

**STATE OF WASHINGTON**  
**Washington Student Achievement Council**  
**REQUEST FOR PROPOSALS (RFP)**  
**RFP NO. 17-RFP163**

**DISCLAIMER:**

Be advised that any answers to questions having to do with future projections are best estimates based on currently known and/or accessible information and assumptions. The Agency does not guarantee the accuracy of these projections.

**QUESTIONS RECEIVED PRIOR TO MARCH 24, 2017 PRE-PROPOSAL  
CONFERENCE, CATEGORIZED BY COMMON THEMES**

*Questions Regarding GET Program Data*

1. Please provide current assets by beneficiary age (0-3, 4-8, 9-12, 12-15, 16+).

**ANSWER:** The Agency assumes that this question is specifically asking what the current assets are in Washington’s Guaranteed Education Tuition Prepaid Tuition program (GET). The Agency also assumes that the potential bidder’s question meant “13-15” rather than “12-15” for the fourth age group listed. Current assets by age range, as of March 18, 2017 are listed in the table below.

**GET Assets by Beneficiary Age**

Beneficiary Age Range	Units Purchased-to-Date	Current GET Payout Value per Unit	Assets*
0-3	145,103	\$117.82	\$17,096,035
4-8	1,932,942	\$117.82	\$227,739,226
9-12	3,262,049	\$117.82	\$384,334,613
13-15	3,027,097	\$117.82	\$356,652,569
16+	6,445,193	\$117.82	\$759,372,639
<b>TOTAL</b>	<b>14,812,384</b>		<b>\$1,745,195,082</b>

\* Note: For the purposes of these calculations, assets have been determined by multiplying the number of unredeemed units purchased by the current payout in effect per unit (\$117.82/unit). However, a temporary refund policy (open through September 1, 2017 or until 60 days after a Washington-based direct-sold savings plan opens, whichever is late) currently in effect states that account owners who elect to refund or rollover assets in their GET account will receive the greater of: (i) their original contributions; or (ii) the value of their units using the payout value per unit. Currently, of the 14.8 million unredeemed units, there are approximately 2.1 million unredeemed units that account owners have paid more for (prices of \$144.30 - \$152.27/unit) than the current unit payout value.

**2. Please provide the current number of accounts within age groups, using the groupings provided in question 3 above.**

**ANSWER:** The Agency assumes that this question is specifically asking what the current number of accounts are in GET. The Agency also assumes that the potential bidders' question meant "13-15" rather than "12-15" for the fourth age group listed. Current accounts by age range, as of March 18, 2017 are listed in the table below:

**GET Accounts by Beneficiary Age**

	Beneficiary Age Range				
	0-3	4-8	9-12	13-15	16+
Number of Accounts	2,911	17,627	21,489	16,787	42,323

**3. Regarding the GET Prepaid program; please provide the following data for the past 3 calendar years:**

- a) **Accounts and assets refunded to participants, both qualified and nonqualified**
- b) **Accounts and assets rolled over to another 529 plan**
- c) **Overall accounts and assets refunded, both qualified and nonqualified**
- d) **Overall accounts and assets rolled over to another 529 plan**

**ANSWER:** The Agency's understanding of these questions is as follows:

- a) To ensure the answer is properly addressed, the number of accounts with qualified distributions (i.e. to higher education institutions) and the value of the assets distributed are also included in the table below
- b) Prior to August 2016, any account holder wishing to rollover into another plan would have had to request a refund and invest in a 529 plan of their choice. The Agency does not have a record of these transactions.
- c) Overall is considered to be totals since GET's inception (listed in the 'TOTAL' column).
- d) Overall is considered to be totals since the GET's inception (listed in the 'TOTAL' column).

	CY14	CY15	CY16	CY17 (thru 3/18/17)	TOTAL
Accounts Refunded	684	4,578	13,969	5,353	24,584
Assets Refunded	\$7,443,851	\$93,217,105	\$264,249,236	\$45,166,992	\$410,077,184
# of Students with Qualified Distributions*	15,737	17,752	16,724	7,850	47,462
Amount of Qualified Distributions	\$132,364,172	\$157,752,689	\$139,213,993	\$31,561,182	\$972,823,689
Accounts Rolled Over	0	0	835	392	1,227
Assets Rolled Over	\$0	\$0	\$20,745,963	\$9,401,600	\$30,147,563

**\* Notes:**

- Annual figures for accounts with qualified distributions represent the number of unique students seeking distributions in that respective year and thus many are counted again in subsequent years. The total figure represents the unduplicated overall number of students that have taken distribution since GET’s inception, counting each student only once regardless of how many distributions were taken.
- The significant refund increases in 2015 and 2016 align with temporary policies enacted by the GET Committee in 2015 (read details at [www.get.wa.gov/5954-impacts](http://www.get.wa.gov/5954-impacts)).

**4. Please provide the following data for the past 3 calendar years (2014 – 2016) for the GET Prepaid program participants:**

- Ending assets**
- Ending accounts (unique account owner/beneficiary combination)**
- Annual gross inflows (prior to the temporary closure)**
- Annual gross outflows**
- Annual new accounts (prior to the temporary closure)**
- Annual closed accounts**

**ANSWER:**

<b>Answers a) thru d)</b>	CY 2014	CY 2015	CY 2016
Ending AUM*	\$2,585,617,136	\$2,393,411,617	\$2,093,874,977
Ending Accounts	130,169	121,795	103,243
Annual Gross Inflows	\$290,414,615	\$108,698,629	\$38,454,442
Annual Gross Outflows	\$139,808,023	\$250,969,794	\$403,463,229

*\* This measure is the value of the GET trust fund at the end of the calendar year indicated. This calculation method differs from the estimated assets measured in Question #1.*

<b>Answers e) and f)</b>	FY 2014	FY 2015	FY 2016
Annual New Accounts**	5,440	5,016	87
Annual Closed Accounts**	4,748	11,928	18,715

*\*\* Enrollment cycles follow state fiscal years, rather than calendar years (e.g. FY 2014 runs 7/1/2013 – 6/30/2014).*

**Questions Regarding Washington College Savings Program (WCSP) Marketing/Communications**

**5. Please describe any plans to proactively reach out to current GET account owners about the new direct-sold 529 plan.**

The Agency intends to use multi-channel communication methods to inform current GET Account Owners about the WCSP that may include direct mailings, mass emails and information posted to the GET website, social media accounts, and the GET customer account portal. There will be additional potential touchpoints with current Account Owners through the Agency’s broader general audience communication efforts for the WCSP (e.g. TV, radio, print and digital advertising, social media, earned and paid media/news coverage, etc.).

**6. Please explain how the State determined the expected marketing budget.**

**ANSWER:** The Agency determined an ideal WCSP marketing budget by leveraging GET's current marketing department and sharing costs, as necessary, between the plans.

Currently, the Agency employs three FTEs dedicated to marketing, communications and community outreach for GET, and have budgeted to add a fourth FTE in the second year of a savings plan to help with the workload and outreach effort for both programs. Additionally, the Agency contracts with firms for other marketing related services including media buying, website design and maintenance, graphic design, and creative/campaign development.

Generally, the Agency will market WCSP and GET together as two complimentary options for savers, and thus staff and some marketing costs would be split between the two programs. Any costs borne solely by the WCSP or GET would be allocated towards their respective budgets. It is expected that the two programs would share the previously mentioned media contract with the outside vendor in a 25/75 WCSP to GET ratio (or \$250,000 based on current contract estimates).

The expected WCSP marketing budget is subject to change based on many factors as indicated in responses to Questions #8, #10 and #13 below.

**7. How will marketing costs be allocated between GET and the program, when the programs are marketed as complimentary programs? How much GET money will be allocated to the complimentary marketing program?**

**ANSWER:** See Question #6 above.

**8. Will the administrative and marketing cost remain fixed, at or below the \$750,000 to \$1,000,000 as identified in the RFP, throughout the life of the contract? If not fixed, how will the escalation be determined and allocated between GET and the program.**

**ANSWER:** Agency costs will not remain fixed. The estimated \$750,000 to \$1,000,000 is the amount the Agency has identified as the annual administrative and marketing expenditures for the WCSP in the first five years of operation. The expenditures are based on the Agency's assumptions of staff workload required and the resources needed for program oversight and ongoing coordination with the bidder, and to conduct a robust statewide marketing and outreach campaign. Expenditures between the two programs will be continually assessed and program budgets adjusted each year to encompass the needs of the respective programs within available resources.

**9. Page 4 indicates that the program expects to expend \$750,000 to \$1,000,000 at start up for marketing and administration. Where will the funds to support those activities come from?**

**ANSWER:** The Agency has deficit spending authority and the ability to borrow funds in the short-term as is outlined in Section 4.1.I.6 of the RFP and statutorily found at 28B.95.085(3) RCW and 28B.95.150(2) RCW. As fee revenue is generated through asset and account growth in the WCSP, any funds borrowed would be repaid.

**10. If Administrative fees do not generate adequate funds for the Administrative and Marketing costs of the state does the bidder have any responsibility for the difference?**

**ANSWER:** The Bidder does not have a responsibility to the Agency for any difference in funds paid to the Agency through the administrative fee and the Agency’s expenditures. Ultimately, the Agency wants to ensure the fee structure within the WCSP is competitively priced, so to the extent there is a deficit in any given year, the Agency will adjust its budget and/or seek relief accordingly. The Agency has several options to balance anticipated revenues and expenditures, including (in no particular order): postponing the hire of a marketing assistant, reassessing and retargeting its media strategy to lower contract costs, and seeking legislative appropriation.

*Questions Regarding WCSP Asset Growth Projections/Considerations*

**11. Please provide a detailed description and data on how the State determined the following for the WCSP:**

- a) **Projected AUM, years 1 – 5**
- b) **Project annual net flows**
- c) **Projected rollovers out of the GET program**

**ANSWER:** The Agency has developed projections for AUM, annual net flows, and projected rollovers from GET, based on the best publicly available 529 plan information it could gather regarding historical contribution and distribution flows. The figures below are hypothetical, based on a number of assumptions, and should be considered a “best conservative estimate” only.

	Year 1	Year 2	Year 3	Year 4	Year 5
AUM	\$147,225,000	\$339,047,375	\$492,684,981	\$651,327,655	\$825,973,176
Net Inflow	\$147,225,000	\$191,822,375	\$153,637,606	\$158,642,674	\$174,645,521
Rollovers	\$124,725,000	\$124,725,000	\$49,890,000	\$24,945,000	\$12,472,500

**Note:** For the above projections, the Agency assumed the following:

- a) Market conditions remain favorable, with an ROI of 5.5% annually;
- b) 7,500 new enrollments into the WCSP per year;
- c) An average initial investment of \$2,500 and account contributions of \$200/month, per account;
- d) 10% of GET Accounts (10,000) will rollover into the WCSP in the first two years (5,000/year), decreasing to 500 GET Accounts in the fifth year, and rolling over an average account size of just under \$25,000 in value.

**12. Has Washington done any projections of the number of accounts and assets in years 1-5 of the program?**

**ANSWER:** Yes. The Agency has calculated preliminary projections based on assumptions related to the number of GET assets that may rollover into the WCSP, asset growth in other state plans, and market potential within Washington State. The figures below are hypothetical, based on a number of assumptions, and should be considered a “best conservative estimate” only.

	Year 1	Year 2	Year 3	Year 4	Year 5
AUM	\$147.2 M	\$339.0 M	\$492.7 M	\$651.3 M	\$825.9 M
Accounts	10,000	22,500	32,000	40,500	48,500

**Note:** For the above projections, the Agency assumed the following:

- a) Market conditions remain favorable, with an ROI of 5.5% annually;
- b) 7,500 new enrollments into the WCSP per year;
- c) An average initial investment of \$2,500 and account contributions of \$200/month, per account;
- d) 10% of GET Accounts (10,000) will rollover into the WCSP in the first two years (5,000/year), decreasing to 500 GET Accounts in the fifth year, and rolling over an average account size of just under \$25,000 in value.

**13. The RFP states that the Agency expects to expend \$750,000 to \$1,000,000 annually to market and administer the Program. The Agency requires that the entirety of this amount be paid either as a cost charged to Program participants or as a direct payment by the Contractor to the Agency.**

**The RFP further states in section 4.1, paragraph I.6 that the Agency must collect an Administrative Fee in order to support the administration and marketing of the Program, repay any funds borrowed from GET, and discharge any cash deficit in the Agency’s Program administrative account within five years from the Program Start Date. This Administrative Fee can be charged in addition to the maximum 50 bps required for each investment option; may take the form of basis points or a fixed fee; and may be a fee charged to Program participants or a fee otherwise paid by the Contractor to the Agency. For purposes of this RFP, the Bidder should propose that the Administrative Fee be assessed beginning as of the Program Start Date.**

**Given the uncertainty of future asset levels:**

- a. **Can you provide additional clarity for the range of \$750,000 to \$1million of marketing expenditures referred to in the RFP?**
- b. **Can you provide a more precise estimate of the amounts borrowed from GET? Are these amounts in addition to the amounts in (a) above?**
- c. **Can you provide further clarity on the Agency’s plans / expectations in the event asset levels and/or number of accounts over the first five years of the Plan’s existence, combined with the administrative fees initially proposed as part of this RFP, prove to be insufficient to cover the initial and ongoing marketing and administrative costs of the Agency as described above?**

- a) To clarify, the \$750,000 to \$1 million in annual expenditures is the estimated budget for both administration and marketing of the WCSP. For more details, please see the responses to Questions #6, #8 and #10 above.
- b) Please see the response to Question #9 above. Any amounts that may be borrowed would be included in and not in addition to the estimated annual administrative and marketing budget.
- c) As indicated in Questions #8 and #10, the Agency will continually assess the resources it is dedicating toward the WCSP against its appropriateness and cost. The Agency has several options to balance anticipated revenues and expenditures, including (in no particular order): postponing the hire of a marketing assistant, reassessing and retargeting its media strategy to lower contract costs, and seeking legislative appropriation.

### *Questions Regarding Rollovers from GET to the WCSP*

**14. Does the State currently track the number of existing GET account owners who have expressed interest in rolling GET assets over to another 529 plan? What is used to track interest and how is this tracked? Please provide all available statistics on accounts that have proactively reached out regarding rolling GET assets into a Washington State direct-sold 529 plan.**

The Agency has been tracking inquiries regarding the WCSP. Specifically, GET Contact Center staff have been hand tallying the number of customer calls that request information about the WCSP. Staff estimates that approximately 20% of inbound callers to the GET toll-free number have asked questions related to the WCSP.

The Agency also conducted a survey of GET participants in October 2014, and received 190 responses. One question in that survey asked participants: "If GET were to offer a 529 Savings Plan in addition to our current 529 Prepaid Tuition Plan, would you be interested in investing in a savings plan?" **Over 55% of respondents said they would be interested in a 529 Savings Plan option.**

**15. Please describe the State's plan to simplify the rollover process from the GET program to the WCSP direct program. Will rollovers be initiated by a paper mail –in option or by an electronic option via the WCSP and/or GET websites?**

The Agency intends to create a streamlined rollover process that will allow GET participants to expediently initiate rollovers to the WCSP online. In the proposed model, a WCSP account would first be established with the same Account Owner. Once a WCSP account is established that can accept a rollover, a GET Account Owner would log in to their online GET accounts and initiate rollovers of their GET funds. A special paper form specifically for GET-to-WCSP rollovers would also be created for Account Owners who prefer to mail their requests.

### *Questions Regarding Technical/Operational Components*

**16. Will bidders have access to the Banner 2000 application prior to bidding? If not please describe the functions that it provides that are applicable to its use for the anticipated program?**

The Agency will not be able to provide access to Banner prior to bidding. Banner 2000 is capable of providing all record keeping functionality needed to run a 529 college savings plan and is in use by other state 529 prepaid and savings plans. The Agency is currently using Banner to provide all record keeping functions for GET. Banner provides the following functions: administrative account creation and management; cash distributions; customer statements; 1099-Qs; settlement - extract customer account changes for investment manager; NAV file import; online enrollment (currently pre-paid only); online distribution requests (currently pre-paid only); online account management (currently pre-paid only); online statements (currently pre-paid only); and online payment options (currently pre-paid only).

**17. Will Washington consider the use of Banner 2000 for a limited time (up to a year) until a custom built application were developed, tested and successfully demonstrated for use by the program?**

The Agency would not consider the use of Banner 2000 for a limited time only, as this would require significant resource investments to adapt and implement the Banner 2000 platform to manage the WCSP, and then shortly after, manage a project to convert over to a new system. This would present significant risks for account owners, the Agency and the Contractor. If a Bidder proposes to utilize the Banner 2000 record keeping platform for the WCSP, the Agency will consider proposals that utilize Banner 2000 for the entire period of the contract only. It's also important to note that while Bidders must submit comprehensive proposals, the RFP allows Bidders to subcontract with other vendors, such as third-party record keepers, as part of their proposals.

**18. P 23 & 31. Please describe the requirements of the required interface if the bidder is not using Banner 2000 software?**

The Agency expects Bidders to propose a solution that provides the best possible integration of GET prepaid accounts and WCSP accounts for mutual customers. At a minimum the Agency would require: i) Either an Application program interface (API) or a secure file transfer mechanism to retrieve/download customer data to ensure total customer contributions do not exceed contribution thresholds; ii) A method of accepting and initiating rollovers between GET and the WCSP; and iii) Access to detailed customer data, such as customer contact information and account balances to ensure data consistency and to allow GET CSRs to provide customer service to mutual customers of GET and the WCSP.



**19. Will it be the Contractor or the Agency's responsibility to create and maintain the WCSP's website?**

Unless otherwise requested by the Contractor, it will be the Agency's responsibility to create and maintain the WCSP public website. The Agency will consult with the Contractor as needed on significant website changes or updates. Any online customer account management interfaces (i.e. online enrollment, electronic payments, online account access, etc.) for the WCSP will be created and maintained by the Contractor's record keeper.

**20. P 23 sect. 4.3 description of the performance standards states that there must be live Customer Service Representatives ("CSRs) including "on line Customer Service". Please explain what is meant by this. Is this a request for a service similar to an online chat?**

The Agency expects that live CSRs will be available during the hours requested in the RFP. The Agency also expects that the Bidder will offer online functionality as outlined in the RFP, including online enrollment, contributions, etc. as well as the availability for account owners and potential investors to make inquiries online whether via email, secure messaging portal, live chat interface or other secure processes. To clarify, Bidders may propose an online live chat interface, but this is not a requirement of the RFP.

**21. Sect 4.4 page 24 & following: Will Washington consider allowing its current GET call center to serve as the call center for the program, if the bidder provided training and support to the GET CSRs?**

The Agency will consider any proposal that meets the requirements of the RFP with regard to customer service, including expansion of the GET call center. Any alternative approaches to customer service should be clearly outlined in the Bidder's proposal. If a bidder proposes using the GET call center for the WCSP, the Agency would expect the Contractor to provide adequate compensation via a flat fee paid by the Contractor to the Agency or through a greater share of the fee revenue generated by the WCSP.

**22. Would the agency consider allowing the bidders to perform some or all of the support functions for GET in exchange for agreed upon fees (for example investment management, participant record-keeping, software solutions, etc.), and thereby, allowing them to generate a more predictable revenue stream, which may then allow them to commit to a firmer budget for the state marketing and administration fees for the Program?**

While the Agency does not intend to allow Bidders to perform functions for GET, Bidders may choose to include alternative approaches as part of their proposal. The Agency does not have the ability to compensate a vendor for services provided pursuant to this RFP. Therefore, a bidder should propose to receive compensation through asset based or fixed fees charged to participants in the WCSP.

### *Questions Regarding WCSP Fees to Participants*

**23. Page 13 – c the contractor is paid from fees. How/when do you expect the contractor to be paid? See 4.i.6**

It is expected that the Contractor will be paid out of the program management fees received from account owners. It is expected that the Contractor would transfer funds to both its account and the Agency's operating account on a monthly basis.

**24. 4.1.I.7 – Would allow an enrollment fee and/or account maintenance fee to be part of the Bidder's Program Management Fee. However, 4.1.I.3 states that the combined Expense Ratio and program management fee cannot exceed 50bps. Does 4.1.I.7 mean that the enrollment fee and/or account maintenance fee, if part of the program management fee, can be in addition to the 50 bps for the combined Expense Ratio and Program Management Fee? Or, if an enrollment fee and/or account maintenance fee is part of the Bidder's Program Management Fee, must the combined basis point Expense Ratio and Program Management Fee be less than 50bps to adjust for the enrollment fee and/or account maintenance fee?**

Any proposed enrollment or account maintenance fee is not considered to be part of the 50 bp maximum identified in Section 4.1.I.3. of the RFP.

**25. P 76 cost proposal schedule – The bidder has no control over the Administrative Fee imposed by Washington. Are you expecting the bidders to propose a Washington administrative fee? Won't the state specify the fee that it needs to cover its expenses and marketing?**

The Bidder may specify in its proposal its proposed or suggested administrative fee to be paid to the Agency, taking into account program management costs and WCSP marketing activities.

### *Miscellaneous Questions Regarding Clarification of RFP Sections*

**26. Page 12 -3E does this apply to other than the Investment manager?**

Section 3.E. applies to the Bidder. As stated in the RFP, if the Bidder has not been rated by a nationally recognized rating service, the Bidder must describe the circumstances under which such ratings have not been conducted. The Bidder shall also describe any alternative financial condition and operational performance measures that it believes will be helpful in considering the minimum qualifications of the Bidder. If the proposed investment manager or other service providers has been rated by a nationally recognized rating service, please provide that information as well.

**27. Page 21 what is the basis for calculating the Maximum account balance? Does it account for withdrawals?**

The Maximum Account Balance is calculated in accordance with Section 529 of the Internal Revenue Code and based on guidance from the Internal Revenue Service. The WCSP will calculate the Maximum Account Balance on net assets held in accounts for the benefit of a particular beneficiary. Generally, all accounts for the same beneficiary under all Qualified Tuition Programs sponsored by the State of Washington (i.e. – the WCSP and GET) are counted toward the Maximum Account Balance requirements. Earnings may cause the account balances for any one beneficiary to exceed the Maximum Account Balance and no further contributions will be allowed at that point. If a contribution is made to an account that would cause the aggregate balance of all accounts to exceed the Maximum Account Balance, all or a portion of the contribution amount must be returned to the contributor.

**28. Would the Agency consider extending the submission deadline of this RFP in order to generate additional interest from potential plan managers and other market participants as well as to allow them to put together a best-of-breed plan design?**

As discussed in the RFP in Section 2.8, the Agency has the right to amend the RFP as needed. The Agency currently does not have an intent to extend the submission deadline.

**ADDITIONAL VERBAL QUESTIONS RECEIVED AT THE MARCH 24, 2017 PRE-PROPOSAL CONFERENCE**

**29. Does the estimated \$750,000 to \$1 million administrative and marketing budget include the marketing for both GET and the WCSP or if that was just for the college savings plan?**

The \$750,000 to \$1 million is the estimated administrative and marketing budget for the WCSP only. The budget was based off of projections of GET's current promotional budget. See the response to Questions #6, #8, #10 and #13.

**Follow-Up Question: Does this budget also include the salaries for staff that would administer the WCSP?**

Yes. The estimated budget assumes that marketing and administrative staff involved in administering the WCSP would split their time between GET and the WCSP. See responses to Questions #6, #8 and #10 above for more details.

**30. [In follow-up to Questions 11 and 12 above]**

**What is the Agency's contingency plan if the WCSP doesn't reach the projected asset levels and the initial fee levels set do not cover the funds that the Agency spends?**

As indicated in the responses to Questions #8, #10, and #13c above, to the extent there is a deficit in any given year, the Agency will adjust its budget and/or seek relief accordingly. The Agency has several options to balance anticipated revenues and expenditures, including (in no particular order): postponing the hire of a marketing assistant, reassessing and retargeting its media strategy to lower contract costs, and seeking legislative appropriation.

**31. [In follow-up to Question 27 above]**

**Regarding calculating the maximum account balance, do withdrawals have an effect on calculating the maximum?**

The maximum account balance is a snapshot in time of the account. For instance, if the maximum account balance were \$400,000 and an individual makes contributions up to that amount, no additional contributions would be allowed until the account value decreases. Any such decreases could be a result of market performance (i.e. investment losses) or distributions. Once the account balance again falls below the maximum balance, more money can be contributed until the account again reaches the maximum account balance. Assets will always be allowed to grow (investment gains) over the maximum account balance.