

UNIQUE COLLEGE INVESTING PLAN  
Minutes of the Meeting of July 31, 2006

The sixtieth meeting of the NH College Savings Plan Advisory Commission was called to order at 10:05 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
Kathryn Dodge	Executive Director, Post Secondary Education Commission
Michael Cryans	Public Member
Linda Hodgdon	Representative from the Office of the Governor

Absent were:

Martha Gooze	Public Member
John Ward	State Representative
Peter Bragdon	State Senator

Also present were David Pearlman, Jeff Troutman, Joe Ciccariello, Jonathan Shelon, Christopher Sharpe, Bill Hall and Heidi Siegal from Fidelity. Also attending was Brad Jacobson, Deputy State Treasurer.

The minutes of the meeting of May 1, 2006 were reviewed. The minutes were motioned for approval by Mr. MacKay and seconded by Ms. Dodge. The motion passed unanimously.

Mr. Ciccariello provided an overview of the 529 Plan marketplace. New Hampshire continues to maintain its position as the third leading sponsor of section 529 college savings plans with 7.6% market share of the 529 industry.

Mr. Pearlman updated the commission on the progress toward federal tax permanency. Mr. Pearlman related that 529 tax permanency is contained within the

proposed pension bill which has passed in the House of Representatives but has yet to be voted on by the Senate and, if approved will, of course need to be signed into law by the President. Mr. Pearlman then discussed the issue of state tax parity whereby certain states are beginning to allow state tax deductions for residents who invest in out-of-state 529 plans. Tax parity is expected to increase the market penetration of New Hampshire's UNIQUE and FA 529 plans. Three states (Pennsylvania, Kansas and Maine) will soon permit such tax deductions. He also provided a copy of an Investment News article concerning tax parity.

The MBNA college reward card partnership continues to grow as increasing numbers of customers apply for the card and existing cardholders continue its use. Ms. Siegal outlined the upcoming changes in the MBNA Card program which is expected to be launched in November 2006 and compared the current MasterCard-based program to the future American Express-based card. The new MBNA American Express card will provide a 1.5% cash back feature for card holders. Existing MBNA MasterCard holders will keep their existing card and maintain the cash back rate of 2% for the meantime. Both rates are higher than competitor's 1% cash back rate. The cash back annual cap will remain at \$1,500. The future MBNA American Express card will also permit online shopping and provide family-oriented offers and vacation discounts, neither of which are available with the current MBNA MasterCard. American Express merchant acceptance is growing continually with all of the top 50 merchants and 98 of the top 100 merchants, used by the current 529 rewards card base, now accepting American Express.

Mr. Ciccariello reviewed the business results of the UNIQUE Plan with the Commission. At the end of the 2<sup>nd</sup> quarter of 2006 the UNIQUE Plan had assets of over \$4.0 billion and total accounts of over 309,000.

Mr. Ciccariello and Ms. Siegal next discussed the proposed enhancements in the UNIQUE Plan, as a result of Fidelity winning the bidding for the management of the California 529 plan, which include:

1. New index investment options, including age-based portfolios matching the existing age-based portfolios, three static portfolios and four individual portfolios.
2. A Cash Reserves Portfolio.
3. A decrease in the account opening minimum from \$1,000 to \$50.
4. A decrease in the minimum automatic contributions from \$50 per month to \$15.
5. Elimination of the \$20 annual fee.
6. Fee structure for actively managed funds would remain at 30 basis points plus the management fees of the underlying funds. The indexed portfolios would be capped at 50 basis points for both the management fee and the fees for the underlying funds.
7. Elimination of the 10% penalty for a misrepresentation by the participant.

The new enhancements are expected to be launched in November, 2006, subject to Fidelity executing their new agreement with California and approval of revisions to the existing UNIQUE Trust and Investment Management Agreements. Ms. Siegal then

discussed the composition of the new options and the marketing and distribution of the new investment options with the intent of not confusing the 529 investors.

The above program enhancements and related Trust and Investment Management Agreement changes were motioned for approval by Mr. MacKay and seconded by Mr. Cyrans. The motion passed unanimously. Mr. Ablowich next discussed the desire for an informal information-only presentation to the Governor and Executive Council (G&C) in a breakfast meeting which would precede, by a couple of weeks, the presentation of the amended agreements to the G&C for approval.

Mr. Troutman reviewed with the Commission business results for the 2nd quarter of calendar year 2006 for the FA 529 Plan. At the end of the quarter the FA 529 Plan had assets of over \$1.8 billion. Mr. Troutman highlighted the rollover activity of accounts being transferred to and from competing 529 plans and the status of 2006 marketing activities.

In the Investment Committee meeting, which preceded this regular meeting, Fidelity representatives presented justification for continuing to include the Fidelity Blue Chip Growth Fund in the 529 portfolios. Mr. MacKay summarized that discussion by stating that the inclusion of the Blue Chip Fund, while earning less than other large cap funds, helps mitigate the impact on the portfolios of overall equity market swings.

Mr. Ablowich briefly updated the Commission on the status of the endowment fund. He further provided an update on the Annual and Endowment Allocation Programs and the disbursements made to date. An analysis of year-to-date and cumulative disbursements made to individual institutions will be provided at future meetings.

Mr. Ablowich next presented two suggestions for the Commission which arose during a recent workshop for financial aid representatives of participating postsecondary education institutions, relating to the Annual Allocation Program, as follows:

1. A filing deadline date of March 1 was suggested by the workshop participants for reimbursement in the event that Annual Allocation Program awards to students exceeded the amount provided to institutions from the Endowment Fund. March 1 was selected since all awards for the school year would have been disbursed, reimbursement could be accounted for in the same fiscal year as the award disbursements and the Commission could decide on the potential refunds in their regular April meeting. This suggestion was accepted unanimously by the Commission.
2. Understanding that there was no guarantee from the Commission that institutions would receive full reimbursement for Annual Allocation Program awards exceeding the amount provided from the Endowment Fund, workshop participants requested at least a "guarantee" for reimbursement for awards made to prior scholarship recipients. The

Commission, while acknowledging that sufficient endowment funds would likely be available for reimbursement, decided not to provide a reimbursement guarantee.

Commission responses will be communicated to the workshop participants by the Post Secondary Education Commission.

The meeting adjourned at 12:00 P.M. The next meetings are scheduled for October 23<sup>rd</sup>, 2006 to take place in Concord at the New Hampshire Higher Education Assistance Foundation.