

UNIQUE COLLEGE INVESTING PLAN  
Minutes of the Meeting of October 27, 2003

The forty-eighth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Ed MacKay, acting Chairperson for the meeting. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation. Present were:

Ingrid Lemaire	Senior Director, Research and State Relations, NH Higher Education Assistance Foundation
Michael Ablowich	State Treasurer
Larry Elliott	State Representative from Hillsborough
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
Martha Gooze	Public Member from Durham
Thomas Horgan	Executive Director, New Hampshire College and University Council
Michael Cryans	Public Member from Hanover

Absent were:

Sylvia Larsen	State Senator from Concord
Richard Leone	State Representative from Sunapee
Father Jonathan DeFelice	President, Saint Anselm, representing the Post Secondary Education Commission
Andrew Peterson	Senator from Peterborough
A representative from Governor Benson's office	

Also present were Ed Nigro, David Pearlman, Mary Connors, Bob Corcoran, and Heidi Siegal from Fidelity.

On motion of Ann Weddleton and seconded by Martha Gooze, the minutes of the July 28, 2003 meeting were approved. The motion carried unanimously.

Mr. Corcoran updated the Commission on Fidelity's potential response to RFPs to administer 529 Plans for other states. Arizona and California have both issued RFPs for a firm to administer a retail and an advisor sold product, respectively. Mr. Corcoran and Mr. Nigro will keep the Commission up to date as the RFP process progresses.

Mr. Corcoran also updated the Commission on the MBNA 529 College Rewards MasterCard. The 2% rebate will be continued through November 2004. However, in the future, there may be a \$1,500 cap on the amount of rewards points a cardholder can earn in a given year, a change from the current unlimited rewards points possible. The stated interest rate on any balances maintained on the card are also likely to increase by as much as 2% from the current level.

Mr. Corcoran reviewed with the Commission a summary of findings from a study by the Investment Company Institute (ICI). ICI initiated a survey of households to gauge their attitudes and actions on college savings. There were a number of key findings in the report but, most importantly, continuing an advertising/marketing message that encourages parents to make some attempt to save on a frequent basis is important, no matter how large or small the amount saved.

Mr. Corcoran proposed that Fidelity offer a \$100 rebate on UNIQUE accounts where the participant will have or already has an MBNA 529 Rewards Card. Fidelity's proposal was that if a customer already had a UNIQUE account and made an additional investment of \$1,000 that they would receive \$100 via the rewards points in their existing UNIQUE account. In the alternative, if a customer opened a new account with either \$1,000 or signed up for automatic account builder at \$50 per month and obtained an MBNA card they would also be eligible to receive \$100. The \$100 will be paid for by Fidelity, will not be charged against UNIQUE's \$200,000 budget for in-state advertising, and will not be charged against the 15 basis points received by the state from customers. Ms. Gooze motioned to approve the offering of the rebate program. Representative Elliot seconded the motion. The motion carried unanimously. **Note: subsequent to the October 27 meeting of the Commission, Fidelity proposed a streamlined version of the offer, and removed the MBNA card requirement. Thus, the revised offer is "open a new UNIQUE account (with a \$1,000 lump-sum contribution or \$50/month automatic account builder), or add \$1,000 to an existing UNIQUE account, and received a \$100 contribution from Fidelity in your UNIQUE account."** The revised, streamlined version of the offer received approval from Mr. Ablowich.

Mr. Nigro described a new phenomena in the 529 market place. As the market matures some 529 plans are charging a fee to customers when transferring their assets from one 529 plan to another. This "rollover" charge is as much as \$50 per transfer. Fidelity is requesting permission to reimburse customers that are subject to this Fee. Fidelity is proposing to reimburse the cost of rollover fee up to a maximum of \$50 for participants that transfer their investments from other 529 Plans to the Fidelity Advisor 529 Plan (FA 529 Plan). This reimbursement would not cover any taxes, sales charges or annual account fees that result from the rollover. If approved this policy change would take place in early 2004. Fidelity reserves the right to discontinue the reimbursement program at any time. Ms. Gooze motioned that the state allow the reimbursement of up to \$50 dollars to cover a plan level rollover fee imposed by another 529 plan being exited but that the reimbursement would only apply to 529 plan level fees associated with a rollover and would not cover state or federal tax implications resulting from a rollover. Mr. Horgan seconded the motion. The motion carried unanimously.

Mr. Corcoran discussed the proposed investment cap for 2004. In the past the Commission has made adjustments to the maximum investment cap at the October meeting each year. The maximum investment cap is based on the most recent expense information available (currently 2003-2004) from Dartmouth College covering the following area: Tuition, room, board and fees is \$38,110. This amount is multiplied by 7 (seven) to estimate the maximum amount or \$266,770. Mr. Corcoran proposed rounding this amount to \$270,000 as the maximum investment cap beginning on January 1, 2004. Mr. Cryans motioned to set the maximum investment cap at \$270,000 for calendar year 2004. Ms. Lemaire seconded the motion. The motion carried unanimously.

Mr. Corcoran presented an overview of the UNIQUE Plan business results for the past quarter. As of September 30, 2003, UNIQUE had over \$1.8 billion under management and over 193,000 accounts. Cash inflows to the UNIQUE Plan are predominantly dedicated to existing accounts. For the first time in calendar year 2003, new accounts in the month of September were opened at a higher number than in September of the prior year. The cash flows to the age based portfolios remain the dominant choice for customers.

Mr. Corcoran updated the Commission on marketing and public relations activities to continue to build awareness of the plan with customers and internal Fidelity staff.

Mr. Nigro presented an overview of the Fidelity Advisor 529 Plan (FA 529 Plan) business results for the third quarter of calendar year 2003. As of September 30, 2003, the FA 529 Plan had over \$434 million under management and over 50,000 accounts. As with the UNIQUE Plan cash flows are primarily directed to the age based portfolios. Mr. Nigro described a variety of marketing and public relations initiatives. He also described the new partnership between Fidelity and American Express' financial advisors. American Express' financial advisors, beginning October 20, 2003, will have the ability to sell the FA 529 plan to their customers. The FA 529 Plan is one of ten 529 plans offered through American Express' financial advisors.

Mr. Ablowich reviewed the status of the Endowment Fund. In the third quarter of calendar year 2003 there was over \$680,000 added to the endowment and the market value of the endowment increased by just over \$200,000 due to market conditions. At the end of September there was just over \$4.5 million in the endowment. In addition during the first week of October over \$791,000 in fee income was added to the account.

Mr. Ablowich requested that the Commission authorize the payment of \$100 for him to attend a regional seminar of the Municipal Securities Rulemaking Board (MSRB) on November 17, 2003 in Boston, MA. (The MSRB has a regulatory role with regard to 529 Plans.) He also requested the payment of parking costs to attend as well. Ms. Lemaire motioned to approve payment of registration for attendance as well as parking for Mr. Ablowich to attend. Ms. Weddleton seconded the motion. The motion carried unanimously.

Mr. Pearlman described some of the current problems facing the mutual fund industry. Generally speaking, the irregularities identified in the industry by state and federal regulators involve two major issues: Late Trading and Market Timing. Late Trading is the buying or selling mutual fund shares after the official 4:00 PM close of the stock market. Market Timing is quickly trading in and out of mutual fund shares in an attempt to make a fast profit and at the expense of other fund shareholders. Fidelity has been cooperating with state and federal regulators as requested by providing information related to Fidelity's policies, practices and records, but has not been charged with any wrongdoing. Fidelity has had policies and procedures in place for many years restricting market timing of its funds and specifically prohibits late trading in its funds. Within the recent investigations of various mutual fund companies and investment managers there has also been wrongful behavior and criminal acts by individuals. Fidelity will continue to work with state and federal regulators to address any shortcomings identified in its own policies and procedures and the mutual fund industry as a whole.

The meeting adjourned at 12:15 P.M. The next meeting will be January 26, 2003 at 10AM. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.