

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

The forty-second meeting of the NH College Savings Plan Advisory Commission was called to order at 10:35 am by Sylvia Larsen, Chairman. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation. Present were:

Michael Cryans	Public Member from Hanover
Linda Hodgdon	Budget Director representing the Governor
Sylvia Larsen	Senator from Concord
Ingrid Lemaire	Senior Director, Research and State Relations, NH Higher Education Assistance Foundation
Michael Ablowich	Commissioner of the Treasury
Father Jonathan DeFelice	President, Saint Anselm, representing the Post Secondary Education Commission
Martha Gooze	Public Member from Durham
Ann Weddleton	Grants Coordinator, representing the Community Technical College System
<u>Absent were:</u>	
Edward MacKay	Vice Chancellor, representing the University System of New Hampshire
Richard Gustafson	President, Southern New Hampshire University, representing the College and University Council
Alan Thulander	Representative from Frankestown
Andrew Peterson	Representative from Peterborough
Edward Gordon	Senator from Bristol

Also present were Ed Nigro, Eric Nottonson, David Pearlman, Ren Cheng, Scott Gilmour and Jonathan Shelon – Assistant Portfolio Manager from Fidelity.

On motion of Mr. Cryans seconded by Ms. Gooze, the minutes of the previous meeting of April 29th, 2002 were approved.

Most of the members having been present for the Investment Committee meeting, the full meeting proceeded with regular business. During the Investment Committee meeting Mr. Cheng reviewed the general market conditions of the past six months, the investment performance of the savings portfolios and the investment performance of the underlying Fidelity Mutual Funds (for both the flagship UNIQUE Plan and Advisor Plans). Mr Cheng and Mr. Shelon discussed in some detail the performance of the

Fidelity Capital and Income Fund. It was decided, given the past performance of this fund, to blend it with the Fidelity High Income Fund in future allocations in the age based portfolios to equal weightings for the high yield asset class.

The next order of business was to discuss the costs of the annual audit for the various portfolios in both the UNIQUE and Advisor Plans. The Audit costs are increasing given that there are new portfolios being offered to customers. Mr. Michael Buckley and Ms. Catherine Provencher of the Office of the Legislative Budget Assistant reviewed the cost proposal from the current auditors with the committee. After some discussion it was decided that Mr. Buckley and Ms. Provencher would discuss the audit fees with other states and get a sense of their costs before recommending to the committee a course of action.

Mr. Ablowich presented the Commission with some worksheets detailing the present and projected financial situation of the Endowment Fund of the Commission. The current balance in the account is approximately \$1.54 million. Based on current and estimated administrative fees, audit fees, receipts into the fund and earnings on the fund, the commission can award an increasing amount of scholarships over time. Using a 5% payout rate on the trailing 12 quarterly market values the current estimated amount of scholarships that is available is \$25,000 for the 2002/2003 school year. The Commission has previously authorized \$40,000 for this same school year and did not change this policy for the upcoming school year.

Mr. Pearlman discussed an amendment that Fidelity is requesting to the Investment Management Agreement. The Commission had recently approved the establishment of "Class B" shares for the Fidelity Cash Reserves Fund which can be held by customers in the Advisor College Investing Plan. The originally approved pricing for these shares included an annual fee of .25%. Fidelity recommended a change to 1%, which is consistent with standard money fund pricing for Advisor Class B money market funds. Fidelity argued that this change is needed given the fact that this was an error in drafting and reviewing the original documents on the part of Fidelity Investments. In addition to amending the Investment Management Agreement the accompanying marketing and application materials would also need amendment. On a motion by Ms. Gooze and seconded by Ms. Hodgdon the amendment was approved after a unanimous vote of the commission.

Mr. Nigro discussed the fact that the Advisor Plan is experiencing some initial success but that the name of the Plan may not be optimal. After consulting with Fidelity's marketing group he recommended renaming the Advisor College Investing Plan to the Fidelity Advisor 529 Plan. He indicated that this change would capture more information in the name than the current name, which should help customers more quickly identify the product. After some general discussion Ms. Hodgdon motioned to change the name. Fr. DeFelice seconded the motion. The motion was approved.

Mr. Nigro presented some general information about a growing part of the Advisor business. That is a so-called "investment only" business. In this case Fidelity

provides mutual funds to other 529 plan providers. It is possible, in this arrangement, for the Fidelity brand name to appear in marketing material for another state's plan other than New Hampshire, Massachusetts or Delaware (Fidelity's other 529 plan partners.) Mr. Nigro indicated that he would notify the Commission of instances where Fidelity was engaged in such arrangements.

Mr. Nigro reviewed the Advisor program business results. Sales results indicate that performance continues to be ahead of projections. Assets under management as of June 30, 2002 were \$184 million. He also discussed briefly the fact that for those advisor participants that reside in Massachusetts or Delaware that those states would receive the 15 basis point fee which would ordinarily go to New Hampshire. This "revenue sharing" had been approved previously by the Commission. Until now no sharing had occurred and New Hampshire had received over \$15,500 which would be transferred to those two states. In the future, revenue would be shared quarterly. Mr. Nigro reviewed a list of the top firms, ranked by sales, of the advisor product.

Mr. Nottonson presented an overview of the UNIQUE Plan business results for the past quarter. As of June 30, 2002, UNIQUE had \$1 billion under management and over 149,000 accounts. Cash inflows to the UNIQUE Plan are predominantly dedicated to existing accounts although new accounts continue to be opened. Mr. Nottonson briefly discussed future marketing plans and an advertising summary. In response to a question from Mr. Cryans, Mr. Nottonson indicated that Fidelity is committed to continuing New Hampshire specific marketing efforts. Mr. Nottonson also briefed the Commission on the new availability of the ability of a customer to more easily convert an existing UGMA/UTMA account to a UNIQUE or Advisor Plan account.

The meeting adjourned at 1:35 PM. The next meeting will be October 29, 2002 at 10AM preceded by an Investment Committee meeting at 9AM. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.