

UNIQUE COLLEGE INVESTING PLAN  
Minutes of the Meeting of January 28, 2002

The fortieth meeting of the NH College Savings Plan advisory Commission was called to order at 10:00 am by Sylvia Larsen Chairman. Present were:

Michael Cryans	Public Member from Hanover
Richard Gustafson	President, Southern New Hampshire University, representing the College and University Council
Linda Hodgdon	Budget Director representing the Governor
Sylvia Larsen	Senator from Concord
Ingrid Lemaire	Director of Public Relations, NH Higher Education Assistance Foundation
Edward MacKay	Vice Chancellor, representing the University System
Georgie Thomas	State Treasurer
Alan Thulander	Representative from Franconia
Ann Weddleton	Grants Coordinator, representing the Community Technical College System

Absent were:

Father Jonathan DeFelice	President, St Anselm's, representing the Post Secondary Education Commission
Edward Gordon	Senator from Bristol
Martha Gooze	Public Member from Durham

Also present were Ren Cheng, Ed Nigro, Eric Nottonson, and David Pearlman from Fidelity.

On motion of Michael Cryans, seconded by Ingrid Lemaire, the minutes of the or two previous meetings were approved.

Most of the members having been present for the Investment Committee meeting, the full meeting proceeded with regular business (Minutes of the Investment Committee are attached).

Eric Nottonson presented the plan overview. As of January 25, 2002, UNIQUE had \$824 million under management and 118,000 accounts. Of an estimated \$9 billion in

College Savings Plan assets at year-end 2001, Fidelity has the third largest plan assets overall and second largest in retail only. TIA CREF with \$1.8 billion has the most assets under management, followed by Alliance with the Rhode Island plan, \$1.5 billion. Fidelity has \$1.3 billion. Eric noted that inquiries have resulted in a 29 per cent conversion rate which FMR hopes to raise to 33 per cent. January was a phenomenal month for College Savings; UNIQUE experienced a \$59 million influx after nearly \$70 million in December. Marketing efforts will focus on mailings to prod participants to increase account size emphasizing FAAB and special contributions. Fidelity looks for business growth on the order of 25 percent in 2002-2003.

David Pearlman explained that there will be no tax action in 2002, an election year. The first date realistically for action to make the tax exemption permanent is 2003. Efforts should continue in the interim to keep the issue on the front burner in Washington. David Pearlman explained that several changes important to UNIQUE program administration were made by EGTRRA and in Notices released by the IRS in 2001: (1) participants may now reallocate their investments once each calendar year, and any time the beneficiary of an account is changed; (2) states are no longer required to impose a penalty on non-qualified withdrawals; and, because penalties are no longer required, states are no longer required to obtain documentation to determine whether withdrawals are used for qualified higher education expenses..

In product development, the conservative portfolio and the 2021 portfolios have been launched. The Workplace product has not yet been introduced as FMR is waiting for a systems build and payroll deduction approval. Also some investment providers are offering single fund investment options to savings plans. Putnam currently offers 9 funds while American Funds offers 21. These single funds are offered through advisors.

Fidelity plans to allow trusts as participants and will launch a national advertising campaign in 2002 using Suzie Orman of PBS in six markets. Fidelity will participate in public relations campaigns and will incent FMR brokerage representatives to sell the savings plans.

Ed Nigro reviewed the Advisor program which is well ahead of projections. As of January 25, 2002 Advisor had reached \$94 million in 10,000 accounts. There were three items to be addressed in relation to the Advisor program: expanding the program to add a class of units to allow for payroll deduction; authorizing the sale of portfolios investing in individual mutual funds as investment options; and offering the Class A units with no front end load, for sale to Fidelity employees and investment professionals selling the Advisor program. Discussion ensued over the proposed 25 basis point small account fee for payroll deduction units which would place the plan at a competitive disadvantage (parenthetically FMR observed that they still are losing money cumulatively on UNIQUE while Alliance and Putnam also are suffering with small accounts). Exhaustive review took place on the issue of individual funds as an investment option. Concern was raised as to the excessive exposure and lack of diversification represented by single fund investing. Waiving the load in the Advisor

product also was discussed. On motion made by Michael Cryans, Seconded by Ed MacKay, the Commission voted to accept all three recommendations for the Advisor Program.

Eric Nottonson requested that single fund portfolios also be added to UNIQUE as both the Advisor and Retail products are viewed the same way by the marketplace. On motion of Ed MacKay, seconded by Dick Gustafson, the Commission voted to add the single fund option to UNIQUE plan subject to final approval by the Commission of the funds added to limit investment exposure to volatility.

The meeting adjourned at 12:00. The next meeting will be April 29, 2002 preceded by an Investment Committee meeting.