

UNIQUE COLLEGE INVESTING PLAN
Minutes of the Meeting of May 1, 2006

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

Sylvia Larsen	State Senator
Ingrid Lemaire	Vice President, representing the NH Higher Education Assistance Foundation organizations
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
Russell Ingram	State Representative
<u>Absent were:</u>	
Martha Gooze	Public Member
John Ward	State Representative
Peter Bragdon	State Senator
Kathryn Dodge	Executive Director, Post Secondary Education Commission
Michael Cryans	Public Member
Representative from the Office of the Governor	

Also present were David Pearlman, Jeff Troutman, Joe Ciccariello, Mary Connors and Heidi Siegal from Fidelity. Also attending was Brad Jacobson, Deputy State Treasurer, Judy Knapp of the Post Secondary Education Commission, Steve Hirt of Price Waterhouse Coopers (PWC) and Catherine Provencher, Director of Audits, Office of the Legislative Budget Assistant (LBA).

Joe Ciccariello of Fidelity Investments was introduced to the Commission. He has taken over the responsibilities for the UNIQUE College Investing Plan at Fidelity in place of Bob Corcoran who moved to a different job within Fidelity.

The audited financial statements for the UNIQUE College Investing Plan (UNIQUE) and the Fidelity Advisor 529 Plan (FA 529 Plan) had been completed in January, 2006 for the year ending September, 2005. Mr. Hirt of PWC was present at

today's meeting to present an overview of the process his firm goes through to audit these financial statements. He described the planning process and objectives of the audit. He also discussed some of the limitations of the audit. Mr. Hirt recognized Fidelity for their cooperativeness and openness in working through the audit.

Ms. Provencher of the LBA summarized her discussions with PWC and other states with section 529 college savings plans that are administered by Fidelity Investments concerning the audit for fiscal year 2006. PWC's agreement with the LBA to conduct an audit of the college savings plans expired with the audit of 2005. She has discussed the possibility of joining with these other states on a joint contract with PWC or some other qualified firm. Her opinion was that this concept of a joint contract was not likely to materialize for a number of reasons. In lieu of a joint contract she will solicit a proposal from PWC for the audit of the 2006 financial statements.

Ms. Siegal provided an overview of the 529 Plan market place. New Hampshire continues to maintain its 7.7% market share of the 529 industry as the third leading sponsor of section 529 college savings plans. The MBNA college reward card partnership continues to grow as increasing numbers of customers apply for the card and existing card holders continue its use. Ms. Siegal discussed another measure of the popularity of the UNIQUE Plan and the satisfaction of existing participants is that the number of accounts per household continues to drift slowly upward.

Mr. Pearlman updated the commission on the progress toward federal tax permanency. Mr. Pearlman observed that different advocacy groups, like the College Savings Foundation and College Savings Plan Network, were optimistic about success this year, but that there was still much work to accomplish.

Ms. Siegal outlined upcoming changes in the MBNA Card program which have been discussed at length over the past six months. Fidelity's goal is to protect the current customer base as well as continue to offer the best possible product in the industry. Fidelity continues to work with MBNA to keep the 2% rebate program through the end of calendar year 2007 for existing cardholders. Beginning in July of 2006 it is expected that new account holders will receive a 1.5% rebate. Eventually all customers would receive a 1.5% rebate on the card, still higher than the standard industry rate of 1%. This agreement is still subject to discussion and negotiation.

Mr. Ciccariello reviewed with the Commission business results for the 1st quarter of calendar year 2006 for the UNIQUE Plan. At the end of the quarter the UNIQUE Plan had assets of over \$3.9 billion and total accounts of over 300,000. Mr. Ciccariello reviewed recent and pending marketing and distribution initiatives as well as important recent and pending product and service enhancements. He highlighted Fidelity's recent partnership with Amazon.com which is expected to draw increased internet traffic to Fidelity's web site.

Mr. Troutman reviewed with the Commission business results for the 1st quarter of calendar year 2006 for the FA 529 Plan. At the end of the quarter the FA 529 Plan had

assets of over \$1.7 billion. Mr. Troutman highlighted the fact that the FA 529 Plan's asset base increased faster than the industry average in calendar year 2005. This high rate of growth was important given the slow down in new account openings. Mr. Troutman highlighted the rollover activity of accounts being transferred to and from competing 529 plans. This quarter's rollover activity out of the FA 529 Plan was higher than in the recent past, which Mr. Troutman was going to investigate further.

Mr. Troutman updated the Commission on "investment only" activities. As of the end of 2005 Fidelity had nearly \$300 million in assets through other 529 Plans. In these other 529 Plans a Fidelity fund may be offered as part of a menu of "single fund options".

The Commission next discussed the final version of the amended rules for CSP 600 and CSP 700. The purpose of the discussion was to approve the final version of the administrative rules which had taken into account all the comments of the review process. Mr. MacKay motioned that the Commission approve the "600 series" and "700 series" rules as presented. Ms. Lemaire seconded the motion. The motion was approved unanimously.

Mr. Ablowich briefly updated the Commission on the status of the endowment fund for the purpose of proposing an administrative budget for state fiscal year 2007. The proposed budget estimates plan revenue to the trust fund of \$8.25 million. Included in the budget are disbursements of \$138,000, including \$125,000 for the audit of 2006. Additionally \$400,000 was reserved for the traditional Scholarship Program, authorized under administrative rules CSP 600 and an estimated \$6.6 million in disbursements for the Endowment Program authorized under CSP 700. At the end of the 1st quarter the balance in the endowment was nearly \$23 million, however that balance will be reduced by payments to participating institutions under the new Endowment Program for state fiscal year 2006. While the proposed budget for fiscal year 2007 includes \$400,000 for the Scholarship Program, the Commission expressed a willingness to consider requests for funding from participating institutions if this amount of funding was insufficient to satisfy all potential awards to students who met the minimum scholarship requirements. On a motion by Ms. Lemaire and seconded by Ms. Weddleton the budget was approved unanimously.

Mr. Ablowich made three requests for funding from the trust fund: 1. \$296.35 for payment of costs to Federal Express for mailing applications to eligible institutions for the new Scholarship and Endowment Programs under the new administrative rules, \$2,500 be paid from the administrative budget for a one year membership in the College Savings Foundation, an industry trade group, 3. Up to \$250 to pay for the registration fee for Mr. Ablowich to attend the annual meeting of the College Savings Plan Network in July 2006. On a motion by Rep. Ingram and seconded by Mr. Horgan these three requests were approved unanimously.

The Commission then discussed implementation of the new Scholarship and Endowment Programs. In the past the Commission had set a number of guidelines for the Scholarship Program for the awarding of scholarships in state fiscal year 2007, including

the amount of funds available (\$400,000), the maximum expected family contribution of a student (\$0) and the amount of an award to an individual student (\$1,000). On a motion by Mr. MacKay and seconded by Ms. Lemaire these criteria were affirmed by a unanimous vote of the Commission.

Mr. Ablowich updated the Commission on the status of agreements with colleges and universities for the Endowment and Scholarship Programs. All eligible institutions will be participating in these two programs. It is expected that the first payment under the Endowment Program will be made on or about May 15. There are some institutions that have not yet completed the necessary documentation to facilitate electronic payments but that is being worked on and is expected to be complete well before the end of this fiscal year.

In reviewing all the documentation for enrollment by institutions in the Endowment and Scholarship Programs it was identified that the Regional and Community Technical College System was not able to provide a “certificate of good standing” as required by the administrative rules since it is an agency of the state and not a separate corporate institution. While there is no provision in the administrative rules to waive any of its requirements it was agreed to allow the Regional and Community Technical College System’s participation in both programs as this requirement was not designed to exclude them.

The minutes of the meeting of January 23 and January 27, 2006 were reviewed. Both sets of minutes were motioned for approval by Mr. MacKay and seconded by Ms. Lemaire. The motion passed unanimously.

The meeting adjourned at 12:00 P.M. The next meetings are scheduled for July 31st 2006, to take place in Concord at the New Hampshire Higher Education Assistance Foundation.