New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 5, 2009

The May 5, 2008 meeting of the New Hampshire College Savings Plan Advisory Commission (Advisory Commission), held at the offices of the New Hampshire Higher Education Assistance Foundation in Concord, was called to order at 10:00 a.m. by Dr. MacKay, Advisory Commission Chair. Present at the meeting were:

Edward MacKay (Chair)	Vice Chancellor, representing the University System of New Hampshire
Harold Janeway	State Senator
Robert Foose	State Representative
Russell Ingram	State Representative
Kathryn Dodge	Executive Director, Post Secondary Education Commission
Tara Payne	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Ann Toomey	Director of System Research and Grants, representing the Community College System of NH
Linda Hodgdon	Representative from the Office of the Governor
Martha Gooze	Public Member
Michael Cryans	Public Member

Absent were:

Margaret Hassan	State Senator
Thomas Horgan	President & CEO, New Hampshire College and University Council
Catherine Provencher	State Treasurer

Also present were Joe Ciccariello, Jeff Troutman, Adam Colon and Mary Connors from Fidelity Investments, Amy Bourgault from the Community College System of New Hampshire, Judith Knapp of Post Secondary Education and Brad Jacobson, Deputy State Treasurer.

The minutes of the meeting of January 28, 2008 were reviewed. The minutes were motioned for approval by Senator Janeway and seconded by Representative Ingram. The motion passed unanimously.

Old Business

1. Endowment Fund Asset Allocation Study - Mr. Jacobson reported that the Treasury and Investment Committee had met with Fidelity on two occasions but Fidelity was unable to provide investment recommendations for a revised asset allocation since there is no formal financial advisory agreement. Treasury has since been reviewing options for the current asset allocation including a model asset allocation provided by Dr. MacKay. It is

anticipated that the asset allocation study will be completed and available for presentation at the July meeting.

2. Impacts of Subprime Mortgage Problem on Portfolios – Mr. Ciccariello reported that Fidelity intends to make a presentation about this subject to the Investment Committee at the July meeting.

   Ms. Hodgdon shared a recent report that 18,000 homeowners in New Hampshire were delinquent and therefore at risk of mortgage defaults with one third of them caused by subprime mortgage issues. These economic conditions make it even more difficult for such families to save for college.

3. Comparison of Fidelity Portfolio Performance to Competitors – Mr. Ciccariello advised that Fidelity will be presenting this information to the Investment Committee at the July meeting.

4. Program Growth - New Accounts vs. Existing Accounts – Included with Plan presentations later in the meeting.

5. Fidelity Fee Negotiation Status – Dr. MacKay reported that the negotiation committee has met with Fidelity and will be meeting again in late May or early June. Fidelity is to provide some additional information requested by the committee at this next meeting. Mr. Troutman stated that Fidelity understands the potential impact on scholarships so the Fidelity team is being as thoughtful as possible as they review fee options.

New Hampshire's 529 Market Overview

Mr. Ciccariello first introduced Adam Colon, who is a Fidelity Vice President and will be providing support to Fidelity's College Savings Team and the UNIQUE Program, and then presented the College Savings Plan market overview for the first quarter of 2008. The current economic downturn definitely impacted the College Savings Plan marketplace, both with fewer individuals investing less money in 529 plans as well as in the negative returns in the equity markets during the quarter. Net sales for the 529 industry in the fourth quarter of 2007 were only 65% of the level in the fourth quarter of 2006 ($3.3 billion compared to $5.1 billion, respectively). Several states have reported that new account openings had decreased over 16% during the same periods. Total industry assets decreased from $112 billion to $108 billion during the quarter.

New Hampshire continues to remain the third largest of all state plans, with a market share of 7.3%, following Virginia (23.4%) and slightly behind Rhode Island (also 7.3%). Both Virginia and Rhode Island have had negative growth during the first quarter of 2008 while the New Hampshire plan assets have remained relatively flat (market losses offset by new contributions). Mr. Ciccariello expects that the New Hampshire plan assets will exceed the

Rhode Island plan by the end of the second quarter and move the New Hampshire plans into the second spot.

Mr. Ciccariello next updated the Advisory Commission on regulatory and legal issues. Most of the industry's current activity continues to be focused on influencing the U.S. Treasury's (IRS) proposed rulemaking efforts. Fidelity has been active with the College Savings Foundation's issue of a comment letter to the U.S. Treasury and will be meeting with the U.S. Treasury staff in the next few weeks. Mr. Jacobson indicated that the College Savings Plan Network has also issued a similar comment letter.

Mr. Ciccariello, in response to a question about special marketing efforts for College Savings investing of tax rebates ("stimulus" checks), indicated that he would investigate and report back at the next meeting.

UNIQUE Plan Review

Mr. Colon reviewed the business results of the UNIQUE retail plan for the first quarter of 2008. The growth in new accounts in quarter decreased 7.5% as compared to the first quarter 2007, mostly due to the nationwide economic decline. This trend is likely to continue for the rest of the year. Contributions for the quarter had also declined by 6% as compared to the first quarter of 2008. As of March 31, 2008 total accounts and market value of the UNIQUE plan were 378,918 and $5,354,000,000, respectively. When asked, Mr. Colon estimated that April experience will probably be an 8% decline compared to April of 2007.

Following a discussion about the general economic impacts on college savings, Mr. Colon agreed to provide, at a future meeting, an analysis and trend of how many plan participants stop contributions or exit from the plan prior to aging out. He did state that when new accounts are opened Fidelity is seeing fewer participants utilizing automatic investment options.

At the request of the Advisory Commission, Fidelity analyzed gross sales to determine how much growth was due to contributions in existing accounts vs. the establishment of new accounts (Old Business #4 above). In 2007 77% of the gross sales ($676.2 million) were from contributions to existing accounts and 23% was from contributions to new accounts ($205.5 million). The amounts of average contributions to existing accounts compared to average contributions to new accounts were as follows:

	Existing Accounts	New Accounts
Per Account (One per Beneficiary)	$3,321	$ 8,237
Per Participant	$5,315	$11,957

Mr. Colon reported that new marketing initiatives recently completed include a redesign of Fidelity's UNIQUE web pages to make navigation easier and to add a tool to enable a comparison of various states' 529 plans to the UNIQUE plan (the national plan) and to other state plans. A second completed initiative is the development of a deposit slip to make it easier to invest funds into 529 accounts – fill out the deposit slip, enclose a check and mail to Fidelity. Deposit slips are available online and will be mailed to all participants opening new accounts as well as all participants with existing accounts.

The payroll deduction benefit to New Hampshire state employees was launched toward the end of April with each employee receiving a letter from the Governor, two briefings by Mr. Jacobson to state human resource representatives who will roll out the program to their agency employees, the development of a customized direct deposit form for state employees and FAQ's focused on state employees and payroll deductions. All documents are posted on Sunspot (the state's intranet website available only to employees). Future activities include Mr. Jacobson's participation at the state's benefits fairs to be held the last half of May in six locations around the state. Ms. Hodgdon asked if there would be a way to reach out to retired state employees. Mr. Jacobson agreed to follow up with Human Resources and the New Hampshire Retirement System.

Recent statistics indicate that new immigrant populations have more children than the native U.S. population. When asked if Fidelity had considered providing special marketing targeted to new immigrant parents, Mr. Ciccariello agreed to research the issue with Fidelity's marketing team and follow-up with the Advisory Commission at a future meeting.

Fidelity Advisor 529 Plan Review

Mr. Troutman reviewed the business results of the FA 529 Plan (Advisor Plan) for the first quarter of 2008 which had a similar experience as the UNIQUE Plan for the number of new accounts (71% of the first quarter of 2007) and net cash flows (75% of the first quarter 2007). Mr. Troutman indicated that the financial advisory community, which is Fidelity's FA 529 Plan customer base, appears to be focusing on other types of investments (savings and retirement) rather than college savings due to the current economic situations. College savings is starting to be viewed as a discretionary investment by financial advisors. The Advisor Plan had assets with a market value of almost $2.6 billion as of the end of March.

During the year 2007 contributions in existing accounts accounted for 60% of gross sales ($294 million) with the remaining 40% of gross sales ($194 million) from new accounts. Contributions to existing accounts compared to contributions to new accounts were as follows:

	Existing Accounts	New Accounts
Per Account (One per Beneficiary)	$2,698	$ 9,404
Per Participant	$4,044	$13,920

Mr. Troutman provided an analysis which indicated that 74% of both net flows and total assets in the FA 529 plan are in age-based portfolios followed by individual portfolios (21% and 16% respectively) and by static portfolios (6% and 10% respectively). As a result of the economic situation about 4.9% of cash flows were invested in the money market portfolio.

Convincing participants to utilize systematic investment practices (SIP's) and educating and supporting investment advisors continue to be a focus of the FA529 marketing efforts. Quarterly letters continue to be sent to existing account participants to encourage SIP's and offering to waive the $20 annual fee if a SIP is established. Welcome letters are sent to new participants to encourage establishing SIP's. In-person and phone contacts are made to financial advisors together with the use of direct mail and targeted campaigns. Fidelity currently has selling agreements in plan with 773 financial management organizations and 230,699 individual advisors within those firms. Not all of these firms or individuals are selling College Savings Plans, however.

Fidelity continues to receive requests from managers of other state 529 plans to utilize Fidelity funds, especially index funds, in their portfolios. Mr. Troutman indicated that South Dakota (managed by Allianz Global Investors) will likely have two Fidelity funds (one active and one index) in its college savings plan as previously discussed. More details will be available at the July meeting.

UNIQUE Annual Allocation Program – Proposed Administrative Rules Changes

Ms. Knapp presented an overview of the UNIQUE Annual Allocation Program Administrative Rules (Csp 600) changes being proposed by the ad hoc committee consisting of:

Ms. Knapp (lead)	Mr. Pearlman (Fidelity)
Ms. Toomey	Dr. Gustafson (CCSNH)

The focus of this committee was to review and recommend changes and clarifications in the Administrative Rules for scholarship eligibility of prior award recipients, students with breaks in enrollment and award eligibility and students with a change from full-time to continued but part-time enrollment.

The primary change proposed by the committee is to make all students, rather than just entering freshmen and prior award recipients, eligible for an Annual Program award (subject to the other eligibility criteria). Other changes proposed in the Administrative Rules were to treat the scholarships as "outside" scholarships (not part of a state-provided scholarship program) and to strengthen wording regarding the reporting requirements of participating institutions. Dr. Dodge moved, and Representative Foose seconded, that the proposed Administrative Rules changes be accepted. Discussion following the motion on the proposed rules changes included the following issues:

1. How to limit the financial exposure to an amount acceptable and controllable to the Advisory Commission to increases in the Annual Awards, considering the existing

practice of reimbursing participating institution for all awards in excess of their initial Advisory Commission-approved allocation.

2. Defining an "outside" scholarship and the impacts on participating institutions.

To assist in the discussion of the potential financial impact in broadening the definition of eligible students, Mr. Jacobson presented an analysis of Annual Allocation disbursements since program inception in fiscal 2006 through March 31, 2008, summarized as follows:

	Initially Disbursed	Net Refunds & Reimbursement	Total Disbursed	% Total to Initial Disbursements
July 2006	$ 400,000	$ 71,918	$ 471,918	118%
July 2007	799,500	312,250	1,111,750	140%
Total	$1,199,500	$384,168	$1,583,668	**133%**

For the two years since the inception of the Annual Allocation program, actual disbursements exceeded the initial authorization by one-third. Considering that the Advisory Commission has already approved a $1.2 million allocation to be made in July, 2008, and has already notified participating institutions that reimbursements would be made without establishing a ceiling, actual disbursements could approach $1.6 million based on this historical analysis. Dr. MacKay estimated that an expansion of the eligibility, based on the proposed changes to the Administrative Rules being implemented prior to September, 2008, could result in total disbursements of up to $3,000,000.

After some additional discussion about limiting the exposure for ongoing reimbursements throughout the school year to participants, the idea of establishing a deadline date for eligibility arose. Since the Administrative Rules do not currently state that the Advisory Commission has any authority to establish any deadline dates relating to eligibility, the proposed changes would need to include this issue. Dr. Dodge moved, and Ms. Gooze seconded, that the Administrative Rules be modified to permit the Advisory Commission the ability to establish such a deadline based upon the receipt of the Free Application for Federal Student Aid (FAFSA). The motion passed unanimously.

An additional discussion focused on the proposed wording revision that would treat the Annual Allocation Program scholarships as "outside" scholarships. Currently participating institutions treat the Annual Program scholarships differently with respect to their scholarship packaging. It was moved by Representative Foose, and seconded by Ms. Gooze, that the wording be changed from Annual scholarships being treated as "outside" scholarships to wording that would treat the scholarships by each participating institution in the "same manner as they currently treat state grants for purposes of financial aid packaging." The motion passed unanimously.

Dr. MacKay called for a vote on the proposed Administrative Rules revisions, which would include these two approved changes. The revised Administrative Rules change proposal was approved unanimously. Ms. Knapp was instructed to include these two changes with the other proposed Administrative Rules changes.

Ms. Knapp next discussed the schedule challenges of getting the Administrative Rules changes through the State's process if final approval was to be targeted at or before September 1, 2008 in order for the participating institutions to implement the changes in the 2008-09 school year. It was agreed that a special public meeting of the Advisory Commission would need to take place before the end of June and that a face-to-face quorum would need to be present to approve these changes. Dr. MacKay agreed to work with Mr. Jacobson and Ms. Knapp to set up a special meeting date and Ms. Knapp will make the necessary notifications.

Fiscal Year 2009 Proposed Budget

Mr. Jacobson reviewed a proposal for the fiscal year 2009 budget for the Advisory Commission and the UNIQUE Endowment Trust activity as follows:

Management Fee Revenue		$12,200,000
Less:	Administrative Expenses (primarily external audit fees)	(213,000)
	Endowment Allocation Program Disbursements	(9,760,000)
	Annual Allocation Program Disbursements (net)	(3,000,000)
Total (excluding investment market gains/losses)		$ (773,000)

Management fees were determined by estimating the remaining fiscal 2008 fees and assuming a 6% growth factor over total estimated fiscal 2008 fee revenue. Administrative expenses for audit fees of $200,000 were based on actual audit fees for fiscal 2008 of $179,000 plus an inflationary factor. $13,000 was included in administrative expenses for Commission member travel and miscellaneous administrative expenses. Endowment Allocation Program disbursements are 80% of fee revenues and Annual Allocation Program disbursements (net of reimbursements and refunds) were based on a conservative estimate assuming that the Administrative Rules for the Annual Program would be changed and, therefore, increase the number of eligible students.

Representative Foose moved for acceptance of the budget which was seconded by Dr. Dodge. The motion passed unanimously.

Endowment Fund and Scholarship Update

Mr. Jacobson presented a brief update of the Endowment Trust Fund as of March 31, 2008. The fund balance of the Endowment Trust, at market value, was almost $23 million. The fund experienced a first quarter 2008 market value loss of $2.6 million, the most significant quarterly loss since inception.

There being no other business, Ms. Gooze moved and Dr. Dodge seconded that the meeting be adjourned. Upon unanimous approval, the meeting adjourned at 11:55 A.M.

NOTE: The next regular meeting is scheduled for July 28, 2008 starting at 10:00 a.m. at the New Hampshire Higher Education Assistance Foundation in Concord. This meeting will be preceded by a meeting of the Investment Committee which will begin at 9:00.