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DreamAhead College Investment Plan

INVESTMENT POLICY STATEMENT

(Adopted September 15, 2021)

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PURPOSE

The purpose of this Investment Policy Statement (**IPS**) is to assist the Committee on Advanced Tuition Payment and College Savings (**Committee**) in effectively supervising, monitoring, and evaluating the investment options (**Investment Options**) of the DreamAhead College Investment Plan (**DreamAhead** or the **Plan**). Pursuant to RCW 28B.95.032, the Committee has the authority to oversee the investment of the Plan assets. DreamAhead's investment program is described in the various sections of the IPS by:

- Stating in a written document the Committee's judgments, expectations, objectives, and guidelines in the investment of all Plan assets.
- Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes and investment management styles. The Plan intends to provide an appropriate range of Investment Options that will span the risk/return spectrum.
- Establishing the criteria and procedures for selecting Investment Options and Investment Managers.
- Providing guidelines for each investment portfolio (**Portfolio**) that controls the level of overall risk (appropriate diversification) and liquidity assumed in that Portfolio so that all Plan assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Committee, Washington Student Achievement Council (WSAC), the Program Manager, and the Investment Managers.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Managers on a regular basis.
- Complying with all fiduciary, prudence, and due diligence requirements and with all applicable laws, rules and regulations that may impact Plan assets, including ensuring Investment Options and Underlying Investments that are appropriate for individuals saving through Section 529 College Savings Plans.

This IPS has been arrived at following consideration by the Committee of the financial implications of a wide range of policies and describes the prudent investment process that the Committee deems appropriate.

PLAN SUMMARY

Background Information

DreamAhead is a qualified tuition program established under Section 529 of the Internal Revenue Code for the purpose of enhancing the accessibility and affordability of higher education. The Plan, which began operations in 2018, was made possible by legislation passed by the Washington State Legislature in 2016, which appointed the Committee as administrator of the Plan, supported by the staff of the Washington Student Achievement Council.

The Plan is designed to meet certain Internal Revenue Service requirements in order to offer participants favorable tax treatment. The existing Committee Bylaws governing DreamAhead are attached as Appendix A.

Participants are entitled to make periodic contributions to DreamAhead and to select the type of Investment Options for their account(s). The Plan's participants are expected to have different time horizons and risk tolerances for their account(s). To meet these varying investment needs, participants will be able to direct their account balances among a range of Investment Options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants alone bear the risk of the investment results from the options and asset mixes that they select.

The objectives of DreamAhead have been established in conjunction with a comprehensive review of the Plan. The objectives are:

- To maintain flexibility in meeting the future needs of the participants.
- To provide participants with investment choices that are diversified across a range of risk levels, asset classes, and investment strategies in order to accommodate the varying levels of needs, risk tolerance, investment time horizon, and age of usage of the Plan's participants.
- To control costs of administering the Plan and managing the investments.
- To undertake all transactions solely in the interest of the participants and beneficiaries.
- To comply with all fiduciary, prudence, and due diligence requirements and with all applicable laws, rules and regulations that may impact Plan assets.

The Committee reserves the right to modify the Plan's policies, procedures, and rules, in its sole discretion.

RESPONSIBILITIES

Responsibilities of the Committee

The Committee is responsible for the prudent administration of the Plan with specific responsibilities, which include design of Plan investment platform; establishing investment policy objectives and guidelines; prudent selection of Investment Managers; and ongoing monitoring.

Delegation of Authority

The Committee has a fiduciary responsibility to provide the investment framework for and monitor the investment management of Plan assets. As such, the Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

Washington Student Achievement Council (WSAC). The Committee is supported by WSAC staff who conduct the day-to-day administration, including distribution and marketing of the Plan on the behalf of the Committee.

Program Manager. The Program Manager's responsibilities under this IPS are as follows:

- manage the day-to-day operations of DreamAhead, except with respect to the distribution and marketing of the Plan.
- produce a daily performance report for the Plan to be publicly shared on the plan website on a daily basis .
- produce (or direct the Investment Advisor to produce) a quarterly performance report for the Plan, which shall at least include the following:

- economic and market outlook
- performance by each Portfolio net of fees and gross of fees
- comparison of each Portfolio's performance to its relative benchmark, including any proposed changes to benchmarks for the following quarter and justifications for such changes.
- review and provide an opinion on the Investment Advisor's investment recommendation(s)
- at the direction of the Committee and WSAC, and the Investment Advisor, carry out the objectives of this IPS by investing, reinvesting, managing, contracting, selling or exchanging investment money in the Plan.

Recordkeeper. The Recordkeeper calculates individual participant balances and processes participant contributions and disbursements. The Recordkeeper continually reconciles participant balances with trust account balances to maintain alignment. The Recordkeeper also produces management reports that ensure the overall compliance of the Plan with federal and state regulatory requirements.

Investment Advisor. The Investment Advisor, after consultation with and approval by the Committee and WSAC, shall develop and provide recommendations for the Investment Options offered by the Plan and the specific securities or products (**Underlying Investments**) that comprise the Investment Options. The Investment Advisor can recommend actively and passively managed mutual funds, exchange-traded funds (ETFs) and other investment types, including separate accounts and funding agreements, as Underlying Investments. The Underlying Investments selected by the Committee must adhere to the terms and conditions set forth in the funds' prospectus, trust document or other applicable governing document. The Investment Advisor shall

- produce quarterly investment advisory reports and an annual letter.
- monitor and recommend rebalancing of the Year of Enrollment Portfolios and other Portfolios in accordance with allocation guidelines set forth in the Program Management Agreement between WSAC and the Program Manager (**Management Agreement**) and/or any subcontractors.
- review and provide recommendation(s) on Underlying Investments and Portfolios of the trust as required under the Management Agreement and/or any subcontracts, taking into considering the appropriateness of the Underlying Investments and Portfolios for investors saving through Section 529 Plans.
- communicate regularly with issuers of the Underlying Investments.
- perform due diligence and monitor Underlying Investments.
- make recommendations with respect to Portfolio and Investment Manager retention or termination.

Investment Managers. The Investment Managers may offer mutual funds, exchange-traded funds (ETFs) and other investment types, including separate accounts and funding agreements as Underlying Investments.

Custodian. The Program Manager may have an agreement with a custodian through which the custodian provides custody and cash management services to DreamAhead, including trust portfolio custody, check processing, and deposit accounts.

Investment Consultant. The Committee may engage an investment consultant to assist the Committee in establishing the objectives, and guidelines of the IPS; selecting the Investment Advisor; reviewing the Investment Options and Underlying Investments over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

Additional specialists such as attorneys, consultants, auditors, actuaries, and others may be employed by the Committee to assist in meeting its responsibilities and obligations to administer Plan assets prudently.

Responsibilities of the Participants

Participants are responsible for choosing an appropriate investment program. The Committee will not provide individual investment counseling or advice to participants. Participants choosing to invest in the Year of Enrollment Investment Option must determine that the Portfolios' shift in asset allocation strategies are appropriate for their risk tolerances, time horizons and return expectations. Participants choosing to invest in the Static Portfolios are responsible for utilizing the basic principles of strategic asset allocation to select a combination of Investment Options based on the participant's unique time horizon, risk tolerance, return expectation, and asset class preferences.

INVESTMENT OPTIONS

In order to provide appropriate investment alternatives and diversification for the participants, various Investment Options shall be available that provide a range of risk and return characteristics. The Investment Options will be made available through two different portfolio types, a Year of Enrollment Investment Option, and Static Portfolios. More specific information on these types and options are contained in the DreamAhead Program Details Booklet as may be amended or supplemented.

The Committee reserves the right to add or replace Investment Options, the Portfolios included in the Investment Options, and the Underlying Investments and related asset classes based upon market conditions, Program Manager input, Investment Advisor input, investment consultant input, participant response, or other factors. A description and explanation of each Investment Option, Portfolio, Underlying Investment, current asset class, and investment style is provided in the DreamAhead Program Details Booklet as may be amended or supplemented.

Year of Enrollment Investment Option

The Year of Enrollment Investment Option offers participants pre-diversified Portfolios that become more conservative as the Beneficiary approaches college age.

The Portfolios represent a weighted allocation among a pre-determined number and type of investment strategies. The Investment Advisor, with the oversight of the Program Manager and WSAC and approval of the Committee, reviews these strategic allocations periodically and makes recommendations for adjustments when deemed appropriate.

Glide Paths and Rebalancing. A "glide path" describes how the asset allocation of the Year of Enrollment Portfolios evolves over time. The Plan utilizes a progressive glide path approach in which the asset allocation of the participant's Portfolio automatically shifts from capital

accumulation in the earlier years to capital preservation in the near-college and college years. The glide path generally adjusts this allocation on a semi-annual basis.

An essential component of the asset allocation process is rebalancing. Rebalancing is a process that realigns a Portfolio back to its strategic targets as market fluctuations change the initial allocations over time. The Investment Advisor, in collaboration with the Program Manager, monitors the underlying asset allocation of the Year of Enrollment Portfolios on a quarterly basis. The Committee has also given the Program Manager discretion to rebalance the Year of Enrollment Portfolios on an as-needed basis to help ensure Portfolios remain within strategic targets by acceptable percentages.

Static Portfolios

The Static Portfolios offer stand-alone options which allow participants the ability to allocate their account assets into one or more of the Investment Options. The goal in offering these Portfolios is to provide participants with the ability to construct diversified Portfolios by asset class and investment style that match their risk tolerances, asset class preferences, time horizons and expected returns. Once a participant's Portfolio is selected for a particular contribution, the Internal Revenue Code dictates the rules through which a participant can move money or transfer from one Portfolio to another.

SECURITIES GUIDELINES

The guidelines set forth in the investment vehicle's prospectus, trust document, or funding agreement, as applicable, shall govern all Underlying Investments.

SELECTION OF INVESTMENT MANAGERS

The Committee, with the assistance and upon the recommendations of WSAC, the Program Manager, and the Investment Advisor, will select Investment Managers to manage the Plan assets. The Committee's intent is to follow a process of appropriate due diligence. Accordingly, when selecting Investment Managers, the following criteria will be considered:

- Investment Managers will be banks, insurance companies, investment management companies, or investment advisers as defined by the Investment Advisers Act of 1940;
- historical quarterly performance numbers will be calculated on a time-weighted basis for performance screening;
- performance evaluation reports that illustrate the risk/return profile of the Investment Manager relative to other Investment Managers of like investment style if appropriate;
- detailed information on the history of the firm and key personnel (including any material litigation and fraud), key clients, costs, and support personnel must be analyzed;
- the investment strategy that will be followed must be described and documented that the strategy has been successfully adhered to over time;
- fees should be competitive compared to similar investments; and
- Investment Managers will be compared against a comparable peer group for selection, where appropriate.

LONG-TERM MARKET PERFORMANCE OBJECTIVES

The Committee and the Investment Advisor will agree upon the inception date and benchmarks for measurement of performance in advance. The passively managed Investment Managers/mutual funds are expected to produce total returns that match their benchmark (minus identified mutual fund expenses). The performance objectives are to be used as a basis for reviewing and monitoring a particular Investment Manager, not as an absolute measure that requires manager/fund termination if they are not achieved. In the event that the asset allocation of an Investment Option is modified and approved by the Committee, the composite benchmark will be adjusted accordingly.

Each Underlying Investment will comply with its prospectus in instances when the Underlying Investment is a mutual fund. Style-specific indices, as well as style-specific manager/fund universes may also be used to assist in evaluating the performance of the Investment Manager/mutual fund.

MONITORING OF INVESTMENT MANAGERS

The Investment Advisor and/or Program Manager will monitor the Underlying Investments and Portfolios. The Program Manager will make recommendations on the Investment Advisor's proposals to add, remove, or change the Investment Options in the Plan. The Committee, in consultation with WSAC, will take appropriate action following such recommendations in accordance with the provisions of the Management Agreement. Appendix B outlines the Investment Advisor's monitoring procedures.

The Investment Advisor shall collect performance data for all Portfolios in accordance with the Management Agreement and/or any subcontracts, including quarterly and trailing annualized performance. Based on this information, the Program Manager and/or Investment Advisor shall prepare the quarterly performance report.

The Investment Advisor and the Program Manager shall meet at least quarterly with the Committee to report performance data for the Investment Options and the Underlying Investments.

REVIEW AND POLICY ADOPTION

The Committee has worked with the Program Manager and Investment Advisor to develop this Investment Policy Statement. The Committee will review this Investment Policy Statement from time to time, but no less than every three years. Changes can be made at any time to this Investment Policy to the extent such changes would be in the best interest of DreamAhead's account owners and beneficiaries. However, changes are expected to be infrequent, as they will reflect long-term considerations, rather than short-term changes in the financial markets. Any modifications to this Investment Policy will be communicated to interested parties, including the Program Manager and the Investment Advisor.

The Committee has adopted this Policy as of _____, 2021.

By:
Title: Chair, Committee on Advanced Tuition
Payment and College Savings

The Committee has reviewed this Policy on _____, 202__.

By:
Title: Chair, Committee on Advanced Tuition
Payment and College Savings

Program Manager's Acknowledgments:

We have received, reviewed, and understand the DreamAhead Investment Policy Statement.

By:
Title:

Firm Name:

Date:

Investment Advisor's Acknowledgments:

We have received, reviewed, and understand the DreamAhead Investment Policy.

By:
Title:

Firm Name:

Date:

APPENDIX A

BYLAWS OF THE COMMITTEE ON ADVANCED TUITION PAYMENT AND COLLEGE SAVINGS *Adopted November 6, 2018*

ORGANIZATION AND DUTIES

- (1) The Advanced College Tuition Payment Program (known as the ‘Guaranteed Education Tuition’ or ‘GET’ program) and the Washington College Savings Program (known as the ‘DreamAhead College Investment Plan’ or ‘DreamAhead’), collectively known as the ‘Programs,’ are established in Chapter 28B.95 RCW. The Programs are governed by the Committee on Advanced Tuition Payment and College Savings. The Committee is composed of the Executive Director of the Washington Student Achievement Council (WSAC), the Director of the Office of Financial Management and the State Treasurer (or their designees), and two citizen members. The Governor shall appoint the citizen members, with one representing program participants and one representing private business with marketing, public relations, or financial expertise, per RCW 28B.95.020 (5). The Committee shall exercise all the powers and perform all the duties with respect to the operation of the Programs as prescribed by Chapter 28B.95 RCW.
- (2) The administrative office is located at 917 Lakeridge Way SW, Olympia, WA 98502. The office hours are 8:00 a.m. to 5:00 p.m, Monday through Friday, except state holidays. Information about the Programs are available at the following address: P.O. Box 43450, Olympia, WA 98504; or by contacting GET at 800.955.2318 or DreamAhead at 844.529.5845; or by visiting www.wastate529.wa.gov.
- (3) The Executive Director of WSAC shall chair the Committee. The Director of College Savings Plans (Program Director) shall serve as the secretary for the Committee.
- (4) A quorum to conduct the business of the Committee consists of at least three members.
- (5) The Committee shall meet quarterly and shall conduct and announce meetings in accordance with the Open Public Meetings Act (Chapter 42.30 RCW). Additional meetings may be scheduled as needed. The annual meeting schedule shall be published in the Washington State Register, maintained by the Office of the Code Reviser. A special meeting may be called by the chair of the Committee or by a majority of the members and announced in accordance with RCW 42.30.080.
- (6) All regular and special meetings of the Committee shall be held in Olympia, Washington unless scheduled elsewhere, and are open to the general public, except for lawful executive sessions, as defined in RCW 42.30.110. No official business may be conducted by the Committee except during a regular or special meeting.

- (7) The Committee may conduct an executive session called by the chairperson or by a majority of the members. No official actions shall be taken at executive sessions without formal action at a regular or special meeting of the Committee. Executive sessions shall deal only with matters authorized by RCW 42.30.110. The Committee will conduct all official business at formal public meetings in accordance with state law.
- (8) Formal meetings will be conducted in accordance with Robert's Rules of Order.
- (9) Proceedings shall be recorded by a method determined by the chair of the Committee. Formal written minutes shall be taken during the meeting. The Committee approves the previous meeting's minutes at each Committee meeting. The Committee will maintain full records of all proceedings by which it makes decisions and shall maintain the records for six years, in accordance with RCW 40.14.060.
- (10) Anyone other than a Committee member wishing an item placed on the agenda of the Committee meeting must submit a written request, and it must be received in the office of the secretary of the Committee (the Programs' office) no later than twelve o'clock noon five business days before the next scheduled Committee meeting. The Committee secretary will relay the request to the chair of the Committee. The chair of the Committee will determine whether the item is to be placed on the agenda. The chair or a designee will notify the individual initiating the request as to whether or not the item will be placed on the agenda.
- (11) Members of the Committee who are public employees serving as a member in that capacity shall serve without compensation. Citizen members will receive compensation in accordance with RCW 43.03.050. Travel and related expenses of all members shall be considered a regular expense of the Programs.
- (12) No member of the Committee is liable for the negligence, default or failure of any other person or member of the Committee to perform the duties of office and no member shall be considered or held to be an insurer of the funds or assets of the Programs (per RCW 28B.95.035).
- (13) The Committee may enter into contracts necessary to carry out its powers and duties (per RCW 28B.95.030 and RCW 28B.95.032).
- (14) WSAC shall employ a Program Director in consultation with the Committee. WSAC staff shall support the Committee and shall carry out administrative responsibilities otherwise not assigned to the Committee.
- (15) Annually, Program staff shall make available to the Committee a GET program valuation report. The information will be based on the preceding fiscal year's activity. The Program Director or designee will present the information at a Committee meeting.

- (16) Annually, Program staff shall make available to the Committee a DreamAhead report that includes information about the performance of and changes to the Program's investment options. The Program Director or designee will present the information at a Committee meeting.
- (17) The Committee shall review program policies on a regular basis, and approve updates to the Programs' Master Agreements and/or disclosure documents from time to time, as needed to remain in compliance with federal and state laws or if any Program policies change or new policies are adopted. Program staff shall draft proposed changes for the Committee's consideration.
- (18) Annually, Program staff shall prepare administrative budgets for both Programs and present the budgets for the Committee's consideration and approval.
- (19) At each Committee meeting, Program staff will provide updated enrollment, contribution, and distribution statistics
- (20) The Program Director shall designate the rules coordinator for the Programs.
- (21) Each state agency member of the Committee may appoint a representative from his or her agency to work with the Program Director.
- (22) These bylaws may be amended at any regular or special meeting by a majority vote.

APPENDIX B

Lockwood Advisors, Inc. (Lockwood) is an investment adviser registered in the United States under the Investment Advisers Act of 1940 and a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Lockwood provides investment advisory services to the Committee for DreamAhead.

Lockwood believes that long-term investment success is achieved through prudent team-oriented decision making combined with independent analysis. Sound research, transparency of process and a client-centered approach are fundamental to successful portfolio management. Lockwood balances long-term capital market risk and return forecasts with investors' long-term objectives and risk tolerances.

DreamAhead Year of Enrollment portfolio glide paths refer to the process by which a Year of Enrollment portfolio changes its asset allocation among asset classes with a higher risk profile (which can include U.S. stocks and international stocks) to asset classes with a lower risk profile such as bonds, inflation indexed bonds and money market funds, over a time horizon. In order to preserve capital appreciation, the glide path of DreamAhead Year of Enrollment portfolios shift from equity allocations for young investors to ever-higher fixed income investments and cash as the college age and tuition liability approaches. Lockwood determines the appropriate benchmark to be used with a portfolio and in most cases blends of several indices are used.

The DreamAhead Year of Enrollment portfolios rely on research from the Lockwood Investment Team and on long-term capital market assumptions from BNY Mellon. The portfolios are designed to deliver a comprehensive age-based solution with an emphasis on low cost and global diversification. Portfolios are aligned with an investor's time horizon and a glide path that adjusts to less risky portfolios over time as a prospective student approaches college age. Lockwood measures performance for the Year of Enrollment Portfolios using a total return approach. Performance is measured against a series of blended benchmarks composed of one or more of the following indices:

- Dow Jones US Total Stock Market TR USD
- MSCI EAFE NR USD
- MSCI EM NR USD
- Bloomberg Barclays US Aggregate Bond TR USD
- Bloomberg Barclays Long Term US Treasury TR USD
- Bloomberg Barclays US Treasury US TIPS TR USD
- Bloomberg Barclays USD Emerging Markets Government RIC Capped TR USD
- Bloomberg Barclays US Treasury Bill 1-3 Mon TR USD

The Lockwood Investment Team employs a team-based approach to identifying and selecting mutual fund managers to include in DreamAhead portfolios. Lockwood receives manager research and vehicle selection information from the BNY Mellon Manager Research Group, whose core focus is on investment manager research and oversight. Quantitative and qualitative analyses are used together throughout the manager evaluation and selection process. The manager screening process begins with an internally developed quantitative ranking model. The goal of the initial screening process is to group and rank prospective investment managers or strategies according to a series of risk-and return-based metrics. For those candidates that pass the initial quantitative screening,

qualitative factors of the investment managers are reviewed. Some qualitative factors include: the tenure and the depth of key investment professionals, investment philosophy and process, sources and methods of investment research, implementation of the investment process, portfolio turnover and ownership/business structure. An additional layer of analysis is performed to assess the viability of the investment firm.

The focused experience of the Lockwood team is informed by the investment expertise of specialized groups within BNY Mellon. The BNY Mellon Capital Markets Assumptions Team provides Lockwood with capital market analysis and economic research which is further synthesized to produce asset class risk, return and correlation forecasts.

For index mutual fund portfolios, a key risk element is the vehicle's ability to track its benchmark. A vehicle's tracking error (standard deviation of return variations from a market benchmark) is one of the most prevalent risks in passive investing. Historical analysis is used as a starting point to draw conclusions pertaining to the vehicle's ability to replicate the risk and return characteristics of its benchmark over time. Qualitative analyses are conducted to evaluate the liquidity, expenses, and performance metrics of prospective index mutual funds.

Lockwood conducts a quarterly review of the investment landscape relative to the current lineup, regularly looks for pricing changes, and seeks to take advantage of cost savings through lower cost share classes or Investment Options when making recommendations. The Lockwood Investment Committee reviews existing fund managers periodically to help evaluate consistent implementation of the originally articulated investment philosophy. Lockwood seeks to identify qualitative or quantitative issues through ongoing monitoring and evaluation of fund managers, which may result in proposed removal of the underlying fund.