

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of June 27, 2005

The fifty-fifth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:00 AM by Senator Sylvia Larsen, Chairman. The meeting was held at the offices of the New Hampshire Higher Education Assistance Foundation.
Present were:

Sylvia Larsen	State Senator from Concord
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
Martha Gooze	Public Member from Durham

Absent were:

Michael Cryans	Public Member from Hanover
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 and Bob Corcoran from Fidelity. Also attending were Dick Gustafson of Southern New Hampshire University and Judy Knapp of the Post Secondary Education Commission.

The minutes of the meeting of January 31, 2005 were reviewed. Ms. Gooze identified an error in the minutes which incorrectly indicated that she had not attended the meeting. The minutes were motioned for approval by Mr. MacKay and seconded by Ms. Dodge and to approve a change to indicate Ms. Gooze's attendance. The minutes as amended were approved unanimously.

The minutes of the meeting of May 2, 2005 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Mr. Horgan. The minutes were approved unanimously.

As a repeat of an item agreed to by a consensus of those members present at the May 2, 2005 meeting, for which there was no quorum, 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 motioned by Ms. Gooze and seconded by Ms. Dodge to approve this payment. The motion was approved unanimously.

As a repeat of an item agreed to by a consensus of those members present at the May 2, 2005 meeting, for which there was no quorum, 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 motioned by Ms. Weddleton and seconded by Mr. Horgan to approve this payment. The motion was approved unanimously.

As a repeat of an item agreed to by a consensus of those members present at the May 2, 2005 meeting, for which there was no quorum, 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. It was motioned by Mr. Horgan and seconded by Ms. Lemaire to approve this payment. The motion was approved unanimously.

Mr. Ablowich reviewed with the Commission the report of the 3rd quarter for the endowment fund. Included in the report of the endowment fund was a proposed budget for state fiscal year 2006. After some discussion of the proposed budget Mr. Horgan suggested adding the previously approved contribution of \$300,000 to “Gear-Up” which had been approved at the January, 2005 meeting. The budget as amended was motioned for approval by Ms. Gooze and seconded by Ms. Lemaire. The motion was approved unanimously.

As a repeat of an item agreed to by a consensus of those members present at the May 2, 2005 meeting, for which there was no quorum, Mr. Corcoran reviewed with the Commission the result of some analysis Fidelity had prepared relative to the domestic equity portion of the age-based portfolios. Fidelity analyzed the characteristics of the securities held in the domestic 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 domestic equity portfolio against the broad market of domestic equity securities. After reviewing a number of analytical measures, Mr. Corcoran recommended that the Commission adopt changes to the current allocation among individual mutual funds within the Fidelity menu of mutual funds. Primarily this recommendation was to eliminate the use of the “Fidelity Fund” and replace most of its current allocation with “Small Cap Independence”. Mr. Corcoran reiterated Mr. Shelon’s analysis from the May 2nd meeting 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. Corcoran’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 level of the domestic equity portfolios’

exposure to small cap equities. Mr. MacKay motioned to approve the new portfolio allocation. Ms. Gooze seconded the motion. The motion was approved unanimously by the Commission.

Mr. Corcoran described an initiative undertaken by Fidelity to review the annual account maintenance fee for both the UNIQUE College Investing Plan and the Fidelity Advisor 529 Plan. The result of Fidelity's review was a recommendation to the Commission that the annual account maintenance fee be reduced from \$30 per year to \$20 while maintaining the current waivers for this fee if the account is linked to "automatic account builder" and for those participants who have invested balances of \$25,000 or greater. His proposal, if approved by the Commission, was contingent upon Fidelity obtaining similar agreements with the other states with which Fidelity serves as a 529 plan administrator. The recommendation was motioned for approval by Ms. Dodge and seconded by Ms. Lemaire.

Mr. MacKay summarized the discussions of the endowment subcommittee which had occurred in early May of 2005 and had continued on an ad hoc basis since those original discussions. Generally, the subcommittee was interested in developing more effective and efficient methods to distribute endowment fund revenues. As a result of those discussions Mr. MacKay offered a proposal to modify the current endowment fund scholarship policy.

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. After some discussion, Ms. Gooze made a motion to adopt this policy, which was seconded by Mr. Lemaire. The motion was approved unanimously.

Secondly, Mr. MacKay described an additional change in process that had been discussed concerning the method by which these scholarships were allocated to eligible students. He also summarized the consensus of the endowment subcommittee that any future process should also recognize 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 and that new policies should seek to moderate those increasing demands on these two state agencies. As part of this discussion the Post Secondary Education Commission had prepared draft rules to illustrate how this change would be carried out. He described a process by which all future 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. In discussing this issue one of the most significant

questions that came up was with regard to how schools should allocate dollars received against the need of the institution's qualified students.

Thirdly, Mr. MacKay discussed another proposed policy change and associated rule amendment, as drafted by the Post Secondary Education Commission to implement another new policy concerning distributions of annual revenue to qualified institutions for the purpose of establishing endowments that would support eligible New Hampshire students attending New Hampshire institutions. The Commission discussed this proposal for some time. Based on some of the feedback of the Commission members the Post Secondary Education Commission would revise some of the rules in consultation with endowment subcommittee members and present updated information at the next meeting.

The meeting adjourned at 11:00 A.M. The next meeting had been previously scheduled for July 25th, 2005 but was rescheduled for July 18th at 9:30 AM. 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.