

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of May 2, 2005

The fifty-fourth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:20 AM by Mr. Ed MacKay, Vice-Chairman. 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
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
Thomas Horgan	Executive Director, New Hampshire College and University Council
Kathryn Dodge	Executive Director, Post Secondary Education Commission

Absent were:

Sylvia Larsen	State Senator from Concord
Michael Cryans	Public Member from Hanover
Martha Gooze	Public Member from Durham
John Ward	State Representative from Littleton
Peter Bragdon	Senator from Milford

A representative from the House, representing the Finance Committee (A vacancy for this representation currently exists.)
A representative from Governor Lynch's office

Also present were Jeff Troutman, David Pearlman, Mary Connors, Bob Corcoran, Ren Cheng, Jonathan Shelon and Chris Sharpe from Fidelity. Also attending was Judy Knapp of the Post Secondary Education Commission.

The minutes of the meeting of January 31, 2005 were reviewed. The minutes were motioned for approval by Ms. Lemaire and seconded by Ms. Weddleton. The minutes were approved unanimously by a consensus of the committee, as there was not a quorum present.

Mr. MacKay summarized the discussions of the endowment subcommittee which met earlier on the morning of May 2, 2005. Generally, the subcommittee was interested in developing more effective and efficient methods to distribute endowment fund

revenues. As a result of that earlier discussion Mr. MacKay offered three motions to modify the current endowment fund scholarship policies. Each of the three policies were developed through a consensus of the subcommittee.

First, Mr. MacKay motioned that a minimum of \$250,000 and \$400,000 from The New Hampshire Excellence in Higher Education Endowment Fund be distributed in financial aid that will be awarded to New Hampshire residents during FY2006 and FY2007 respectively, using the prevailing criteria as approved by the Commission. For years beyond FY2007, the amount to be distributed shall be either five percent (5%) of the average Endowment balance for the prior twelve quarters or \$500,000, whichever is greater.

Secondly, Mr. MacKay motioned that in recognition of the increasing workload placed on the Treasurer's Office and the Postsecondary Education Commission for the administration of the New Hampshire College Tuition Advisory Commission student financial aid program, that all fund distributions from The New Hampshire Excellence in Higher Education Endowment Fund be made directly to postsecondary education institutions in New Hampshire for exclusive use by New Hampshire students and in accordance with prevailing policies as established by the New Hampshire College Tuition Advisory Commission. The effective date for this change is as soon as practically possible, and no later than FY2007.

Thirdly, Mr. MacKay motioned that an amount equal to eighty percent (80%) of the gross proceeds generated by the New Hampshire 529 plan(s) during the prior four quarters for the New Hampshire Excellence in Higher Education Endowment Fund be distributed to regionally accredited not-for-profit institutions of higher education with principal administrative and academic offices in New Hampshire based on a methodology and rules approved by the Commission, effective as soon as practically possible and no later than June 1, 2006, and further that this process shall be replicated on or about June 1 of each succeeding year. Prior to receiving any funds each institution shall formally agree to invest the funds as an endowment and within eighteen months of initial receipt and for each year thereafter, distribute as student financial aid to New Hampshire residents an amount at least equal to four percent (4%) of the cumulative amount received, subject to any UMIFA or other regulatory restrictions. Each institution has full discretion as to the amount and purpose of the allotments to New Hampshire students each year, but the intent is to encourage residents from low and modest income families to attend higher education institutions in New Hampshire. Participating institutions will be required to submit annual reports on the status of the endowments, providing the total number of New Hampshire students awarded grants, the total dollar value of the awards, and the value of the endowment as of June 30 of the respective year.

Each of the three motions was agreed to by a consensus of the Commission.

Mr. Ablowich discussed the efforts by the National Association of State Treasurers (NAST) and the College Savings Plan Network (CSPN) to work more efficiently and effectively with key stakeholder and regulatory groups in Washington DC.

NAST and CSPN have formed a "Federal Initiatives Task Force" comprised of nine state treasurers and executive directors of college savings or prepaid plans. Mr. Ablowich is a member of this Task Force.

The Task Force's purpose is to maintain and enhance the leadership role of states, proactively address concerns raised by Congress, federal regulators, and the media about Section 529 Plans and coordinate NAST/CSPN activities as state advocates for the improvement of Section 529 Plans. To achieve this purpose the Task Force has established a strategic plan. Within this strategic plan one of the key tasks is to hire a Washington, D.C. based lobbyist to assist the work of the Task Force. To fund the cost of the work of the Task Force, and in particular the hiring of a lobbyist, each state is being asked to contribute \$10,000 toward this effort. Mr. Ablowich requested in a formal letter that the Commission approve a payment of \$10,000 to the College Savings Plan Network for this purpose. It was the consensus of the Commission to approve this payment.

Mr. Ablowich then discussed another opportunity for the Commission to support efforts nationally and in Washington D.C. to promote and enhance 529 Plans. The College Savings Foundation is an industry group made up primarily of investment management and other private sector service providers to 529 Plan sponsors. There are also a few states who are members of this group. Mr. Ablowich indicated that a membership in this group would be another positive opportunity for the State to advocate for its participants on a variety of issues including, most importantly, making permanent the federal tax benefits enjoyed by participants which is set to expire on December 31, 2010. Mr. Ablowich requested in a formal letter that the Commission approve a payment of \$2,500 to the College Savings Foundation for this purpose. It was the consensus of the Commission to approve this payment.

Mr. Ablowich made a written request of the Commission for a payment of travel costs not to exceed \$1,000 for Mr. Ablowich to attend the annual meeting of the College Savings Plan Network in July in Baltimore Maryland. The request was approved by a consensus of the committee.

Mr. Ablowich reviewed a request he had received from the State of Wyoming. Wyoming is considering closing the 529 Plan they sponsor and has asked states for their interest in merging these Wyoming 529 Plan accounts into their own plans. Mr. Ablowich's intention was to work with representatives from Fidelity to coordinate a response to Wyoming. The Commission expressed a consensus of support that this was a good idea and that Mr. Ablowich should continue forward with Fidelity to respond to Wyoming's questions.

Mr. Corcoran reviewed the overall 529 plan industry and a variety of key issues that were common to both the FA 529 and UNIQUE Plans.

Mr. Corcoran reviewed the continued growth of the state's 529 plans and the associated program revenue that has been received by the state. While New Hampshire's market share of the 529 industry has remained at approximately 7.7%, the pace of new account openings has slowed considerably due to a variety of potential reasons, including a moderating economy and customer uncertainty over future federal tax treatment of any earnings.

Mr. Corcoran updated the Commission on the MBNA 529 Rewards Card. Households continue to use the card but at a reduced pace from prior periods and new account (card) openings have slowed.

Mr. Pearlman updated the committee on three issues related to the regulatory environment for 529 plans. He reviewed the efforts of the College Savings Foundation and the College Savings Plan Network to advocate on Capitol Hill for permanency of the 529 tax provisions. He also discussed the changes to bankruptcy laws that provide protection for contributions to 529 plans if made more than 365 days before bankruptcy filing for accounts on which the beneficiary is a child or grandchild. He also discussed generally some rules under consideration by the MSRB and SEC regarding disclosure and advertising of 529 Plans.

Mr. Corcoran introduced Jonathan Shelon and Chris Sharpe who have been named co-portfolio managers for the UNIQUE Plan, FA 529 Plan and the other 529 plans administered by Fidelity Investments. Ren Cheng will continue to be the leader of the 529 group but Mr. Shelon and Mr. Sharpe will have day to day responsibilities for the plans.

Mr. Shelon and Mr. Sharpe reviewed with the Commission the result of some analysis they have prepared relative to the equity portion of the age based portfolios. They analyzed the characteristics of the securities held in the equity portfolio and compared those characteristics to the Wilshire 5000 benchmark. The Wilshire 5000 is the benchmark by which Fidelity compares the performance of the equity portfolio against the broad market of equity securities. After reviewing a number of analytical measures, Mr. Shelon recommended that the Commission adopt changes to the current allocation among individual mutual funds within the Fidelity menu of options. Primarily this recommendation was to eliminate the use of the "Fidelity Fund" and replace most of its current allocation with "Small Cap Independence". Mr. Shelon's suggestion was that these changes would give the domestic equity portion of the age based portfolios a fairer representation of the broader market and, as such, future performance would be more reflective of the broader market, as measured by the Wilshire 500 index.

Mr. Shelon's proposal is summarized in the table below:

Domestic Equity	Current Allocation	Alternative (Recommended) Allocation
Blue Chip Growth	12.5%	12.0%
Disciplined Equity	14.0%	15.0%
Dividend Growth	12.0%	14.0%
Equity Income	14.0%	15.0%
Fidelity Fund	12.5%	0.0%
Growth Company	12.5%	12.0%
Growth and Income	12.5%	14.0%
OTC	10.0%	10.0%
Small Cap Independence	0.0%	8.0%
Total	100.0%	100.0%

There was a consensus of the Commission that this change made sense and was reflective of past discussions between the full Commission and Fidelity and the Investment Committee and Fidelity. In particular it addressed an on-going question raised by Commission members regarding the domestic equity portfolios lack of exposure to small cap equities.

Mr. Corcoran reviewed with the Commission business results for the 2nd quarter of calendar year 2005 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of over \$3 billion. New account openings have slowed but incoming contributions to existing accounts remain stable as most sales come from existing customers as they add dollars to their accounts. (Over two-thirds of existing accounts are linked with automatic account builder.) Mr. Corcoran also reviewed a variety of marketing and distribution initiatives, as well as recent and pending product and service enhancements.

Mr. Troutman reviewed with the Commission business results for the 2nd quarter of calendar year 2005 for the Fidelity Advisor 529 Plan (FA 529 Plan). At the end of the quarter the FA 529 Plan had assets of over \$1.2 billion. As with the UNIQUE Plan and the rest of the 529 market, new account openings have slowed but incoming contributions to existing accounts remain stable. Mr. Troutman highlighted the rollover activity of accounts being transferred from competing 529 plans to the FA 529 Plan. Rollover activity has slowed in the recent past but still remains an important part of the new sales activity. Mr. Troutman reviewed the recent changes to the "load waiver policy" which had been discussed at the meeting of Commission in January.

The meeting adjourned at 12:00 P.M. The next meeting had been previously scheduled for July 25th, 2005. At the suggestion of Mr. Ablowich, who cannot attend this

meeting it was rescheduled, after discussion among the present Commission members, to August 1st, 2005. This meeting will be preceded by a meeting of the investment subcommittee at 8:30 A.M. that same day. The meeting will take place at the New Hampshire Higher Education Assistance Foundation.