New Hampshire College Tuition Savings Plan Advisory Commission
Minutes of the Meeting of May 16, 2011

The May 16, 2011 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. Edward MacKay, Advisory Commission Chair.

Members present, constituting a quorum, were:

Edward MacKay (Chair)	Chancellor, University System of New Hampshire
Robbie Parsons	State Representative
Tara Payne	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Thomas Horgan	President & CEO, representing the New Hampshire College and University Council
Amy Bourgault	Executive Director, CCSNH Foundation representing the Community College System of NH
Catherine Provencher	State Treasurer
Kathryn Dodge	Executive Director, Postsecondary Education Commission
Martha Gooze	Public Member, appointed by the Governor

Members Absent were:

Sylvia Larsen	State Senator
Gary Lambert	State Senator
Lynne Ober	State Representative
Linda Hodgdon	Commissioner of Administrative Services Dept., representing the Governor
Michael Cryans	Public Member, appointed by the Governor

Also present at the meeting were Joe Ciccariello, Jeff Troutman, Peter Mahoney, Matthew Golden, and Joe Cullen from Fidelity Investments (Fidelity), Cynthia Capodestria from the Postsecondary Education Commission, Richard Gustafson, Chancellor of the Community College System of New Hampshire, and Bill Dwyer and Brad Jacobson from the State Treasury.

Review of Prior Meeting Minutes

Minutes of the January 24, 2011 regular meeting were reviewed. Approval of the minutes was moved by Treasurer Provencher and seconded by Mr. Horgan. The motion passed unanimously.

Old Business

The status of issues that have arisen in prior meetings and required further follow-up and resolution were reviewed and resolved as follows:

No business to discuss

Status of Current Legislative Issues – House Bill 2

Treasurer Provencher provided a status report on House Bill 2, relative to the 2012-13 biennial budget and its impacts on the UNIQUE Endowment Fund, scholarship disbursements, and the treatment of future 529 Plan management fees. Current proposals in both the House and Governor's budget provide for the liquidation of the Endowment Fund balance and the transfer of those funds to the USNH and CCSNH as an offset to the General Fund appropriations to those systems. At this time it is not clear whether this will occur in Fiscal Year 2011 or 2012. Regardless of the timing of that appropriation, all Annual Scholarships and Endowment awards distributed to the State's colleges and universities through the end of Fiscal Year 2011 will not be recalled. Beginning in Fiscal Year 2012 there will be no further Annual or Endowment disbursements, as the re-direction of 529 management fees to USNH and CCSNH take effect.

Dr. MacKay affirmed that to the extent the Endowment Fund is liquidated in Fiscal Year 2012, the College Savings Plan appropriation to the General Fund will total $27-28 million (estimated $17 million from the Fund liquidation and estimated $10-11 million in management fee revenue). In Fiscal Year 2013 the appropriation would be a total of $11 million from estimated management fees. Appeals have been made to members of the State Senate to make this arrangement temporary. The State Treasury notified all colleges and universities in February that no endowment or scholarship awards will likely be made in Fiscal Year 2012.

Mr. Horgan explained that the State's private college and university presidents are strongly opposed to the suspension or elimination of the Scholarship and Endowment programs and are prepared to file suit should the legislation pass. Dr. MacKay indicated that the 2012-13 biennial budget will not be finalized until mid-June at the earliest. Dr. MacKay noted to Treasurer Provencher that many have questioned whether the Commission would have any type of role or need to continue if the budget legislation passes. Treasurer Provencher responded that there would be no need to disband the Commission, whose mission is to raise college savings awareness and provide oversight of Fidelity's investment management of the State-sponsored 529 college savings programs which total approximately $10 billion.

New Hampshire's 529 Program Update

Mr. Ciccariello provided a business update of the 529 College Savings Plan industry and the New Hampshire 529 programs as of December 31, 2010. Total 529 Plan market-valued industry assets at the end of the fourth quarter of 2010 increased approximately 8.2% and New Hampshire's UNIQUE and FA 529 plans together increased by 6.8% for the same quarter. The New Hampshire Program remained the 3rd largest plan in the country in asset value as of

December 31, 2010 with $9.6 billion in assets (at market value) and approximately 7% of the industry's market share. New Hampshire followed Virginia ($31 billion in assets) and New York ($11 billion in assets) and was ahead of 4th place Rhode Island ($7 billion in assets). Mr. Ciccariello noted that the first Morningstar ratings of 529 Plans in 2010 provided a lift to states such as Utah (although still not in the top 10), while states such as New York continue to benefit from favorable treatment under individual state tax regulations.

On the national regulatory front, there were two noteworthy updates. The House of Representatives passed legislation (H.R. 529) designed to promote college savings plans among low to moderate income families by: 1) allowing up to 4 investment changes per year; 2) qualifying the purchase of computers and other equipment as college-related expenses; 3) allowing a limited tax credit for 529 contributions; and 4) approving an income exclusion of up to $600 for employer contributions. In addition, Vice-President Biden's Middle Class Task Force Initiative continues to identify ways to make college education more affordable for middle and lower income families, with specific focus on strategies to boost the timely completion of degree requirements and a grant competition that rewards colleges for innovations designed to increase degree completion rates.

Key program enhancements to both State plans, as summarized by Mr. Ciccariello and Mr. Golden, include ongoing reviews and reporting improvements in the State's plan design, customer experience initiatives, FA 529 Advisor Plan networking and automation, and enhancements to investment products. (One specific product enhancement is discussed in significant detail during the non-public session near the end of the regular meeting.)

Mr. Golden reported that credit card rebates for the quarter ended March 31, 2011 approximated $5.8 million. $157 million in cumulative credit card rebates have been earned and applied to participant accounts in both the UNIQUE and the FA529 Plans since inception.

As a result of low market interest rates, the money market portfolios' returns were, at times, exceeded by portfolio fees and expenses. The Advisory Commission therefore authorized Fidelity, at its request, to waive certain fees for both the UNIQUE direct and the FA 529 Advisory plans to prevent negative returns on each plan's money market portfolio. Total waived fees at calendar year-to-date March 31, 2011 were $199,945.

UNIQUE College Investing Plan Review

Mr. Mahoney reported that as of March 31, 2011 UNIQUE retail plan assets approximated $6.5 billion in market value and consisted of over 400,000 participant accounts. Average account size of a UNIQUE portfolio was nearly $17,000, compared to the average account size in the industry of $13,000. Contributions for the first quarter of 2011 totaled $223 million and exceeded first quarter 2010 contributions by 15%. New accounts in the first quarter increased 23% over the first quarter of 2010.

At the end of the first quarter of 2011, 81% of the UNIQUE retail participant assets were held in age-based portfolios with 14% in static portfolios and the remaining 5% in individual portfolios. 85% of net flows for the quarter were into age-based portfolios, 10% into static portfolios and the remaining 5% into individual and bank deposit portfolios.

During the first quarter, the College aged-based portfolio, both actively managed and index portfolios, experienced negative net cash flow as funds were redeemed to pay college costs. The Money Market and Conservative portfolios experienced cash outflows at the rate of 1.8% and 0.1% respectively, believed to be caused by investment confidence returning and funds moving to higher-return investments.

Mr. Mahoney reviewed various marketing initiatives for the UNIQUE retail plan, which included the replacement of Disney.com online advertising with Smartmoney.com (more proven results), and the addition of both Money Magazine to enhance the plan's personal finance print presence and Kid Stuff magazine to increase exposure to a popular local parenting publication. Other key awareness initiatives included more focused advertising in those newspapers in NH counties with the highest concentration of the targeted audience and a more concise messaging strategy that leads to the conclusion that Fidelity can help college savers achieve their goals. In response to Vice-President's Middle Class Task Force Initiative, there will be more targeted outreach to those families in the $40,000 to $75,000 range.

In the interest of time, Mr. Mahoney made reference to the competitive analysis which is contained in the Fidelity presentation and provides a review of both the active and passive (index) portfolios over the 1-, 3-, and 5-year time intervals ended March 31, 2011.

Participants residing in New Hampshire are fifth out of all states at 5.3% of the total participants and follow Texas (12.2%), California (10%), New Jersey (8.3%) and Florida (5.8%). New Hampshire participants increased 1.9% during the first quarter of 2011.

Fidelity Advisor 529 Plan Review

Mr. Golden reported that the Fidelity Advisor 529 Plan (FA 529 Plan) had approximately $3.2 billion in market-valued assets as of the end of the first quarter 2011 spread over more than 234,000 participant accounts. 7.4% fewer new accounts were opened in the first quarter of 2011 than in the same quarter of 2010 and 5.6% more contributions were made in these same periods.

Net outflows during the quarter occurred primarily in the College Portfolio (15.6%) and the 2010 Portfolio (23.5%) as participants began their redemptions for college expenses. Other portfolios with notable net outflows included the Intermediate Bond Portfolio at 5.1%, and the Money Market Portfolio at 6.1%. 73% of all FA 529 assets were held in age-based portfolios with 18% in individual portfolios and the remaining 8% in static portfolios.

Mr. Golden briefly reviewed current marketing activities directed at both investors and the financial advisors. The campaign continues the broad-based awareness messaging begun in

2010, including emphasis on wealth-building, savings, and tax-advantaged strategies. Among the campaign enhancements are web links in e-mails and direct mailers, targeted campaign integration (online and sales), and increased target marketing focused on the best customers (financial advisors). Results of the January wealth-building e-mail campaign indicate a high "open rate" for both the initial and re-send e-mails (to those who did not open the initial e-mail) at12.4% and 11.6% respectively. Fidelity typically experiences an e-mail open rate of 8-9% for its other marketing campaigns.

Two other states' plans continue to utilize Fidelity funds with $105.5 million in market-value assets as of March 31, 2011:

Nebraska (First National Bank of Nebraska - $102.5 million); and
Nevada (Putnam - $3 million since inception on 10/1/10)

New Investment Product Proposal (Fidelity)

Fidelity and the Advisory Commission believe that the information to be discussed should be treated confidentially since both Fidelity and the State could possibly be competitively harmed by public disclosure of a thorough discussion of the proposed investment product (including portfolio examples, pricing, fee-sharing, etc.).

A motion to enter into non-public session pursuant to RSA 91-A:3 was requested by Dr. MacKay. Ms. Gooze moved for a non-public session, and the motion was seconded by Treasurer Provencher. The motion passed unanimously. Minutes were taken but will not be released until a contract amendment is approved by the Governor and Executive Council.

Upon completion of the proposed new investment product discussion, the Commission unanimously approved the closing of the non-public session. Following the re-opening of the public session, the Commission moved and there was majority approval of the pursuit of a contract amendment with Fidelity in order to implement the new investment product proposal. In addition, the Commission moved and approved the authorization of Treasurer Provencher to negotiate a contract amendment and seek Governor and Executive Council approval on behalf of the Commission. Lastly, Ms. Gooze moved, Mr. Horgan seconded, and the Commission unanimously approved that the minutes pertaining to the new investment proposal remain sealed until the amendment is approved by Governor and Executive Council.

Endowment Trust Fund and Scholarship Disbursements

The Endowment Trust Fund and scholarship update report, for the fiscal third quarter and year-to-date ended March 31, 2011, was presented by Treasurer Provencher. The Endowment Trust Fund had a balance of nearly $17 million as of March 31, 2011, 8% higher than the $15.7 million fund balance at the beginning of the fiscal year. Fiscal year-to-date interest and dividend earnings and net market gains approximated $2.8 million and fee revenues collected were $7.9 million. Year-to-date scholarship-related disbursements were $9.2 million for the UNIQUE Annual Allocation and the UNIQUE Endowment Allocation Program. Year-to-date administrative expenses totaled $225,262, including the cost of the annual audit in the amount of $195,000.

Member Reappointments in "Odd Years" – June 30 and September 30

Mr. Jacobson reminded the Commission that membership reappointments for non-legislative members and public members (Governor-appointed) are required prior to June 30, 2011 and September 1, 2011 respectively. Notifications of such appointments should be sent to the State Treasury.

Other Business

Hearing no additional new business, Dr. MacKay adjourned the meeting at 12:20PM.

NOTE: The next regular meeting is scheduled for Monday, July 25, 2011 starting at 10:00 a.m. at the New Hampshire Higher Education Assistance Foundation in Concord. The regular meeting will be preceded by an Investment Committee meeting at 9:00AM. All Advisory Commission members are invited to attend.