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New Hampshire College Tuition Savings Plan Advisory Commission  
Minutes of the Non-Public Session of May 20, 2013

Dr. MacKay called the New Hampshire College Tuition Savings Plan Advisory Commission (Advisory Commission) non-public session to order. (Reference minutes of the May 20, 2013 Advisory Commission meeting.) The sole purpose of this non-public session was to discuss Fidelity's proposal to reduce the pricing in the index portfolios from 15 basis points (bp) to 9bp, with the State of New Hampshire to receive a 5bp share (versus the current 7.5bp) and Fidelity to receive a 4bp share.

Members present at the non-public session were:

Edward MacKay (Chair)	Chancellor (Retired), University System of New Hampshire
Michael Cryans	Public Member, appointed by the Governor
Ross Gittell	Chancellor, Community College System of New Hampshire
Thomas Horgan	President & CEO, representing the New Hampshire College and University Council
David Mahoney	Representing the Higher Education Commission – Dept. of Education
Tara Payne	Vice President, representing the NH Higher Education Assistance Foundation Organizations
Catherine Provencher	State Treasurer

Members absent were:

Jeanie Forrester	State Senator
Martha Gooze	Public Member, appointed by the Governor
Linda Hodgdon	Commissioner of Administrative Services Dept., representing the Governor
Sylvia Larsen	State Senator
H. Robert Menear	State Representative
Lynne Ober	State Representative

Also present at the meeting were Keith Bernhardt, Kyla Doyle, and Matt Golden from Fidelity Investments (Fidelity), Richard Gustafson, Director of the Division of Higher Education, and Bill Dwyer from the State Treasury.

Dr. MacKay began the session by explaining that due to recent changes in the pricing of competing college savings plans, Fidelity is proposing to reduce the overall pricing of the UNIQUE Program by implementing a pricing reduction in the index portfolios. Ms. Doyle

described the specifics of the proposal. In 2012 the State of New York college savings plan, administered by Vanguard and consisting primarily of index fund offerings, lowered its management fee to 17bp. Vanguard does not have a revenue-sharing agreement with the state therefore all revenue accretes to the firm, resulting in a very low cost relative to other state plans. That plan also benefits from a generous state income tax deduction for residents who participate. The State of Illinois plan pricing for the index portfolios falls in the 18-21bp range, although there is also a \$10 annual maintenance fee per Vanguard portfolio, which could add an additional 10bp in cost for an account with a \$10,000 balance. The State of Ohio plan is priced at 23-28bp, while the State of California plan ranges from 18-30bp. The current pricing in the UNIQUE Program varies from 25-35bp, depending on the type of fund selected.

Based on these facts, Fidelity recommends that the State of New Hampshire reduce pricing in the index portfolio offerings by 6bp (reducing the management fee from 15bp to 9bp) which would lower the overall plan pricing to 19-29bp, more in line with New York and other lower cost state plans. Under this proposal, the state's revenue share would drop from 7.5bp to 5bp, while Fidelity's share would decrease from 7.5bp to 4bp. Based on approximately \$1.3 billion in assets in the index portfolios currently, the revenue impact to the State would be approximately \$325,000.

Ms. Doyle went on to describe the process for implementing the pricing proposal on August 1, if approved by the Advisory Commission. The first step would be making the necessary amendments to the agreements governing the State's relationship with Fidelity (Investment Management Agreement, Management and Administrative Services Agreement) and then seeking the approval of the Executive Council for those amendments. After G&C approval, Fidelity would finalize internal requirements for implementation, such as website updates and marketing materials. This would be followed by a formal customer communication and press release, and then the launch date in the third quarter.

Treasurer Provencher asked whether the objective of the pricing reduction was to attract more new accounts into the New Hampshire Plans, and Dr. MacKay noted that in the first quarter of the year 30% of UNIQUE account inflows went to the index funds. Mr. Bernhardt responded that the average pricing across the industry is 39bp therefore this pricing change would clearly place the UNIQUE Plans in the lower pricing tiers nationally, which should in turn generate more account growth. Ms. Doyle added that Morningstar will conduct its annual national survey of college savings plans in the fall, so the timing would enable the UNIQUE Plan to report its pricing, which receives a significant weighting in the Morningstar ratings, at a reduced level.

Upon completion of the discussion regarding the proposal, Mr. Horgan moved, Treasurer Provencher seconded, and the Advisory Commission unanimously approved the closing of the non-public session. Following the re-opening of the public session, the Advisory Commission moved and there was unanimous approval of the pursuit of a contract amendment with Fidelity in order to implement the new proposal. In addition, the Advisory Commission moved and approved the authorization of Treasurer Provencher to execute the resulting contract amendment and seek Governor and Executive Council approval on behalf of the Advisory Commission.

Lastly, Mr. Mahoney moved and Mr. Horgan seconded that, pursuant to RSA 91-A:3, III, the minutes pertaining to the proposal remain sealed until the amendment is approved by Governor and Executive Council. A roll call vote (with 2/3 consent required by statute) was as follows, with no members dissenting:

Dr. MacKay	Yes
Mr. Cryans	Yes
Dr. Gittell	Yes
Mr. Horgan	Yes
Mr. Mahoney	Yes
Ms. Payne	Yes
Treasurer Provencher	Yes