Guaranteed Education Tuition (GET)
Committee Meeting
Wednesday, October 7, 2015

John L. O'Brien Building
House Hearing Room C
504 15th Avenue SW
Olympia, WA 98504
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order & Welcome

• Approval of September 1, 2015 Minutes	ACTION

• Chair's Report
  o College Affordability Act Overview
  o Committee Action to Date
  o Asset Allocation Updates from the Washington State Investment Board
	INFO/DISCUSSION

• Director's Report
  o Customer Updates
  o National 529 Report
  o ABLE Act
	INFO/DISCUSSION

• Public Comment	
• Information Sharing / Discussion Jamie Canup, Tax Practice Chairman with Hirschler Fleischer o 529 Savings Plan Options	INFO/DISCUSSION/ POSSIBLE ACTION
• Public Comment	
• Next Steps / Adjournment	INFO/DISCUSSION

<u>Next Meeting</u>
Thursday, December 3, 2015
Cherberg Building, Capitol Campus
Senate Hearing Room 3
1:00 p.m. to 3:00 p.m.

GET Committee Meeting
October 7, 2015

Welcome & Approval of Minutes

Guaranteed Education Tuition℠

Chair’s Report

Review of the work that’s been accomplished in the past three months since the passing of the College Affordability Act.

- Review of Legislation
- Review of GET Committee Actions
- Asset Allocation Update
- Review of Next Steps

Chair's Report

Guaranteed Education Tuition℠

Review of College Affordability Act:

- Tuition is reduced at all public institutions of higher education in WA:
  - 15% at UW and WSU (5% below 2014-15 levels in 2015-16, & another 10% below 2014-15 levels in 2016-17);
  - This is important because these are the two institutions for which GET's payout value is based upon.
- Tuition-setting authority is returned to the Legislature.
- Beginning in 2017-18 resident undergraduate tuition growth is capped at the annual percentage growth rate of the median state wage.

Chair's Report

Review of College Affordability Act:

- Directs the GET Committee to set the payout value at $117.82 per unit for the 2015-16 and 2016-17 academic years (current value).

- Beginning in the 2017-18 academic year, the GET Committee is also required to make the necessary program adjustments to ensure GET customer accounts are not decreased or diluted as a result of lower tuition.

- Lastly, the legislation calls for the GET Committee to conduct a legislatively mandated feasibility study.

Chair's Report

Review of Committee Action to Date:

The GET Committee has passed the following 5 motions:

1.) Effective September 2, 2015 and through December 15, 2016, the GET program will waive all state program refund fees and the two-year hold requirement for all account owners.

2.) Effective September 2, 2015 and through December 15, 2016, the GET program permit account owners to receive a refund of their contributions or the payout value, whichever is greater.

3.) Effective August 19, 2015, refund the amortization fee paid by customers who have unredeemed units at a purchase price of $163 or greater.

Chair’s Report

Review of Committee Action to Date:

4.) Effective July 1, 2015, delay new GET unit sales for a period not to exceed two years, except continued payments on Custom Monthly Plans established prior to July 1, 2015, shall be allowed.

5.) Effective September 2, 2015, the payout value for the GET program will remain $117.82 per unit until the time when on-year of resident undergraduate tuition and state mandated fees at Washington State’s highest priced public university surpasses $11,782.



Chair's Report

Program's Funded Status Improves:

- State Actuary Matt Smith's preliminary actuarial valuation report stated the program's funded status as of June 30, 2015 was 140%, up from 106% one year earlier.

- The increase in funded status was based in large part on lower than expected tuition growth as a result of the College Affordability Act.

- The Actuary advised the GET Committee that his preliminary valuation needs to be carefully considered as it is simply a snapshot in time and is sensitive to a number of economic and legislative variables.

Chair's Report

Asset Allocation Update:

- As a result of the GET Committee's actions to increase the flexibility for GET participants following the enactment of the College Affordability Act, the WSIB has revised the investment policy that governs investment activities of the program.
- The revised policy gives WSIB staff increased investment management flexibility. This flexibility is required given the uncertainty around timing and amount of potential GET participant refunds.

Chair's Report

Today's Key Agenda Item:

1.) Information sharing and discussion regarding 529 Savings Plan options with industry expert Jamie Canup.

Director's Report

Customer Update

- Thousands of phone calls and emails from customers with account specific questions.
  - So many calls in the first week, it shutdown our phone system.
  - Staff have worked weekends and evenings in order to catch up on the volume of calls and messages.

- Customer communications.
  - Letter went out to all customers in late September.
  - Regular updates have been sent via email and have been shared on the GET website, social media outlets and blog.
  - Proactive media efforts have also helped share information with the public and customers.

- Estimated number of refund requests received as of *October 5, 2015*:
  3,403 (2.61% of Active Accounts)
- Estimated number of refunds processed as of *October 5, 2015*:
  1,078
- Estimated dollar value of processed refunds as of *October 5, 2015*:
  $27,147,207

Director's Report

Guaranteed Education Tuition℠

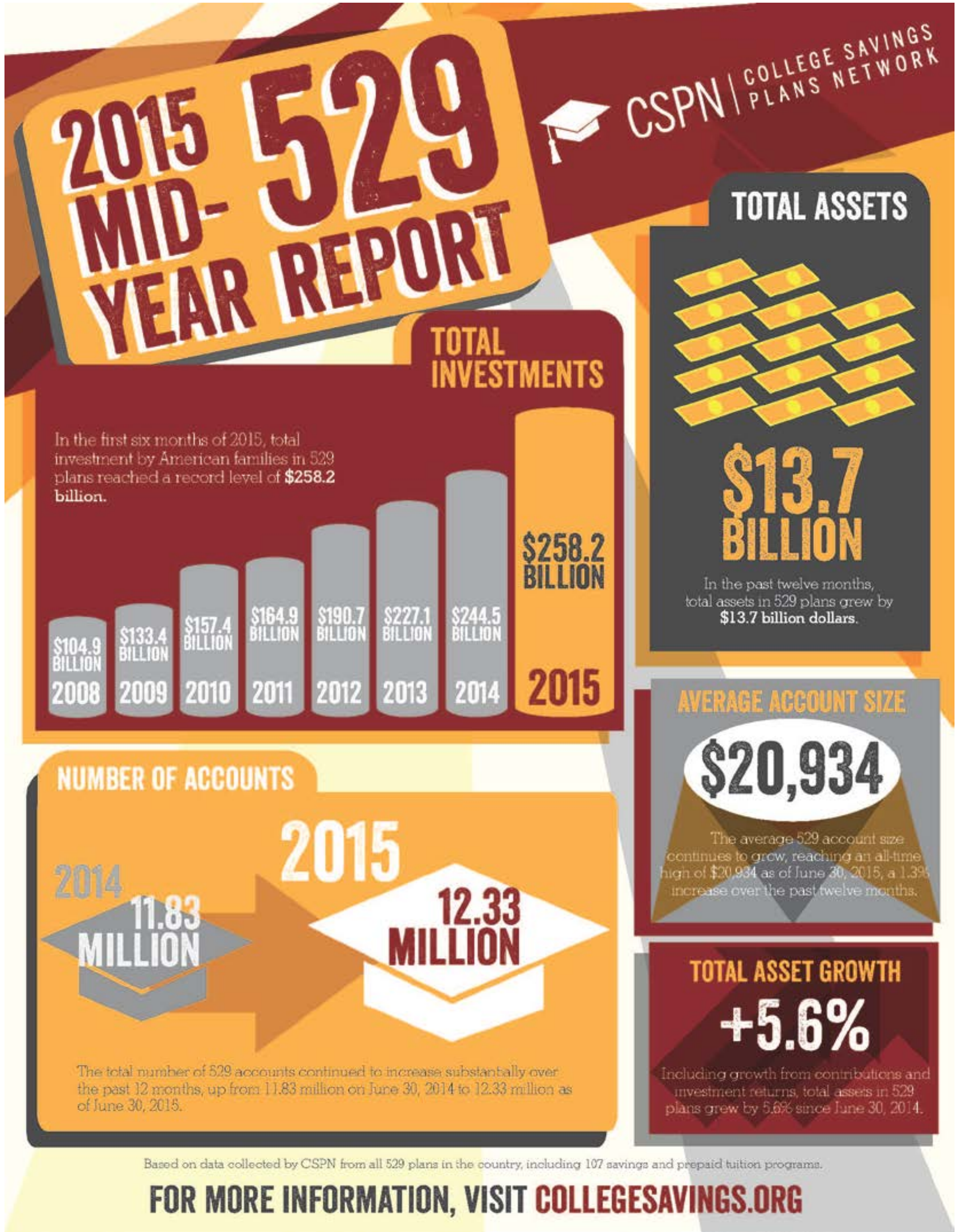
National 529 Report

$13.7 Billion in Asset Growth

$150 Billion in Asset Growth Since 2008

500,000 New Accounts

+1.3% Avg. Account Size



Director’s Report

GET Guaranteed Education Tuition℠

Federal Legislation:
Achieving a Better Life Experience (ABLE) Act

The ABLE Act creates a new option for some people with disabilities and their families to save for the future, while protecting eligibility for public benefits.

ABLE Accounts:

- Are established in the new Section 529A Qualified ABLE Programs;
- Are qualified savings accounts that receive preferred federal tax treatment;
- Enable eligible individuals to save for disability related expenses;
- Are NOT yet available, but all states will need to offer a plan within the next few years.

Public Comment

- **Time for Public Comment (30 minutes)**
  - Sign up sheet
  - 3 minutes per person
  - If you would like to submit a written comment, please send your input to: getinfo@wsac.wa.gov
  - Subject Line: GET Committee Statement

Information Sharing / Discussion Regarding 529 Savings Plan Options

Jamie Canup, Attorney / 529 Plan Expert
Partner with Hirschler Fleischer Attorneys at Law

529 Governance

529 Savings Plans Landscape

Savings Plans Investment Landscape

Savings Plans Fee Landscape

Options for a 529 Savings Plans:

1.) Partnering with Another State-Run Program

2.) Contracting with a Third-Party Program Manager

3.) State Run Program

Public Comment

- **Time for Public Comment (30 minutes)**
  - Sign up sheet
  - 3 minutes per person
  - If you would like to submit a written comment, please send your input to: getinfo@wsac.wa.gov
  - Subject Line: GET Committee Statement

Next Steps: 529 Savings Plan Exploration

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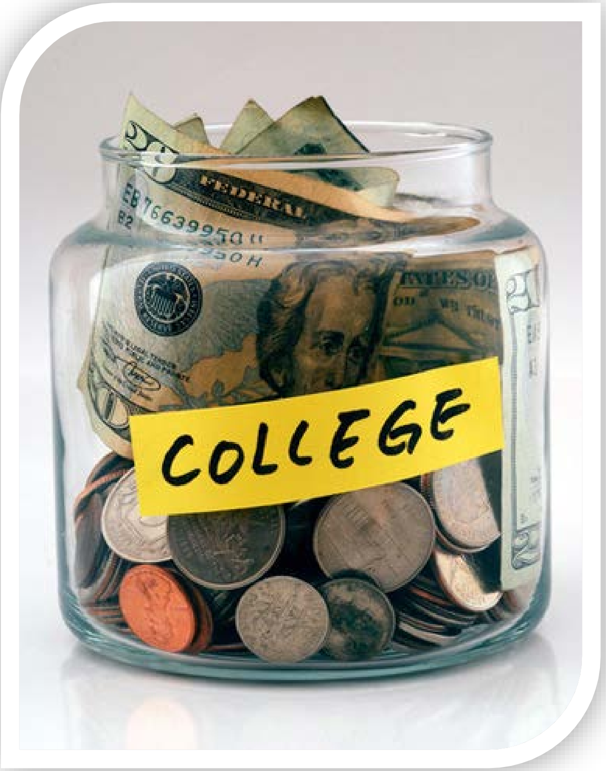
Exploration includes:

- Researching and developing the IT infrastructure to operate a savings plan;
- Reviewing and developing the operational resources to administer such a program;
- Working with outside vendors and agencies to understand and create any possible compliance standards, regulatory policies and investment agreements in order to fully understand whether or not such a program is feasible.



Some additional questions to consider when starting a 529 College Savings program would be:

- What would be the *fastest* to establish?
- What would be the most *affordable* to create and operate?
- What kind of plan would provide the *highest quality* option in terms of customer service and support?
- What are the *advantages* of this plan for Washington residents?

More information to be shared at the December 3rd GET Committee meeting.

Next Steps: Other Feasibility Study Items

GET
Guaranteed Education Tuition℠

The GET Committee will continue to focus on developing answers and action plans related to the following questions:

1.) What is the impact of tuition reductions on future unit prices?

2.) What are some alternatives of linking GET's payout value from tuition and fees to cost of attendance?

Ultimately these questions lead to a bigger question:

- What does the future of the current GET program look like?

Public Comment

GET
Guaranteed Education Tuition℠

- **Time for Public Comment (30 minutes)**
  - Sign up sheet
  - 3 minutes per person
  - If you would like to submit a written comment, please send your input to: getinfo@wsac.wa.gov
  - Subject Line: GET Committee Statement

Questions & Answers

- **Meeting Adjournment**

- **Next Meeting:**
  - **Thursday, December 3, 2015**
    Cherberg Building, Capitol Campus
    Senate Hearing Room 3
    1 p.m. to 3 p.m.

Washington State Investment Board

BOARD ADOPTED POLICY

POLICY NUMBER: 2.35.100

EFFECTIVE DATE: 9/17/15

TITLE: Advanced College Tuition Payment Program

SUPERSEDES: 12/18/14

BOARD ADOPTION: 9/17/15

APPROVED:

PURPOSE

This document outlines the investment policy and guidelines for the Advanced College Tuition Payment Program, commonly referred to as the Guaranteed Education Tuition (GET) Program, and supersedes any prior board adopted policies.

These guidelines allow for sufficient flexibility in the management process to capture investment opportunities, while providing parameters that ensure prudence and care in the execution of the investment program.

The investment responsibility for the GET Program is granted to the Washington State Investment Board (WSIB) in accordance with RCW 28B.95.070.

POLICY

Standard of Care

Under RCW 43.33A.030, trusteeship of this trust is vested within the voting members of the Board. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the Board and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives listed below.

Investment Objectives

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is the identification of the prudent level of risk for the program considering the program's need to meet or exceed the growth rate of tuition costs. Based on this requirement the order of the objectives shall be:

1. Maintain the solvency of the fund and the financial stability of the program as measured by the external actuary.
2. Ensure sufficient assets are available to fund the expected college tuition payments.
3. Subject to numbers 1 and 2 above, try to achieve a maximum return that will meet or exceed the rate of growth in college tuition costs over a 10-year period, at a prudent level of risk.
4. Invest in a manner that will not compromise public confidence in the program.

Performance Objectives

Performance of the investment portfolio shall be judged relative to the investment objectives, the risk constraint standards, and the investment approach.

The fund has both a long-term absolute goal and several relative performance objectives:

1. Achieve or exceed a 3.25 percent real rate of return relative to inflation, as measured by the Consumer Price Index (CPI), over a 10-year period.
2. Relative to asset allocation targets, generate a return equal to, or in excess of, the passive benchmark portfolio. The WSIB will establish a passive benchmark that reflects GET's unique asset allocation policy.

Risk Constraint Standards

1. All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140.
2. No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time (RCW 43.33A.140).
3. Diversification of the assets at a prudent level to moderate fluctuations in the market value of the program.

Balance of Risk and Return

Given the need to meet or exceed the rate of college tuition inflation over a long time period and the ranking of investment objectives, the investment portfolio will fall toward the upper end of the risk/return efficient frontier. The overriding objective is to ensure the investment assets meet or exceed the estimated liabilities.

Asset Allocation

The asset allocation mix will be reviewed every four (4) years, or sooner if there are significant changes in program size, funding status, or liability duration.

Capital market conditions, funding status, and liability assumptions are dynamic, not static. Consequently, the WSIB staff will meet at least annually with the GET Committee, administrative staff, and the external actuary to review the investment portfolio and the financial status of the program. The WSIB has delegated to the executive director the authority to rebalance the asset allocation within the procedures established in the WSIB Investment Policies & Procedures, Volume 3.

Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. Rebalancing will be accomplished first by using normal cash flow and second by the reallocation of assets across asset classes. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

ASSET ALLOCATION	**Target**	**Range***
Public Equity	**55 percent**	40-70 percent
Fixed Income	**40 percent**	30-50 percent
Cash	**5 percent**	0-20 percent

The program will issue installment purchase contracts with a 7.5 percent interest rate. If these are heavily used, the asset allocation will be reviewed to include these receivables as an asset class.

*The above policy ranges are long term and may deviate in the short term as a result of funding schedules and interim market movements.

Asset Class Structure

The WSIB establishes asset class structure with wide guidelines for staff to move assets in order to achieve the fund's overall objectives.

Equity

The benchmark and structure for public equity investments will be to passively track the broad global stock market as defined by the MSCI All Country World Investable Market Index (MSCI ACWI IMI).

Fixed Income

The long-term goals of the asset class are to return more than inflation and to limit volatility for the total portfolio.

Permissible Investments

1. Inflation Indexed Bonds
2. U. S. Treasuries and Government Agencies
3. Credit Bonds
4. WSIB Bond Market Funds and
5. Cash Equivalent Funds.

Although fixed income securities that are rated below investment grade may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. "Investment grade" is defined by using the rating schema method employed by the Barclays Capital Global Family of Fixed Income Indices.

PERFORMANCE REVIEW GUIDELINES AND REPORTING

Performance will be measured by the custodian bank and reported quarterly by the WSIB staff to the Board.

RESPONSIBILITIES

Washington State Investment Board

The Washington State Investment Board is responsible for approving the investment policy and setting the investment objectives, risk standards, and asset allocation. The Board is also responsible for reviewing the performance of the funds.

Public Markets Committee

The Committee is responsible for reviewing the structure and strategy of the funds and recommending any revisions to the Board.

WSIB Staff

Staff is responsible for recommending to the Public Markets Committee enhancements and changes to the investment policy, as well as implementing policy, managing the assets, rebalancing the asset allocation, and reporting performance and policy compliance to the Board and the GET Committee. Staff is also responsible for recommending the strategic asset allocation to the Board.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Original Policy Adopted 8/20/98
Revised 10/25/01, Supersedes WSIB Policy 2.35.100
Revised 9/19/02
Revised 10/16/03
Revised 7/21/05
Revised 9/20/07
Revised 10/31/08
Revised 2/17/11
Revised 12/15/11
Revised 12/18/14
Revised 9/17/15

HIRSCHLER FLEISCHER
ATTORNEYS AT LAW

MEMORANDUM

DRAFT

TO: Betty Lochner, GET Director, Washington Student Achievement Council

FROM: James W.C. Canup

DATE: August 4, 2015

RE: Options for a 529 Savings Plan

Overview

You have asked me to describe the options available to the Guaranteed Education Tuition program (GET) in connection with establishing a 529 savings plan that meets the requirements of a qualified tuition program as defined in Section 529 of the Internal Revenue Code of 1986, as amended (the Code). Recently the Washington state statute applicable to the Washington Student Achievement Council was amended to require that:

> By December 1, 2016, the committee on advanced tuition payment defined in RCW 28B.95.020 shall review and report to the legislative fiscal and higher education committees on:
>
> > (b) The feasibility and different options of establishing a college savings program as described in RCW 28B.95.150

There are several 529 saving plan options available to GET that meet the requirements of Section 529 of the Code. They include:

- Establishing a 529 savings plan that is entirely run by GET and its staff, either as a stand-alone plan or in conjunction with the current prepaid 529 GET program;
- Contracting with a third-party record-keeper to help run a 529 savings plan while keeping marketing and other functions in-house with GET and its staff;
- Contracting with a third-party program manager (and perhaps with a separate record-keeper) to either (a) entirely outsource a 529 savings plan (either direct or advisor-sold, or both direct and advisor-sold) or (b) outsource the investment management, record-keeping and national marketing and communications while maintaining in-state marketing with GET and its staff for a direct sold 529 savings plan; or
- Partnering with another state-run 529 savings plan that runs its own direct 529 savings plan either to (a) entirely outsource the 529 savings plan or (b) outsource everything but in-state marketing, which would remain in-house with GET and its staff.

Each of these options is discussed below in addition to an overview of the requirements imposed on a state under Section 529 of the Code with respect to the obligation to establish and maintain a qualified tuition program (regardless of which option is selected by the State of Washington).

State Run Program

One of the options available to the State of Washington is to establish a 529 college savings plan that is run by GET and its staff with little or no third-party involvement. Washington State could establish a direct-sold 529 college savings plan using and building upon the existing infrastructure of the GET 529 prepaid program. GET and its staff already provide record-keeping, investment management, and marketing services for a 529 prepaid plan. In addition, GET and its staff have issued disclosure documents and monitor federal regulatory requirements with respect to the GET prepaid 529 plan.

However, GET and its staff would need to expand upon its existing platform to fully accommodate a direct-sold 529 savings plan. Since the GET prepaid program is already an established and well-capitalized program it is clear that creating a state-run, direct-sold 529 savings program would be much easier than creating a program from scratch as Tennessee has successfully done in the past three (3) years.

With the economies of scale inherent in, and based on building upon, the GET prepaid plan, a direct-sold college savings plan would be feasible. Additional early investment in a Washington State run 529 program could be maximized by encouraging current GET prepaid plan account owners to rollover their account balances from the prepaid to the newly formed savings plan. Some state programs encourage the rollover of these funds by providing sweeteners in the form of fee waivers and incentives when calculating account balances to their prepaid account owners to rollover their accounts to the savings program. To the extent that assets under management are increased early on, the costs associated with establishing and maintaining a 529 college savings plan decrease resulting in lower fees to the account owners and lower underlying asset-management fees based on investments in lower-cost asset classes.

A state run program ensures that the State of Washington has control over marketing of the college savings program. This can be an important factor as the state can make sure that deliberate and consistent messaging occurs in under-served and hard-to-serve populations within the state. Typically, third-party managed programs (especially advisor-sold programs) focus on higher income populations and urban areas where the return on investment and effort is greater. State run programs can also provide more tailored and effective matching programs within the 529 college savings plan and, generally, tend to focus on under-served or hard-to-serve constituencies that may not provide a “bigger bang for the buck” that for-profit providers seek.

A state run program obviously leaves more control over the college savings plan in the hands of state officials and should result in lower fees for account owners since there are no private, third-party vendors that need to make a profit by providing the services that the state takes on when running a program. Depending on how much investment flows into the savings program, however, the costs associated with running a program will be more expensive in the early years until economies of scale result in lower fees for account owners and lower expenses for the program (these early costs can more easily be handled by a third-party provider with an existing infrastructure that is willing to "take a hit" in exchange for greater revenue in the out years). In addition, a state run programs means that investment decisions concerning the underlying investments and the investment options offered to participants will need to be made by the State of Washington with the assistance of an investment advisor as opposed to relying (in part) on the expertise of the third-party provider.

If the State of Washington decided to establish a state run 529 college savings plan, it would need to be a direct program as opposed to an advisor-sold program. Advisor-sold programs require the presence of broker-dealers who provide financial advice directly to the investor and meet the accreditation and certification requirements needed to offer an advisor-sold program.

Contracting with a Third-Party Record-Keeper

The State of Washington could decide to engage a third-party record-keeper to provide record-keeping and reporting services to the State's college savings program. However, all of the other functions required to run a direct-sold 529 college savings program described above would remain at the state level. This can be attractive especially if a state that does not have the existing IT and other capabilities to meet the record-keeping and reporting obligations that all 529 plans must meet. Some record-keepers can also provide cost-effective alternatives because of their large platforms. A program does lose the ability to customize its systems and is dependent on receiving information from the third-party record-keeper when it outsources this function.

Contracting with a Third-Party Program Manager

The State of Washington could decide to engage a third-party program manager coupled with an affiliated or third-party record-keeper. In essence the state outsources the 529 program.

The biggest advantage of outsourcing the 529 program is that the state does not have to create the infrastructure to run a program nor hire the staff that runs the 529 program. However, the state cannot outsource its fiduciary obligations nor its obligation to establish and maintain a 529 program (see below). In addition, the state gets a professionally-managed program.

The greatest disadvantage is that the state loses control over the ability to tailor the program to meet its particular state needs and the state must accept that its program will "fit the mold" created by the third-party program manager (some state programs barely have any identifying features that tie the program to its state). In addition, the amount of the state fee that can be charged to account holders is very limited as the program will have to charge a fee to cover the program manager expenses as well as its underlying investment fees. This means there will be little to no revenue for the state to meet the obligations that it cannot outsource (or the state will have a program whose expenses are higher than those of its competitors and therefore not attractive).

Third-party program managers provide professional management and investment advice, possible enhanced access to underlying funds at a cost-effective alternative (depending on the agreements the program manager has with the various families of funds), a platform for meeting the record-keeping and reporting obligations of a 529 plan (either in-house or through a third-party affiliate), a call center with a toll-free line and usually extended hours to serve account owners, and national marketing and communications strategy.

In addition, a third-party program manager can run an advisor-sold college savings plan, which a state cannot do. In an advisor-sold savings plan, account owners can take advantage of the services of a professional financial planner and broker-dealer to help them make their investment decisions relative to the options available to them when investing in a 529 plan. This service comes at a price, investment in Class A or Class C shares and, typically, higher cost (usually non-indexed) underlying funds. These service providers have the necessary certifications and must meet the regulations imposed on financial advisors who provide investment advice to investors.

Programs that are outsourced to third-party program managers do not typically provide the state with much flexibility in how the program is structured, including what the composition of the underlying investments or the investment options look like (most importantly, the “glide path” for age-based options, which are the largest portion of any college savings 529 plan). In addition, these third-party run programs focus on building national scale by selling to more affluent investors who are the “low hanging fruit”. The appetite for serving lower income, under-served or hard-to-serve populations is generally not strong for these types of programs. In addition, marketing in-state may sometimes take a “back seat” to creating a national program in order to reach scale and raise revenue for the third-party program manager. This is especially true of advisor-sold programs that depend on the relationship between broker-dealers and their more affluent clientele to increase their assets under management.

One option when considering outsourcing a program to a third-party program manager is to keep the in-state marketing and communications function within the state. This can allow for tailored communications within the state and within sectors of the population. Some states also provide matching programs and other incentives to reach hard-to-serve populations. The costs of these programs, however, either are born by an increased fee on the account owner to cover these state initiatives or seeking the funds from general tax revenues, other government programs, foundations or the privates sector (including the program manager), or a combination of all of these.

Partnering with Another State-Run 529 Savings Program

There have been limited attempts by states to partner with other states. Wyoming entered into a marketing agreement with Colorado when it terminated its 529 program whereby Wyoming residents benefited from in-state fees available to Colorado residents. That agreement has since expired, however. At one time Tennessee “merged” its program into Georgia’s 529 plan. That arrangement was short-lived and Tennessee found that its accounts had been absorbed by the Georgia 529 Plan. In the past three years Tennessee decided it would be better served by re-creating a 529 college savings plan.

However, it would be possible for the State of Washington to enter into discussions with another state (presumably, but not necessarily, a state that runs its own program) to outsource all or a portion of Washington's 529 program. There might be some advantages to such a partnership. However, it would be very important to research whether this could be done under the various securities laws to make sure that any investments offered by the State of Washington met the qualifications to be municipal fund securities, review the Code to make sure that the program did not lose its tax-favored status, and to confirm that neither state would be considered to be an underwriter or mutual fund to which the securities acts applied.

Contracting with Any Third-Party

The contract between either a third-party program manager or another state 529 plan (or with a third-party record-keeper) will be the crucial agreement that lays out the parameters of the relationship with any third-party provider. That contract will lay out the nature of the relationship between the State of Washington and the provider, provide the State of Washington with the safeguards it needs to ensure that its desires relative to the reach of the program are recognized, detail the requirements that the program must met, establish the benchmarks to be used to determine if the contract is being met, and provide for an exit strategy, which must ensure that the third-party provider recognizes that accounts with the State of Washington are first and foremost accounts with the state's 529 college savings plan not the provider. The tenor of those negotiations and the relative bargaining power of the parties will be a very significant factor in determining the nature of any on-going relationship. Obviously, to the extent that the State of Washington keeps any of the 529 college savings plan that it offers in house, the greater control the state will have over how the plan is run.

Established and Maintained

Section 529 of the Code requires a qualified tuition program (or 529 plan) to be established and maintained by the state or agency or instrumentality. This means that even if a state decides to entirely outsource its 529 program to a third-party or third-parties, the state must meet certain statutory and other requirements in order to its program to provide the tax benefits associated with a 529 plan.

Among these are:

- The state must set the terms and conditions of the program (including those surrounding contributions, beneficiaries, benefits provided);
- The state must be actively involved on an ongoing basis in the administration of the program, including supervising all decisions relating to the investment of assets;
- The state must determine what services and benefits are provided to account owners;
- The state must establish detailed operating rules for administering the program;
- The state must play a substantial role in selecting, supervising, monitoring, auditing and terminating service providers engaged by the program, if any; and
- The state must act in the capacity of a trustee for the benefit of account owners and beneficiaries.

In addition, the state or agency or instrumentality must meet on-going common law and state fiduciary obligations and duties imposed on any entity that is entrusted with funds it holds for others. These duties cannot be outsourced. They are met by engaging an active board or trustees who avail themselves of investment consultants, actuaries, and attorneys to provide investment, compliance and regulatory advice relative to operating a qualified tuition program.

Conclusions

There is no prescribed way or formula that the State of Washington must follow if it decides to offer a 529 college savings plan. There are multiple options available and it may be that the state decides to either adopt one of the options described above or modify one of the above paths. However, there are plenty of 529 college savings plans offered to those who seek help when saving for higher education; the seminal question may be what does the State of Washington wish to offer and achieve for its citizens when considering what the parameters of its 529 college savings plan should look like.

Please let me know if you have any questions concerning the foregoing. Thank you.