

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of April 29, 2002

The forty-first 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
Michael Ablowich	Commissioner of the Treasury
Father Jonathan DeFelice	President, St Anselm's, representing the Post Secondary Education Commission
Martha Gooze	Public Member from Durham
<u>Absent were:</u>	
Alan Thulander	Representative from Frankestown
Andrew Peterson	Representative from Peterborough
Ann Weddleton	Grants Coordinator, representing the Community Technical College System
Edward Gordon	Senator from Bristol

Also present were Ed Nigro, Eric Nottonson, Sharon Rogers and David Pearlman from Fidelity.

On motion of Mr. MacKay, seconded by Ms. Hodgdon, the minutes of the previous meeting of January 28th, 2002 were approved.

Most of the members having been present for the Investment Committee meeting, the full meeting proceeded with regular business.

As the next order of business, Mr. Ablowich requested \$478 from the endowment to offset the costs of his lodging and attendance at the annual meeting of the National Association of State Treasurers which will also include the annual meeting of the College Savings Plan Network. After a brief discussion of the conference and the request Mr.

MacKay motioned to approve Mr. Ablowich's request which was seconded by Mr. Gustafson and approved unanimously by the committee.

Mr. Nottonson presented the plan overview. As of January 31, 2002, UNIQUE had \$967 million under management and over 128,000 accounts. Early results from April indicate continued growth on a year over year basis with regard to new account openings. Fidelity also continues to see strong customer support for the "automatic account builder" feature, at around 60% of all customers choosing this option.

Mr. Nigro reviewed the Advisor program which is ahead of projections. As of March 31, 2002 Advisor had reached \$140 million in over 16,000 accounts. Mr. Nigro indicated that as more and more firms are signed up to sell the plan that the sales figures would continue to outperform our original expectations. The committee asked to see at the next meeting a list of the top firms ranked by sales of the advisor product.

After Mr. Nigro's presentation there was some discussion about the endowment fund. Mr. Cyrans suggested that perhaps the committee should be making more funds available for scholarships over and above the \$40,000 that had been allocated for the 2002-2003 school year. After a brief discussion it was decided that the Treasury should prepare routine financial statements and estimates of the impact of different scholarship scenarios on the endowment. These statements would be discussed at the July meeting of the Commission.

Mr. Nottonson reviewed the advertising plan for the rest of calendar year 2002. Mr. Nottonson reviewed the national and in-state advertising plan. While there is good coverage of the state through local newspapers Mr. Cryans suggested that they include a newspaper that would cover the western part of the state and the upper valley region. Two suggestions are to use the Keene Sentinel and the Valley News. Mr. Nottonson discussed an article that will appear in Fidelity's Outlook Magazine, direct mail, television commercials, radio and print advertising. As part of this discussion Mr. Nottonson indicated that 15% of the account holders in the UNIQUE plan are other than parents, of which grandparents are the vast majority in this category.

Ms. Rogers reviewed the public relations and media efforts that had occurred in calendar year 2001. Ms. Rogers discussed the public relations plan for the month of May that will culminate with "529 Day" on May 29th, 2002. The month of May will be used to continue to educate consumers on the benefits of 529 plans. On May 9th there will be a media event with Governor Shaheen as part of the 529 educational efforts. All members of the Commission are invited to attend the event.

Mr. Pearlman discussed a number of legal changes that Fidelity is requesting which are consistent with prior policy approvals of the Commission but needed final approval by the Commission for implementation. Mr. Pearlman explained that Fidelity is seeking changes to portions of the Declaration of Trust, the Investment Management Agreement, the Management and Administrative Services Agreement and the three participation agreements that are exhibits to the Declaration of Trust.

Mr. Pearlman explained the changes as follows:

1. The changes to two of the three participation agreements are only to add a sentence saying that someone can't change the beneficiary of a UGMA or UTMA account. Fidelity will be adding a capability to handle these accounts, and the UGMA and UTMA statutes make this a requirement.
2. The third participation agreement is for the Advisor program. Fidelity is adding portfolios that invest in single mutual funds, and it leads to a complex pricing structure, copied from the structure used in advisor sold mutual funds.
3. The Declaration of Trust is amended to show the addition of the new Advisor options.
4. The Management and Administrative Services Agreement is amended to indicate that Fidelity will not offer any plan other than New Hampshire's UNIQUE plan as the workplace product unless that plan's asset based charges are at least as great as those in the UNIQUE plan's workplace option.
5. The Investment Management Agreement is substantially amended to reflect the changes in the Advisor participation agreement. The amendment does two things related to the workplace program which reflect the approval of the Advisory Commission from a previous meeting. The workplace product is currently on hold, i.e. Fidelity won't be coming out with a product similar to UNIQUE priced at 20 basis points but instead at 30 basis points, at least for the current time. However, in the event that Fidelity discovers that for the program to be successful a reduced price is needed, the framework is in place for the offering of the workplace program at 20 basis points which had been agreed to by the Commission. The amendment to the investment management agreement allows for the creation of additional classes of units within the existing portfolios of the UNIQUE program, rather than new investment portfolios, in order to increase efficiencies (such as reduced audit costs) for both consumers and the program. These units would be offered at 20 basis points. This is a slight change from how Fidelity has originally envisioned this product being structured.

Mr. Ablowich indicated that he had reviewed these changes with Suzanne Gorman of the Attorney General's office who indicated no concerns about the changes. Mr. Ablowich, as trustee, indicate that he had no concerns about the amendment except that he had requested Fidelity to review the pricing structure with the Commission since in his opinion this was the most complicated part of the structure of the advisor products which by virtue of these amendments were expanding its offerings through the use of the single fund option.

Mr. Nigro made a brief presentation which compared the pricing structure of the Advisor product with other comparable 529 advisor sold products. The result of his presentation was that Fidelity's pricing structure was not significantly different than those of competitors for comparable products.

Dr. DeFelice motioned to approve the changes to the Declaration of Trust, the Investment Management Agreement, the Management and Administrative Services Agreement and the three participation agreements which was seconded by Ms. Gooze. The motion was adopted unanimously by the commission.

Mr. Pearlman discussed generally federal estate tax changes that would affect the UNIQUE plan and the "529" marketplace generally. He also discussed the issue of state tax reciprocity issues and the federal anti-terrorism legislation, which may have some regulatory impact on the UNIQUE plan.

Not all of the items were covered on the regular meeting agenda, therefore Mr. Nottonson agreed to send an email to all the Commission members updating them on the balance of the agenda items.

The meeting adjourned at 12:00. The next meeting will be July 29, 2002 at 10AM preceded by an Investment Committee meeting at 9AM.