



# **WASHINGTON STUDENT ACHIEVEMENT COUNCIL**

## **WASHINGTON COLLEGE SAVINGS PROGRAM**

### **529 COLLEGE SAVINGS PLAN SERVICES**

#### **REQUEST FOR INFORMATION (RFI)**

**May 19, 2016**

## **TABLE OF CONTENTS**

|   |          |
|---|----------|
| <b>1) INTRODUCTION &amp; PURPOSE OF REQUEST FOR INFORMATION (RFI).....</b>                | <b>3</b> |
| <b>2) OVERVIEW AND BACKGROUND.....</b>  | <b>3</b> |
| <b>3) TERMINOLOGY AND REFERENCE DOCUMENTS.....</b>  | <b>5</b> |
| <b>4) EXPERTISE REQUIRED .....</b>  | <b>6</b> |
| <b>5) HOW TO RESPOND .....</b>  | <b>6</b> |
| 5.1 Executive Summary .....   | 6        |
| 5.2 Your Profile.....   | 6        |
| 5.3 Determining the Scope of Work for an RFP .....  | 6        |
| 5.4 Creating a List of Firms That May be Interested in Bidding on an RFP .....            | 7        |
| 5.5 Identifying the Feasibility of an Effective and Competitive College Savings Plan..... | 8        |
| 5.6 Facilitating a Seamless Customer Experience .....                                     | 8        |
| 5.7 Additional Materials and Other Information We Should Consider .....                   | 8        |
| <b>6) TIMELINE.....</b>   | <b>8</b> |
| <b>7) IMPORTANT INFORMATION.....</b>  | <b>9</b> |
| <b>8) PROPRIETARY OR CONFIDENTIAL INFORMATION.....</b>                                    | <b>9</b> |

## **1) INTRODUCTION & PURPOSE OF REQUEST FOR INFORMATION (RFI)**

On behalf of the Committee on Advanced Tuition Payment (GET Committee), the Washington Student Achievement Council (WSAC) is formally seeking information regarding approaches to establishing a 529 college savings plan.

This document is neither an offer nor a Request for Proposals (RFP) or bids. A response to this RFI, or a failure to respond, will not affect any future acquisitions. However, we anticipate that the information gathered will be used to develop a document for competitive procurement. No solicitation is available at this time. We will send Respondents to this RFI a copy of the procurement document when and if it is released. This RFI is not to be construed as a commitment by WSAC, nor will WSAC pay for the information solicited herein or any of the costs of preparation.

### **This RFI seeks help from the vendor community to:**

- Identify the feasibility of various plan management structures for implementing an effective and competitive 529 college savings plan, based on Washington State statutory requirements and new enabling legislation (E2SSB6601);
- Determine the scope of work for an RFP; and
- Create a list of firms that may be interested in bidding on an RFP.

### **Please respond to this RFI if:**

- You have suggestions that could help WSAC with this project;
- You are interested in receiving a solicitation for this project; or
- You know of others who may be interested in receiving a solicitation.

## **2) OVERVIEW AND BACKGROUND**

Washington is one of just two states not currently offering a traditional 529 college savings plan. The state does operate a 529 prepaid tuition program known as the Guaranteed Education Tuition (GET) Program that opened in 1998. This program allows Washington residents (or individuals opening accounts for Washington residents) to prepay future college tuition costs. Individual accounts are guaranteed by the State to pay for college tuition at the highest residential tuition rate charged at Washington's public universities.

After-tax contributions to GET accounts grow tax-free and can be withdrawn tax-free when used for eligible higher education expenses. GET funds are invested by the Washington State Investment Board (WSIB). GET currently has over 100,000 active accounts and assets of over \$2 billion. Currently, all GET program management functions are performed "in-house." WSAC manages recordkeeping/account management (using custom software from Banner), marketing, customer service and other administrative functions.

During the 2015 legislative session, the State Legislature passed E2SSB5954, which lowered tuition at the state's public colleges for the 2015-16 and 2016-17 academic years and caps future tuition growth. The legislation also directed the GET Committee to make the necessary program adjustments to ensure GET customer accounts are not decreased or diluted as a result of lower tuition.

In the second half of 2015, the GET Committee made several program changes to protect customers, including putting a hold on new enrollments and contributions for up to two years. More details on GET's current status can be found here: <http://www.get.wa.gov/5954-impacts>.

E2SSB5954 also directed the GET Committee to review the feasibility and range of options for establishing a traditional college savings plan. After performing a market analysis and discussing options, the GET Committee determined that a 529 college savings plan should be further explored.

The 2016 Legislature passed E2SSB6601 that gives the GET Committee formal authority to develop the Washington College Savings Program – a traditional 529 college savings plan to be offered alongside Washington's existing GET 529 prepaid tuition program. The legislation provides several specifications and requirements for a 529 college savings plan. Key provisions are provided below, and can be reviewed in detail at <http://app.leg.wa.gov/billinfo/summary.aspx?bill=6601&year=2015>.

**Key legislative provisions for a Washington 529 college savings plan (per E2SSB6601):**

- The GET Committee is granted the necessary authority to administer a 529 college savings plan to complement the GET prepaid tuition program.
- Startup costs are funded from two sources:
  - A \$25,000 appropriation (per 2016 Supplemental Budget – HB2376, Sec. 609(2)); and
  - Spending from a new Treasury account to cover startup costs with any account deficit repaid within 5 years pursuant to a plan/schedule to discharge any projected deficit established by the GET Committee by 12/31/2017.
- The GET Committee can contract with WSIB or non-state vendors (including other states) for investment management services. *However, recently WSIB indicated they will not be able to provide investment management services for a new Washington 529 college savings plan.*
- Requirements:
  - Non-Washington residents may participate in a 529 college savings plan offered by WSAC, if it is established.
  - Fees charged to the owner may not exceed one-half of one percent for any investment option on an annual basis (beginning January 1, 2018).
  - The GET Committee shall promote, advertise and publicize the new plan and develop educational materials to highlight how the new plan and GET are different, and how they can complement each other.
  - The GET Committee is directed to create an expedited direct rollover process between eligible Washington state-sponsored 529 accounts, as well as to out of state 529 accounts.
- Five policy goals are established in statute for which the GET Committee must develop objectives and performance measures and report to the legislature biennially on: Process, People, Parent, Performance and Price.
- The GET Committee is permitted to consider an advisor-sold option.

**Based on these provisions, WSAC is in the preliminary stages of developing an RFP for services that may include one or more of the following components:**

- Investment management services;
- Recordkeeping/account management services;
- Marketing;
- Customer service; and/or
- Other administrative functions.

WSAC currently has in-house program management capabilities with the existing GET program that could be leveraged for a 529 college savings plan, but has not yet determined the optimal mix of in-house services and contracted services.

**At this time WSAC is considering the feasibility of all possible program management structures, including:**

- Turn-key (outside vendor(s) provides all services);
- Blended (WSAC provides some services, and outside vendor(s) provides some services);
- State partnership (Washington partners with another state who provides services); or
- Investment management only (WSAC provides all program management services, and outside vendor(s) provides investment management services),

*Note that each of these options would consider both direct-sold and advisor-sold options.* Respondents to this RFI are encouraged to share their feedback on these possible program management structures. With a population of 7.1 million, a median household income of \$60,294, and a relatively high college attainment rate (33 percent of adults have at least a bachelor's degree), WSAC believes that Washington is a market well-positioned for additional college savings options.

### **3) TERMINOLOGY AND REFERENCE DOCUMENTS**

Terminology used throughout this document:

- **GET Program** – Washington's 529 prepaid tuition program.
- **GET Committee** – The five member governing board (formally called the Committee on Advanced Tuition Payment) that oversees GET program policies and administration, and is responsible for the development of a 529 college savings plan.
- **Washington Student Achievement Council (WSAC)** – A cabinet-level state agency that provides strategic planning, oversight, and advocacy to support increased student success and higher levels of educational attainment in Washington. WSAC oversees the day-to-day program management for GET.
- **E2SSB5954** – Engrossed Second Substitute Senate Bill 5954 – Legislation passed in the 2015 state legislative session that lowered resident, undergraduate tuition at Washington's public colleges. This legislation also directed the GET Committee to review the feasibility and different options of establishing a college savings plan.

- **E2SSB6601** – Engrossed Second Substitute Senate Bill 6601 – Legislation passed in the 2016 state legislative session that authorizes the GET Committee to pursue the development of a traditional 529 college savings plan for Washington State.

**Before responding to this RFI, Respondents are strongly encouraged to review the following:**

- Revised Code of Washington (RCW) Chapter 28.95: ADVANCED COLLEGE TUITION PAYMENT PROGRAM (<http://apps.leg.wa.gov/rcw/default.aspx?cite=28B.95>)
- GET program website (<http://www.get.wa.gov>)
- GET Committee meeting materials (<http://www.wsac.wa.gov/get>)
- E2SSB6601: Creating the Washington College Savings Program (<http://app.leg.wa.gov/billinfo/summary.aspx?bill=6601&year=2015>)
- E2SSB5954: Reducing Tuition (<http://app.leg.wa.gov/billinfo/summary.aspx?bill=5954&year=2015>)

#### **4) EXPERTISE REQUIRED**

WSAC is interested in hearing from individuals and firms that have expertise or provide services in:

- Investment management
- 529 college savings plans
- State government offering 529 college savings plans
- Financial planning and advising

#### **5) HOW TO RESPOND**

Your response should consist of answers to the following questions in this section, organized in the same order and using the same categories.

##### **5.1 Executive Summary**

Your response may include an executive summary to summarize your response to the general provisions set out in Section 1, above.

##### **5.2 Your Profile**

Briefly describe your company/organization, your services, history, ownership, financial information, and other information you deem relevant. In particular, please describe engagements you have been involved in that are similar in concept to what is described in this RFI.

##### **5.3 Determining the Scope of Work for an RFP**

*Please answer the following questions:*

- What type of plan structure would you recommend to best meet the statutory goals for the Program, as described in E2SSB6601 Section 5(10)?

- Washington does not have a state income tax. Given this limitation, what other incentives might you recommend to encourage state residents to invest in a Washington 529 college savings plan? Which incentives requiring state investment or action should be considered?
- E2SSB6601 Section 13(3) provides certain limitations on total fees charged to investors. Section 13(1)(a) provides requirements on the types of investment options that an investment manager shall provide. What investment options and fee structures would you propose, given these requirements?
- How would you propose to assess fees to cover the costs required to start up the plan? Please identify the components of those costs and fees.
- At a minimum, WSAC will require an investment manager. However, based on responses to the RFP, WSAC may choose a blended solution and decide to manage one or more of the following aspects in-house: Recordkeeping/account administration, customer service, marketing, and other administrative functions. What factors should WSAC consider in making this decision?
- How would you propose to assess fees to cover WSAC costs required to start up and administer certain aspects of the plan? How long should the period of performance be in a contract issued as a result of an RFP to implement a 529 college savings plan? Are there factors that would likely result in a vendor wanting a longer or shorter period of performance?
- Is the schedule of activity listed below in section 7 reasonable? If not, how would you recommend we adjust the schedule?

#### 5.4 Creating a List of Firms That May be Interested in Bidding on an RFP

*Please answer the following questions:*

- Would you be interested in bidding on a direct-sold product, given the parameters in E2SSB6601? Please tell us why or why not (be as specific as possible).
- Would you be interested in bidding on an advisor-sold product, given the parameters in E2SSB6601? Please tell us why or why not (be as specific as possible).
- Would you be interested in bidding on a turnkey 529 college savings plan, given the parameters in E2SSB6601? Please tell us why or why not (be as specific as possible).
- Would you be interested in bidding on a blended 529 college saving plan? If so, what aspects of the plan besides investment management would you insist on performing? Please tell us why or why not (be as specific as possible).
- If you represent another state's 529 plan, would you be interested in bidding on a joint state 529 savings plan? If so, please describe the respective roles for the involved states that would make this plan attractive. Please tell us why or why not (be as specific as possible).
- Do you anticipate or plan for any potential conflicts of interest between this 529 college savings plan and the administration of other related investment programs at any public or private levels?

### 5.5 Identifying the Feasibility of an Effective and Competitive College Savings Plan

*Please answer the following questions:*

- Based on your experience in the 529 college savings plan market, what is your response to the statutory requirements of E2SSB6601? Would you be able to provide the requested services within the policy parameters provided in this legislation?

### 5.6 Facilitating a Seamless Customer Experience

*Please answer the following questions:*

- The GET prepaid tuition program currently features a custom web interface that allows customers to manage their accounts and make payments, request distributions, etc. If you were to recommend a different recordkeeping system for a 529 college savings plan, could it interface with our web-based system? What are the pros and cons of doing so?
- E2SSB6601 Section 6(1) requires that an expedited rollover process be made available between the GET program and a new 529 college savings plan, and between Washington programs and out-of-state programs. How would you propose facilitating this expedited rollover process, as it relates to developing a Washington 529 college savings plan?
- How would a new 529 college savings plan interact with the GET prepaid tuition program? How would you market the program while differentiating it from the prepaid plan?
- If you currently manage another plan, what 529 or defined contribution administrative/recordkeeping system does your firm currently use? Please describe it.

### 5.7 Additional Materials and Other Information We Should Consider

Please provide any other materials, suggestions, and discussion you deem appropriate.

## 6) TIMELINE

**Responses to this RFI should be received no later than 5:00 PM PDT Friday, June 17, 2016.**

Responses should be submitted to:

Katie Gross  
Washington Student Achievement Council  
917 Lakeridge Way SW  
PO Box 43430  
Olympia, WA 98504-3430

Electronic submissions in formats compatible with Microsoft Word 2013 are encouraged and preferred.

Email directly to: [KatieG@wsac.wa.gov](mailto:KatieG@wsac.wa.gov)

Questions should be directed to Betty Lochner, GET Director, at (360) 753-7871 or [BettyL@wsac.wa.gov](mailto:BettyL@wsac.wa.gov).

WSAC reserves the right to revise the RFI timeline or other portions of this RFI at any time, and to cancel or reissue this RFI at any time without obligation or liability.



## 7) IMPORTANT INFORMATION

This RFI does not obligate WSAC or the State of Washington to contract for any services described in response to this RFI, nor does a response guarantee any advantage to the Responder. All materials submitted in response to this RFI become the property of WSAC. WSAC reserves the right to use any of the ideas presented in any materials offered in developing any competitive solicitation for 529 college savings plan services. Although no solicitation is available at this time, we will send companies/ organizations responding to this RFI a copy of the procurement document when and if it is released.

The period of performance of any contract resulting from a competitive procurement for 529 college savings plan services is tentatively scheduled to begin on or about February 1, 2017. If we release a procurement document, the following is a **possible schedule of activity**:

|   |                        |
|---|------------------------|
| Issue Request for Proposals (RFP)                   | September 2016         |
| Question and answer period                          | September-October 2016 |
| Proposals due                                       | November 2016          |
| Evaluate proposals                                  | November-December 2016 |
| Conduct oral interviews with finalists, if required | January 2017           |
| Announce "Apparent Successful Bidder"               | January 2017           |
| Finalize and sign contract                          | January 2017           |
| Begin implementation                                | February 1, 2017       |
| Washington 529 College Savings Plan opens           | July 1, 2017           |

## 8) PROPRIETARY OR CONFIDENTIAL INFORMATION

Any information contained in your response that is proprietary or confidential must be clearly designated as such. The page and the particular exceptions(s) from disclosure must be identified. Each page claimed to be exempt from disclosure must be clearly identified by the word "confidential" printed on the lower right hand corner of the page. Marking the entire response as confidential will be neither accepted nor honored and may result in disclosure of the entire response. The Respondent must be reasonable in designating information as confidential. To the extent consistent with chapter 42.56 RCW, the Public Records Act, WSAC will maintain the confidentiality of vendor's information marked "confidential" or "proprietary." If a request is made to view vendor's proprietary information, WSAC will notify vendor of the request and of the date that the records will be released to the requester unless vendor obtains a court order enjoining that disclosure. If vendor fails to obtain a court order enjoining disclosure, WSAC will release the requested information on the date specified.