain its position as the third leading sponsor of section 529 college savings plans with 7.5% market share of the 529 industry net assets following Virginia (21%) and Rhode Island (8.4%). 12 states are currently considering an in-state income tax deduction to residents for investments made in any plan. Consolidation and plan management changes are still underway within the 529 industry.

Mr. Pearlman updated the Advisory Commission on state and federal regulatory and legal issues. On the state level, Senate Bill 245 has passed the Senate and a public hearing was held by the House Education Committee on April 25. This bill proposes certain amendments to the state's College Savings Plan statute (RSA 195-H) to (1) eliminate the statutory requirement to continually update many of the Commission's administrative rules, (2) conform the statute in light of changes at the federal level since the statute was first adopted. If adopted, the changes would help New Hampshire's

ability to adapt quickly to market changes and maintain its competitive position in the market.

On the federal level, the 2010 sunset provision of IRS code, which provides tax advantages for 529 savings accounts, was eliminated in the 2006 Pension Protection Act making the tax benefits permanent. Fidelity, the College Savings Foundation (of which Mr. Pearlman is the Chair) and others in the 529 Plan industry continue to work with the U.S. Treasury to resolve certain technical issues to prevent any negative impacts on 529 plans in the Treasury's final regulations.

UNIQUE Plan Review

Ms. Siegal & Mr. Ciccariello reviewed the overall business plans, goals and results of the UNIQUE retail plan. As of April 30, 2007 the UNIQUE Plan had market-value assets in excess of \$5.0 billion with total participants of almost 340,000. First quarter 2007 net sales exceeded the first quarter of 2006 by 8%. Compared to the March 2007 goals established by Fidelity, net sales are 107% of the goals but new accounts are only 92% of the goal for the month. On a year-to-date basis, net sales exceed the goal by 103% but new accounts are 79% of the goal. Index portfolios comprise 14% of overall sales in the UNIQUE Plan and individual portfolios comprise 22% of the custom portfolios.

Marketing and distribution plans, including print vehicles and websites, were reviewed and compared to 2006 plans. Radio advertising has been eliminated due to complications with disclosure requirements. A significant effort in online advertising (41%) has been added in 2007 with \$1.5 million being invested in the infrastructure. Gift cards and statement credits for rewards cards have been added as giving incentives. In-school distributions have recently been made for this year.

Fidelity Advisor 529 Plan Review

Mr. Troutman reviewed with the Commission the business results of the FA 529 Plan (Advisor Plan) for the first quarter of 2007 for the FA 529 Plan. As of March 31, 2007 the Advisor Plan had assets with a market value of almost \$2.3 billion. New accounts were underperforming the first quarter of 2006. Net flows in March of 2007 exceeded net flows of March 2006.

Gross vs. net sales trends and rollover activity were reviewed followed by a discussion on why participants seem to be leaving Fidelity for other plans. Mr. Troutman explained that this is a financial advisor-directed decision, rather than a participant decision, but that Fidelity would try to provide some analysis in that area.

Marketing and program monthly activity status directed at participants and financial advisors was reviewed.

UNIQUE Annual Allocation Program Update

Mr. Jacobson provided an update on the reimbursement to institutions which had awarded Annual Allocation Program scholarships in excess of what the Advisory Commission had initially provided as follows:

NH Community Technical College System	\$115,500
Saint Anselm College	6,500
Southern NH University	<u>3,000</u>
Total	<u>\$125,000</u>

Thomas More College had returned their \$1,000 allocation since they did not have any students meeting the 2007 program award requirements.

During the discussion of the Annual Allocation Program, a question arose as to the number of awards made from inception. Since many of the awards were partial, for a single semester for example, and since this information has not been required to be reported by the institutions to date, only the FTE totals are available (1,064). Post Secondary Education will attempt to provide the detailed historic information for the Mary Milliken program. (Detailed award information for the Annual Allocation Program is required of the participants annually starting in October 2007.)

Socially Responsible Investment Discussion

As a result of a recent campaign directed at Fidelity for investing in companies claimed to be doing business in the Sudan, the Treasurer has been receiving questions from state legislators and College Savings participants. The Commission was advised that Fidelity's investment objective is to provide the best returns possible for its investors and to focus on investment factors rather than social or political factors in achieving that goal. Fidelity has policies and extensive procedures in place to ensure that the firm is in compliance with federal laws and the U.S. Treasury's Office of Foreign Asset Control economic sanctions program.

With respect to the New Hampshire College Savings Plans, the New Insights fund in the FA 529 Plan (available only through financial advisors) has had investments in American Depository Receipts (ADR's) issued by a Chinese company called PetroChina which is publicly held. These ADRs are listed and traded on the New York Stock exchange and are subject to regulation by the United States Securities and Exchange Commission. PetroChina does not do any business directly in the Sudan but its parent is involved in oil exploration there. The investment in PetroChina is in compliance with current federal laws and policies. Fidelity regularly reviews federal guidelines and will change its policies to remain in compliance.

Approval of Expense Reimbursement to Treasury

A request for administrative expense reimbursement to the Treasury, from the Endowment Fund, was requested by the Treasurer. The Commission voted unanimously for the reimbursement of the expenses which were:

Annual Audit Fee & Expenses	\$130,365.00
College Savings Plan Network Annual Fees	4,050.00
July NAST Issues Conference Fee – College Savings Plan Allocation (Not to Exceed)	600.00
Miscellaneous Administrative Expenses	<u>45.34</u>
Total	<u>\$135,060.34</u>

Endowment Fund and UNIQUE Scholarship Update

Ms. Provencher provided an update on the Endowment Fund. As of March 31, 2007 the fund had assets of \$21.9 million. As of the end of the third fiscal quarter, receipts appear to be on target for the year and disbursements appear to be under budget. Future changes to the Endowment Fund Update should include the investment detail for the Endowment Funds with future reports.

Other Items

1. Election of Vice Chair – It was moved by Ms. Provencher and seconded by Mr. Cryans that Senator Janeway be elected as Vice Chair of the Advisory Commission. The motion passed unanimously.
2. Termination of Two Year Terms – several members of the Commission serve statutorily for two-year terms. Following some discussion, the members agreed that except for the public members, the two-year term should all expire on the same date for ease of administration and that date will be July 1 on the odd years. Public members are selected following the Governor's inauguration. Each of the non-public members agreed to obtain letters from their sponsoring organization to renew their ongoing Advisory Commission membership and forward copies to the Treasurer.

The meeting adjourned at 12:00 P.M.

The next meeting is scheduled for July 23 starting at 10:00 to take place in Concord at the New Hampshire Higher Education Assistance Foundation. There will be a meeting of the Investment Subcommittee starting at 8:30 which will precede this meeting.