

# Committee on Advanced Tuition Payment and College Savings Meeting

## Tuesday, November 6, 2018

John A. Cherberg Building, Capitol Campus  
Senate Hearing Room 3  
Olympia, WA 98504  
2:00 p.m. – 4:00 p.m.

### AGENDA

Call to Order: Welcome & Member Introductions

- Items for Final Committee Review and Approval ACTION
  - September 19, 2018 Meeting Minutes
  - 2019 Committee Meeting Calendar
  - Updated Committee Bylaws
  
- Director's Report INFORMATION  
*Lucas Minor, WA529 Director*
  
- SB 6087 Implementation Update INFORMATION  
*Lucas Minor, WA529 Director*
  
- GET Investment Update INFORMATION  
*Chris Phillips, Washington State Investment Board*
  
- DreamAhead Update INFORMATION  
*Doug Magnolia, Managing Director, BNY Mellon*  
*Lucas Minor, WA529 Director*
  
- 2018 GET Actuarial Valuation Report Overview and Adoption INFORMATION  
*Matt Smith, State Actuary, Office of the State Actuary*  
*Marc Webster, WSAC Senior Fiscal Policy Advisor*
  
- WA529 Marketing Update INFORMATION  
*Lucas Minor, WA529 Director*
  
- Public Comment
  
- Adjournment

**Next Regularly Scheduled Meeting:**  
**TBD**  
**(Pending Committee Approval of 2019 Meeting Calendar)**

**Guaranteed Education Tuition (GET) Program  
Committee Meeting Minutes  
September 19, 2018  
John A. Cherberg Building, Capitol Campus  
Senate Hearing Room 3**

**WSAC Staff in Attendance:**

Lucas Minor, Interim WA529 Director  
Dan Payne, GET Communications Specialist  
Christina Crawford, GET Administrative Assistant  
Katie Gross, GET Communications Specialist  
Jackie Ferrado, GET Community Relations Manager  
Don Bennett, WSAC Deputy Director  
Marc Webster, WSAC Director of External Affairs

**Guests in Attendance:**

Betty Lochner  
Matt Smith, Office of the State Actuary  
Chris Phillips, Washington State Investment Board  
Brenda Snyder, Office of the State Treasurer  
Rick Brady, Office of the Attorney General  
Aaron Gutierrez, Office of the State Actuary  
Lily Sobolik, Office of Program Research  
Kellee Gunn, Senate Committee Services  
Breann Boggs, Office of Financial Management

**WELCOME**

Mike Meotti, Executive Director of WSAC and Chair of the GET Committee called the meeting to order at 2:05 p.m. The other GET Committee members in attendance were Treasurer Duane Davidson and Director of the Office of Financial Management (OFM), David Schumacher.

**APPROVAL OF THE APRIL 25 AND MAY 29, 2018 MINUTES**

Motion to approve the minutes by Schumacher, seconded by Davidson. Three Ayes by Meotti, Schumacher and Davidson. Motion carried-minutes approved.

**CHAIR'S REPORT**

Meotti acknowledged the efforts of staff during the implementation of Phase 1 of the Senate Bill 6087 GET to DreamAhead incentivized rollover window.

Meotti also recapped the outcome of the recent GET program audit conducted by the State Auditor. The report found no violation of state law or internal policies. It did offer recommendations for operational improvements that will be addressed in the coming year.

**DIRECTOR'S REPORT**

Luke Minor, Interim WA529 Director, gave an update of the following:

- 2017-18 GET Enrollment Statistics (as of September 17, 2018): 5,767 new enrollments; 822,000 new units purchased and \$92 million in total contributions received.
- GET Distributions for Current College Students
  - 2017-18 academic year: \$123 Million on behalf of 13,577 students
  - 2018-19 academic year (to-date as of September 14, 2018): \$18.6 Million on behalf of 3,674 students
  - Since Program Inception: \$1.136 Billion on behalf of 53,208 students
- GET Non-Penalty Refund Update (September 2, 2015-September 15, 2018):
  - Non-Penalty refunds issued: 25,457 for \$463 Million
  - Outgoing rollovers to out-of-state 529 plans issued: 2,965 for \$67 Million
  - Remaining total active accounts: 82,500 and 12.5 Million purchased units.
- DreamAhead Enrollment Statistics:
  - As of September 17, 2018: \$327 Million for 11,077 total accounts.
  - Most popular portfolios: Cash Preservation, 2018 and 2020 Conservative Year of Enrollment, Static Income, and Static Growth.

### **SENATE BILL 6087 IMPLEMENTATION UPDATE**

Meotti estimated between \$800 and \$900 million will be transferred from GET to DreamAhead once all incentivized rollovers are processed.

Minor provided an update on the implementation of Senate Bill 6087, passed during the 2018 Legislative Session, starting with a reminder of the key phases:

- Phase 1: Provide a 90-day window for eligible GET customers to roll over to DreamAhead at a “unit cash value price”.
- Phase 2: Increase the number of units for eligible GET customers with an average unit purchase price above \$117.82.
- Phase 3: If the funded status is higher than 125%, add up to 15% more units to all eligible GET customer accounts, in order to draw the funded status down to 125%.

Minor shared that the Phase 1 rollover window closed on September 12, 2018 and staff were working to process requests received by the deadline. As of September 17, 11,200 of the 26,000 total requests received by the deadline have been processed; \$377 Million rolled to DreamAhead, with an average rollover value of \$35,000. Processing time is just under five weeks.

Minor noted the various communications (including mailed letters, emails, web resources, a video, webinars, and community outreach) to customers regarding the SB 6087 options.

Davidson thanked GET staff for their extra efforts during the rollover period.

Minor shared preliminary estimates that the Phase 2 unit adjustment could impact 16,000 accounts and add up to 145,000 units (numbers will decrease once all rollovers are processed).

The next steps for Phase 2: process all Phase 1 rollovers; communicate next steps with customers; continue IT development; and run the process by the first week of December.

Minor then noted the next steps for Phase 3, including finishing Phase 2, sending necessary data to the Office of the State Actuary; communicating with customers; reviewing the special funded status measurement with the Committee; and making the adjustment (if applicable) in early 2019 (before March 1, 2019 deadline).

Minor noted that staff will continue updating the Committee as more information is available on timing of the Phase 3 implementation.

### **GET INVESTMENT UPDATE**

Chris Phillips with the Washington State Investment Board (WSIB) reviewed the second quarter investment report. As of June 30, 2018, the total market value of the GET fund was \$2.1 billion. Of that, \$920 million (44%) of total fund was held in cash to ensure liquidity during SB 6087 Phase 1 rollover window. Equity was at 33.5%, and fixed income was at 22.5%.

Net contributions for the quarter were negative \$81.8 million, which reflects the beginning of the SB 6087 transfer activity. The overall second quarter return was 0.51%; the one year return was 6.35%; the three year return was 5.9%. During the last year, equities performed quite well compared to fixed income.

Phillips noted that the effects of the financial crisis are still reflected in the 10-year return figure, but will be starting to drop off soon.

Phillips also noted that as of the end of August, unaudited figures show fixed income returns coming back into positive territory (up 0.5% for the month and 1% for three month mark).

Phillips closed with general remarks on the overall trends in global financial markets.

### **GET AND DREAMAHEAD FY19 BUDGETS**

Minor presented an overview of the FY19 GET and DreamAhead administrative budgets, starting with a recap of the FY18 budget compared to actuals. The total approved combined budget was \$6.51 million (GET portion: \$5.75 million; DreamAhead portion: \$750,000). Actual combined expenditures were \$6.38 million (GET portion: \$6.01 million (+4.3%); DreamAhead portion: \$380,000 (-49.0%)). The primary reasons for the variance was the delayed opening of DreamAhead and an adjustment to the agency's indirect expenditure formula.

Minor reviewed the FY19 budget for GET: \$6,010,531 and DreamAhead: \$848,177. The budgets include 32 FTE (21 dedicated to GET, nine split between GET and DreamAhead, and two vacant). Shared GET/DreamAhead FTEs include marketing, administration, and one IT FTE. Most GET operations and IT staff remain GET-specific.

The majority of TV/Radio advertising will still be GET-focused due to the cost. There will be a small run featuring WA529 ads. All other marketing activities will feature WA529.

Minor closed by reminding the Committee of each program's revenue sources that contribute to operations, included the expense component of unit price (GET), asset-based and account maintenance fees (DreamAhead), and service-based fees (both programs).

Davidson moved to approve the FY19 GET and DreamAhead budgets as presented in the budget documents, motion seconded by Schumacher.

Before voting, Davidson asked if the Committee's scheduled review of fees (scheduled for 2019) is required by statute. Minor responded that statute authorizes the Committee to set and review fees. It's been past practice to review the fees every five years. There are also scheduled milestones for DreamAhead fee reviews, based on increases in assets under management.

The Committee voted to approve the FY19 budgets. Three ayes by Davidson, Schumacher and Meotti. Motion carries.

### **2018-2019 GET UNIT PRICE SETTING**

Minor started the segment discussing how staff arrived at the 2018-19 expense component. Historical practice divides the administrative budget by estimated unit sales. This methodology is challenging. Administrative expenses are predictable year-to-year, but unit sales are unpredictable due to tuition policy changes, market dynamics, and other external factors. It is also too early to tell how DreamAhead will impact GET sales. If unit sales projections were modified significantly year-to-year, the result could be significant swings in the expense component.

For 2018-2019, staff propose a 2.1% inflationary factor (same as the 2018-19 tuition increase) to the 2017-18 expense component (\$4.18), resulting in a \$4.27 expense component for 2018-19.

State Actuary, Matt Smith, reviewed the 2018 Price-Setting Analysis, starting with a program status update. A roll-forward analysis estimates GET's funded status at June 30, 2018 to be 130%, with a \$519 million reserve. This figure does not include the full effect of ESB 6087.

Smith then shared the best estimate unit price of \$118 and the best estimate unit price range of \$112 to \$125 for next enrollment period. The Office of the State Actuary (OSA) performed risk analyses to ensure the pricing model and reserve is adequate. OSA deems any price selected by the Committee that falls in the best estimate range as reasonable.

Smith reminded the Committee of the four unit price components, including the expected cost of future tuition, the expense component, a 15% stabilization reserve, and an optional amortization component that is not in the current pricing.

Schumacher noted that based on current statute, tuition is growing at 2%, which is lower than the low estimated in the analysis's tuition growth assumptions. Smith noted that OSA assumptions consider only the current biennial budget, but then revert to long-term historical averages.

Smith referred the Committee to a supplemental analysis showing current tuition policy continuing for two more years. This analysis puts the best estimate unit price closer to \$112.

Smith reminded the Committee that OSA is working on the upcoming 2018 GET Actuarial Valuation Report. That analysis will not include the full effects of ESB 6087. The upcoming special funded status measurement will provide that data. OSA will also be assisting the WSIB with an asset allocation study in 2019.

Based on the supplement and the discussion, Schumacher suggested the Committee consider a unit price near the low end of the range. Schumacher and Meotti spoke to consequences of lowering unit purchase price to \$112 (below what it is now). Striving for simplicity is important. Davidson affirmed that \$113 would be a logical price to set.

Schumacher motioned to set the 2018/19 unit purchase price at \$113 per unit from November 1, 2018 - June 25, 2019. Seconded by Davidson, three ayes from Schumacher, Davidson and Meotti. Motion carries.

## **GET PROGRAM DETAILS UPDATE**

Minor noted the following proposed updates:

- Master Agreement
  - **Update:** Select definitions in Section II. “Definitions” to provide additional clarity
  - **Update:** Include “cash” in Section IV.E.2. “[Payment] Methods not accepted”
  - **Remove:** Section VI.C.1.d. “Temporary Non-Penalty Refund and Rollover Period”
  - **Add:** Reinforcement of requirements at time of enrollment (information such as SSN and birthdays, purchase at least one unit within 60 days, etc.)
- Prices and Fees
  - **Update:** Price component amounts and description of “Expenses” in “Unit Price Components” table (pending 2018-19 pricing decision)
- GET Operations and Administration
  - **Add:** Senate Bill 6087 description to “Key Events” subsection

Davidson motioned to allow staff to make necessary changes no later than 2018 enrollment opening. Motion seconded by Schumacher. Three ayes by Davidson, Schumacher and Meotti. Motion carries.

## **PUBLIC COMMENT**

No public comment.

## **ADJOURNMENT**

Schumacher motioned to adjourn meeting, seconded by Davidson. Motion carried. Meeting adjourned at 3:34p.m.

## 2019 Committee Meeting Schedule

### Background

As outlined in RCW 28B.95.030, WAC 14-104-010, the GET Committee shall hold regular meetings as needed. Additional special meetings may be scheduled if needed. The following is the meeting schedule for the 2019 calendar year.

DATE	TIME	PLACE
Wednesday, January 23, 2019	2:00 p.m. – 4:00 p.m.	John A. Cherberg Building, Capitol Campus Senate Hearing Room 1
Wednesday, May 15, 2019	2:00 p.m. – 4:00 p.m.	John A. Cherberg Building, Capitol Campus Senate Hearing Room 1
Wednesday, September 11, 2019	2:00 p.m. – 4:00 p.m.	John A. Cherberg Building, Capitol Campus Senate Hearing Room 1
Wednesday, November 13, 2019	2:00 p.m. – 4:00 p.m.	John A. Cherberg Building, Capitol Campus Senate Hearing Room 1



**BYLAWS OF THE**  
**COMMITTEE ON ADVANCED TUITION PAYMENT AND COLLEGE SAVINGS**  
**GUARANTEED EDUCATION TUITION (GET) COMMITTEE**

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-28B.95. The Programs ~~is~~ are governed by the ~~Guaranteed Education Tuition (GET)~~ 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 ~~GET~~ Programs as prescribed by Chapter 28B.95 RCW-28B.95.
- (2) The administrative office is located at 9179 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~~ GET Program and contracts for the purchase of tuition units is 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.get.wa.gov
- (3) The Executive Director of ~~WSAC~~ the Washington Student Achievement Council shall chair the Committee. The Director of College Savings Plans (Program Director) ~~the GET Program~~ 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 ~~law~~.
- (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~~ have 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 ~~GET-Programs~~.
- (12) No member of the ~~GET~~ 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 ~~GET-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) ~~The WSAC Washington Student Achievement Council~~ shall employ a Program Director in consultation with the Committee. ~~The WSAC staff of Student Achievement Council~~ shall support the Committee and ~~the Council~~ shall carry out administrative responsibilities otherwise not assigned to the Committee.
- (15) Annually, ~~The~~ Program staff shall make available to the Committee a GET program valuation report ~~each year~~. The information will be based on the preceding fiscal year's activity. The GET-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.
- ~~(16)~~(19) At each Committee meeting, Program GET Staff will provide an updated enrollment, contribution, and distribution contract statistical report at each Committee meeting. Statistics will include number of contracts, contracted units, lump sum units, total payments received, future custom monthly payments due, benefits paid, and the number of students who have used benefits. Additional information may also be included.
- ~~(17)~~(20) The Program Director of the GET Program shall designate the rules coordinator for the Programs.
- ~~(18)~~(21) Each state agency member of the GET Committee may appoint a representative from his or her agency to work with the Program Director of the GET Program.
- ~~(19)~~(22) These bylaws may be amended at any regular or special meeting by a majority vote.

# Committee on Advanced Tuition Payment and College Savings Meeting

November 6, 2018



1

## Welcome

Approve Meeting Minutes

September 19, 2018



2

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## Meeting Calendar

### Review and Approve 2019 Committee Meeting Dates *(Quarterly meetings)*

- January 23
- May 15
- September 11
- November 13



**Notes:** All meetings scheduled for 2-4pm on the Capitol Campus in Olympia, WA. Special meetings may be added as necessary.


3

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## Committee Bylaws

### Review and Approve Revised Committee Bylaws *(Reviewed in September 19, 2018 meeting)*

- **Summary of key changes (reviewed at 9/19 meeting):**
  - Updated Committee name to statutory name
  - Added statutory references where appropriate
  - Added DreamAhead oversight and reporting
  - Added language regarding regular policy and program budget reviews
  - General editing/clean-up for added clarity
- **Revisions since 9/19 meeting:**
  - Added “per RCW 28B.95.020 (5)” to (1)
  - Updated “Program Director” references in (3) and (14)
  - Deleted “GET” in (21)




4

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## Director's Report

**Lucas Minor**  
WA529 Director

- **GET Updates**
  - GET week 1 enrollment statistics
  - GET distributions




5

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## Director's Report

**2018-19 GET Enrollment Period**  
*(as of November 5, 2018)*



- **Details**
  - Enrollment dates: **11/01/2018 – 05/31/2019**
  - Unit purchase price: **\$113**
- **Enrollment statistics to-date**
  - New enrollments: **240**
    - Lump Sum: **174**; Custom Monthly: **66**
- **Other notes**
  - Updated user registration and online enrollment experience
  - Updated GET brand

6


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## Director's Report

### GET Distributions for Current College Students

(for payment of higher education expenses – as of November 3, 2018)

- **2018-19 academic year to-date:**
  - Total dollars distributed: **\$23 Million**
    - Total sent directly to schools: **\$14 Million**
    - Total sent to account owners/students: **\$9 Million**
  - Total students using units: **4,774**
  
- **Since program inception:**
  - Total dollars distributed: **\$1.14 Billion**
  - Total students who have used units: **53,476**











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## Director's Report

### Breakdown of Total Distributions (\$1.14 Billion)

(All years since program inception - as of November 3, 2018)

<p style="text-align: center; font-weight: bold; font-size: 2em;">W</p> <p style="text-align: center; font-weight: bold;">\$178 M</p> <p style="text-align: center; font-weight: bold; font-size: 2em;">CWU</p> <p style="text-align: center; font-weight: bold;">\$25 M</p> <div style="text-align: center; margin-top: 10px;">  <p style="font-weight: bold;">\$29 M</p> </div>	<div style="text-align: center; margin-bottom: 10px;">  <p style="font-weight: bold;">\$91 M</p> </div> <div style="text-align: center; margin-bottom: 10px;">  <p style="font-weight: bold;">\$14 M</p> </div> <div style="text-align: center;">  <p style="font-weight: bold;">\$84 M</p> </div>	<div style="text-align: center; margin-bottom: 10px;">  <p style="font-weight: bold;">\$73 M</p> </div> <div style="text-align: center; margin-bottom: 10px;">  <p style="font-weight: bold;">\$8 M</p> </div> <div style="text-align: center;">  <p style="font-weight: bold;">\$204 M</p> </div>
<p style="font-weight: bold; text-decoration: underline;">Reimbursements &amp; Other Payments</p> <div style="text-align: center; margin-bottom: 10px;">  <p style="font-weight: bold;">\$419 M</p> </div> <p style="font-weight: bold;">College Bound &amp; GET Ready for Math and Science</p> <p style="font-weight: bold;">\$15 M</p>		

**Director's Report** **WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

**Where GET is being used – by number of students\***  
*(All direct payments since program inception – as of November 3, 2018)*

Institution	Percentage
Western	10%
W	20%
CWU	4%
Eastern	3%
Out-of-State Colleges	24%
In-State Comm/Tech	15%
In-State Private	10%
Evergreen State College	2%
Other	12%

\*Percentages reflect number of unique students, not dollar amounts distributed.

9


**Senate Bill 6087 Update** **WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

**Lucas Minor**  
WA529 Director

- Updates
  - Phase 1 wrap-up
  - Next steps
    - Phase 2 – unit adjustment
    - Phase 3 – funded status adjustment

10

## Senate Bill 6087 Update




### Reminder of Key Bill Directives

Phase	Bill Section	Directive
1	1(23); 2(8)	Provide a 90-day window for eligible GET customers to roll over to DreamAhead at a “unit cash value price.”
2	2.9(a)(i)	Increase the number of units for eligible GET customers with an average unit purchase price above \$117.82.
3	2.9(a)(ii)	If the funded status is higher than 125%, add up to 15% more units to all eligible GET customer accounts, in order to draw the funded status down to 125%.

11



## Senate Bill 6087 Update



### Phase 1 – GET to DreamAhead Rollovers

(Rollover window: June 15, 2018 – September 12, 2018)

- Total Requests Received and Processed:
26,608
- Total Dollars to DreamAhead:
\$875 Million
- Average Rollover Value:
\$33,000

Nearly all rollovers processed  
(completed on 10/30/18)

12



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Senate Bill 6087 Update

**Phase 2 – Unit Price Adjustment**  
*(November 2018)*

- **Estimates (as of 11/1/2018)**

<b>Total Accounts Eligible for Adjustment</b>	<b>13,741</b>
Total Accounts with only “cohort” units	10,879
Total Accounts with “cohort” & “non-cohort” units	2,862
<b>Total Units in Eligible Accounts</b>	<b>1,287,581</b>
<b>Total Units to be Added</b>	<b>114,790</b>
- **Next steps**
  - **Target date to implement adjustment: November 14, 2018**
  - Generate before and after account statements
  - Send secure notifications to eligible customers following adjustment

13

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Senate Bill 6087 Update

**Phase 3 – Funded Status Adjustment**  
*(Next Steps)*

- **Late November/Early December**
  - Provide data inputs to Office of the State Actuary (OSA) once Phase 2 adjustment complete
  - Communicate next steps with eligible customers
- **Late 2018/Early 2019**
  - OSA to perform special funded status measurement
  - Review special funded status measurement with Committee (special meeting if necessary)
  - Make adjustment to remaining, eligible accounts (if applicable)

14

**Washington State Investment Board**

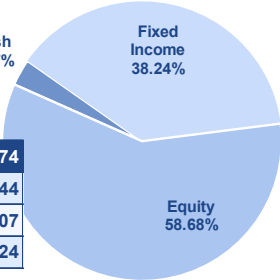
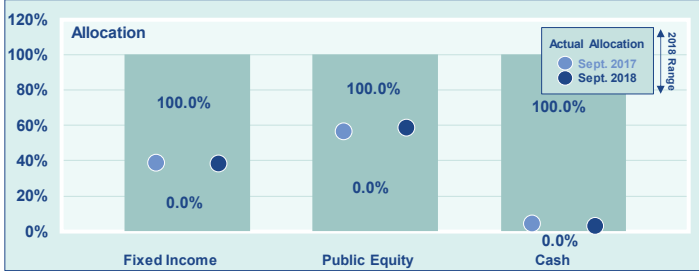
## GET Investment Report November 6, 2018



**Chris Phillips**  
Institutional Relations Director

### GET Market Values, Asset Allocation, Targets and Ranges September 30, 2018

<b>Total</b>	<b>\$1,244,919,174</b>
Cash	\$38,268,144
Fixed Income	\$476,114,707
Equity	\$730,536,324

**Actual Allocation**  
● Sept. 2017  
● Sept. 2018

**2018 Range**

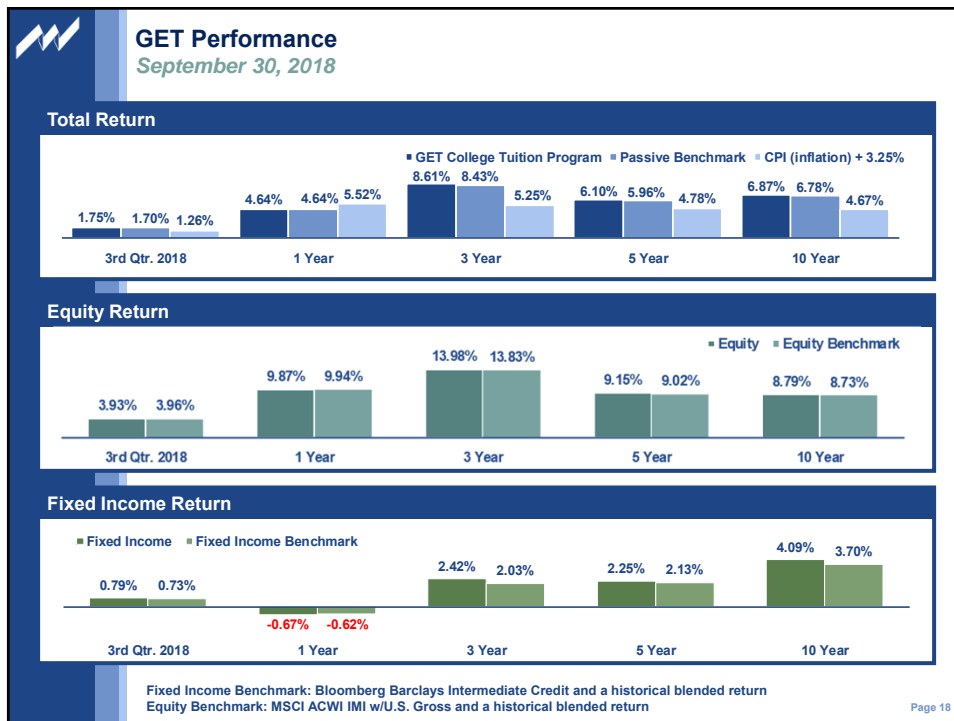
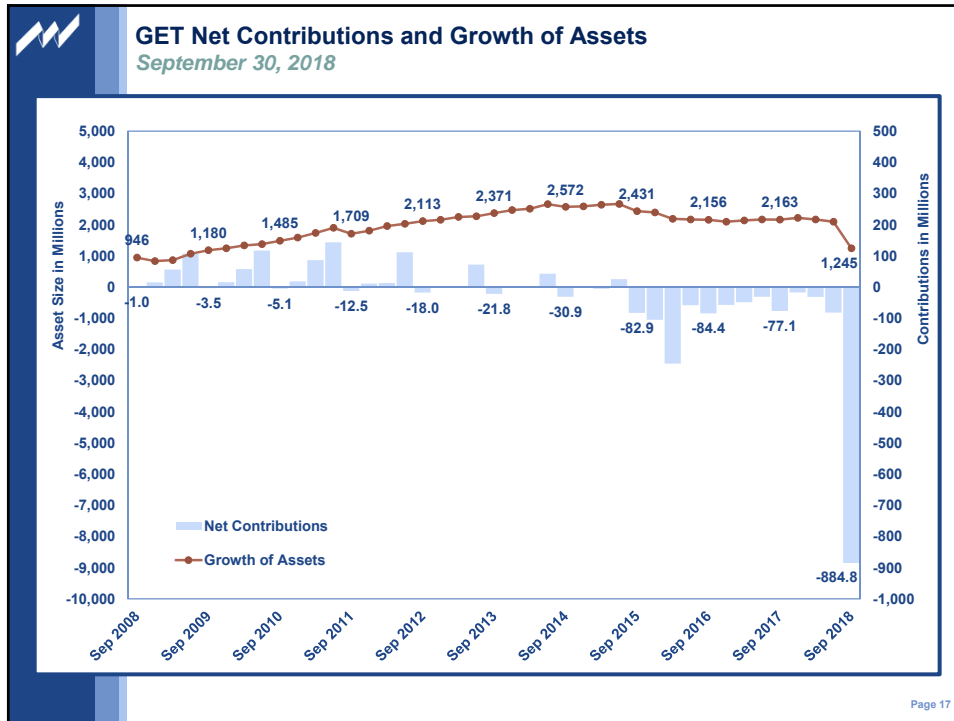
Allocation

Fixed Income: 100.0% (Actual) vs 0.0% (Target)

Public Equity: 100.0% (Actual) vs 0.0% (Target)

Cash: 0.0% (Actual) vs 100.0% (Target)

Page 16



## Capital Markets at a Glance


September 30, 2018

- First quarter of fiscal year saw new highs in developed equity markets despite an uptick in market volatility, trade wars, and ongoing geopolitical risk
- Global index (MSCI World Developed IMI) was up 0.28% in September and 4.56% for the quarter as strong fundamentals continue to support stocks in the developed world
- Geopolitical risk and trade wars had a cooling effect on emerging markets, with the MSCI Emerging Markets IMI index returning -1.45% for the quarter
- The Fed raised interest rates 0.25% in September; this marked the eight increase since the current hiking cycle began back in 2015. The target range is now 2.00% to 2.25%
- Unemployment continued to drop, reaching 3.7% in September -- the lowest unemployment rate since December 1969
- 10-year Treasury rate ended September at 3.06%, up 0.20% for the quarter -- the first month-end closing above 3% since July 2011
- Fixed income credit spreads narrowed for the quarter which helped offset the negative price impact from higher interest rates, resulting in slightly positive fixed income returns for the quarter


Index	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
MSCI U.S. IMI (U.S.)	7.1%	17.7%	17.1%	13.5%	12.1%
MSCI World ex U.S. IMI (Non-U.S. Developed)	1.0%	2.8%	9.7%	4.6%	5.6%
MSCI ACWI IMI (Global)	3.9%	9.6%	13.5%	8.7%	8.5%
Bloomberg Barclays Aggregate Index	0.0%	-1.2%	1.3%	2.2%	3.8%
Bloomberg Barclays Intermediate Credit	0.7%	-0.6%	2.0%	2.5%	5.0%

Page 19

## Contact Information



Web Site: <http://www.sib.wa.gov>



Address:  
 2100 Evergreen Park Drive SW  
 P.O. Box 40916  
 Olympia, WA 98504-0916

Phone Number:  
 (360) 956-4600

Page 20


**DreamAhead Update**

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS


Doug Magnolia  
Sunday Administration CEO

Lucas Minor  
WA529 Director

- Updates
  - Enrollments, investment selection, contributions, distributions, etc.




21



**2018 Third Quarter Report**

November 5, 2018

*By reviewing the contents of this presentation, you agree that it contains information that is confidential and that you will not use or disclose any of the information contained in this presentation for any purpose not expressly authorized by DreamAhead or The Bank of New York Mellon.*



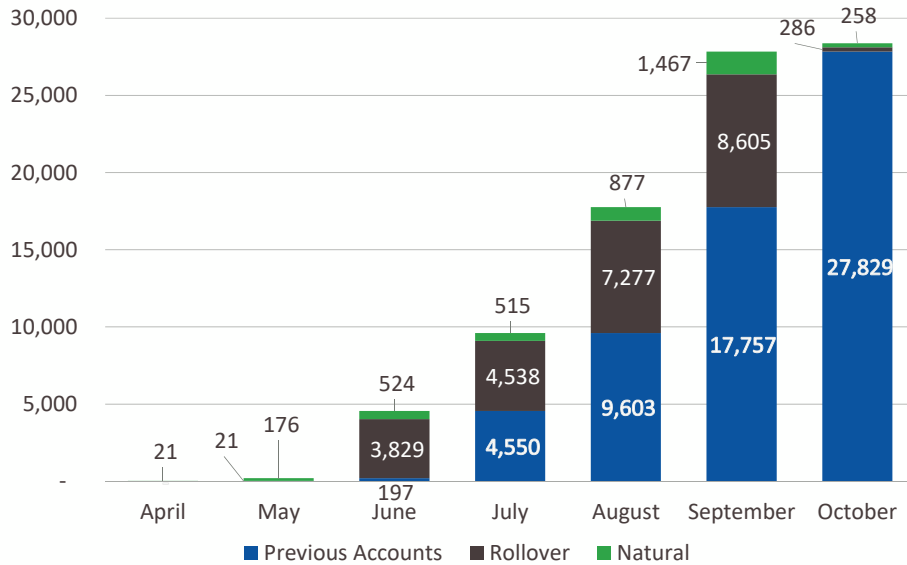
**BNY MELLON**

## Agenda:

- Program Overview
- GET Rollovers
- Program Statistics & Analysis
  - The Accounts
  - Investments
  - Demographics
  - Contributions and Distributions
  - Customer Service
  - Geographic Analysis

23 Information Classification: Confidential

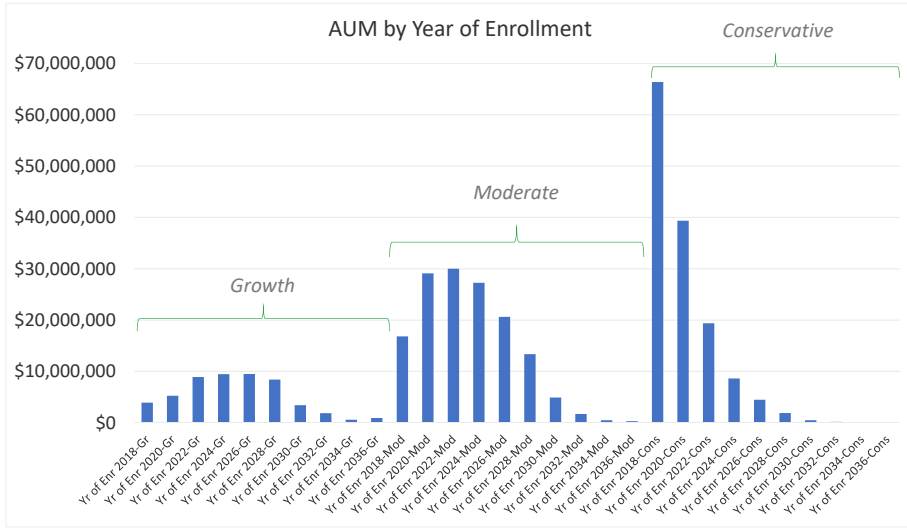
## Account Growth



24 Information Classification: Confidential

## Investment Distribution

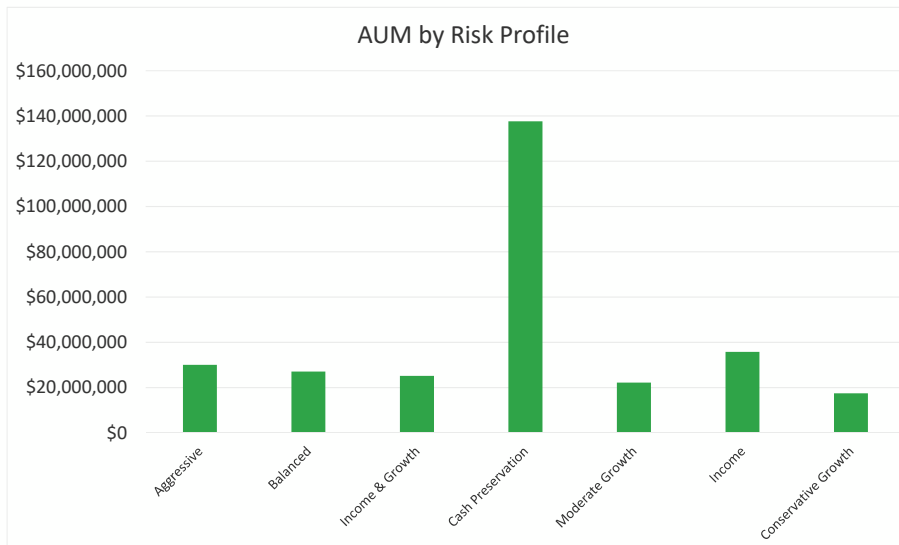
2018 Year of Enrollment is the largest, and not surprisingly Conservative



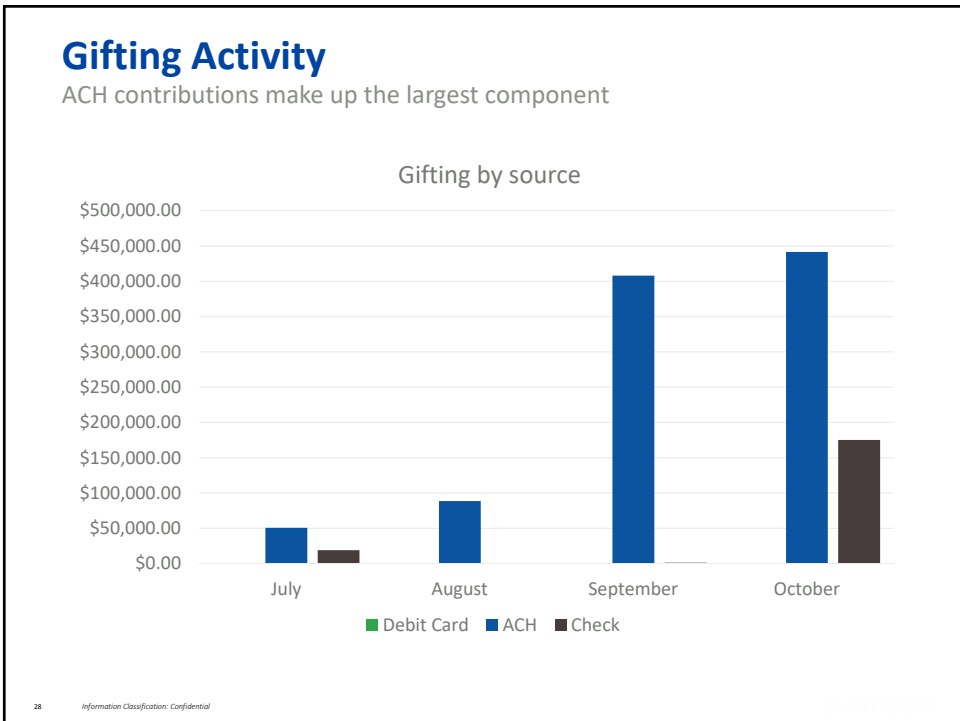
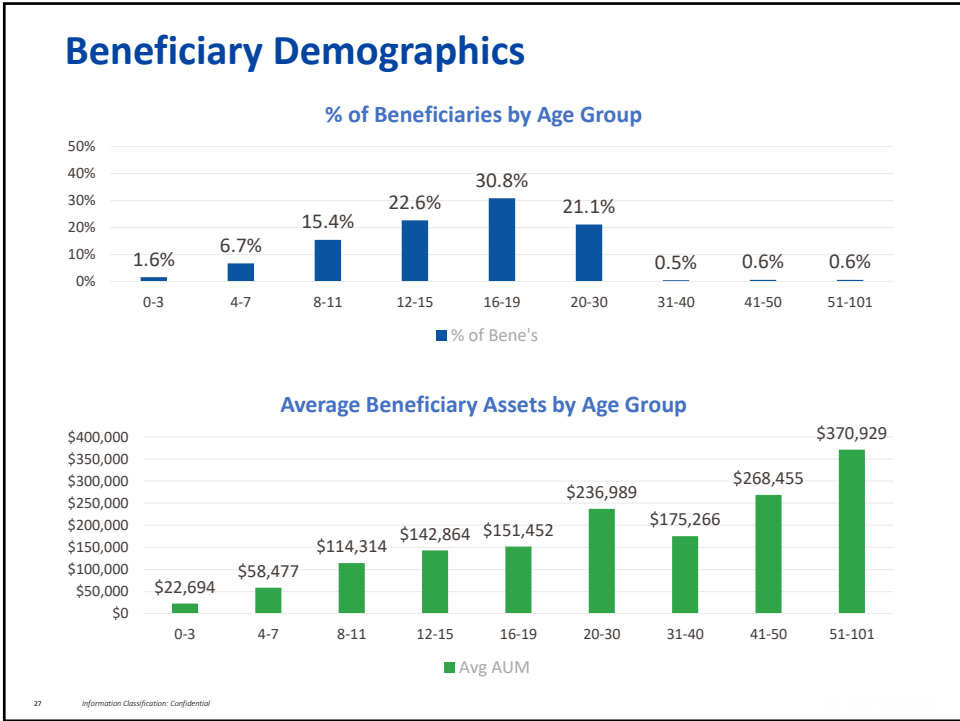
25 Information Classification: Confidential

## Investment Distribution

Cash Preservation is Surprisingly the largest allocation

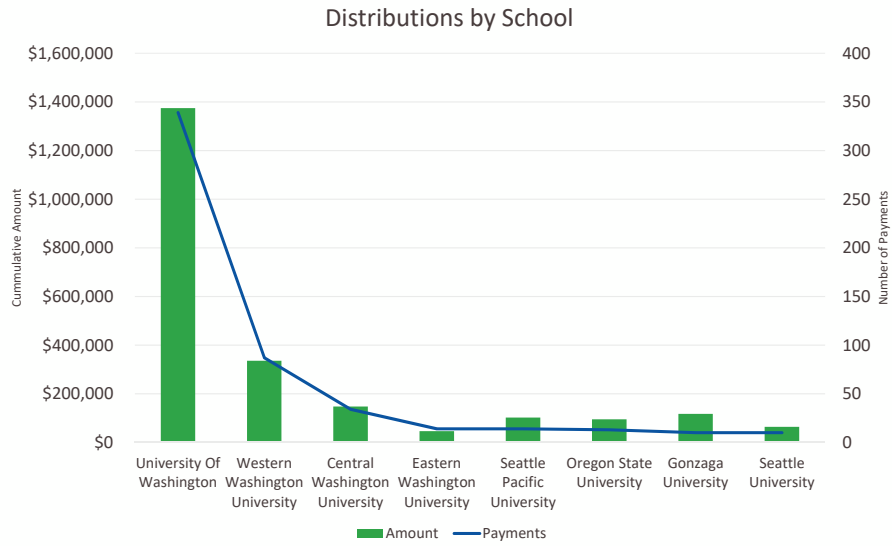


26 Information Classification: Confidential





## Tuition Distributions



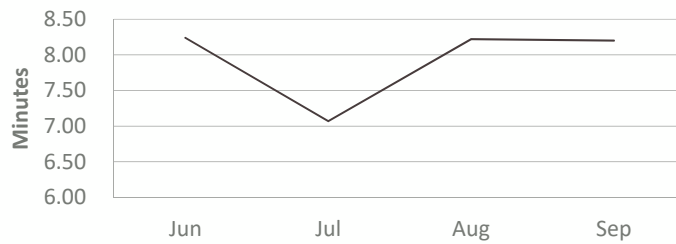
29 Information Classification: Confidential

## Customer Service

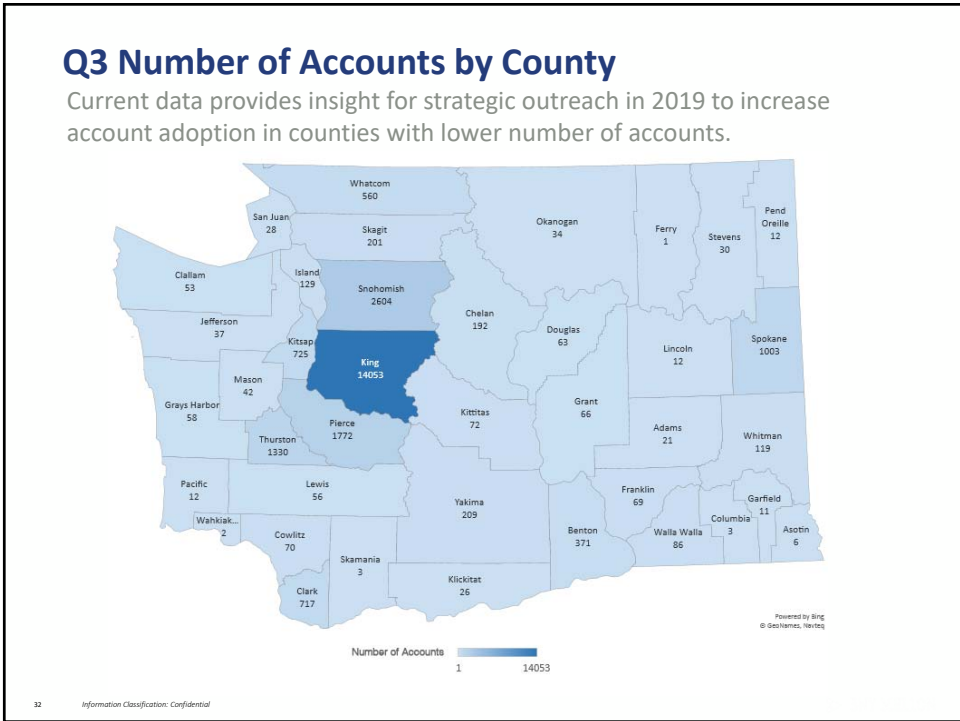
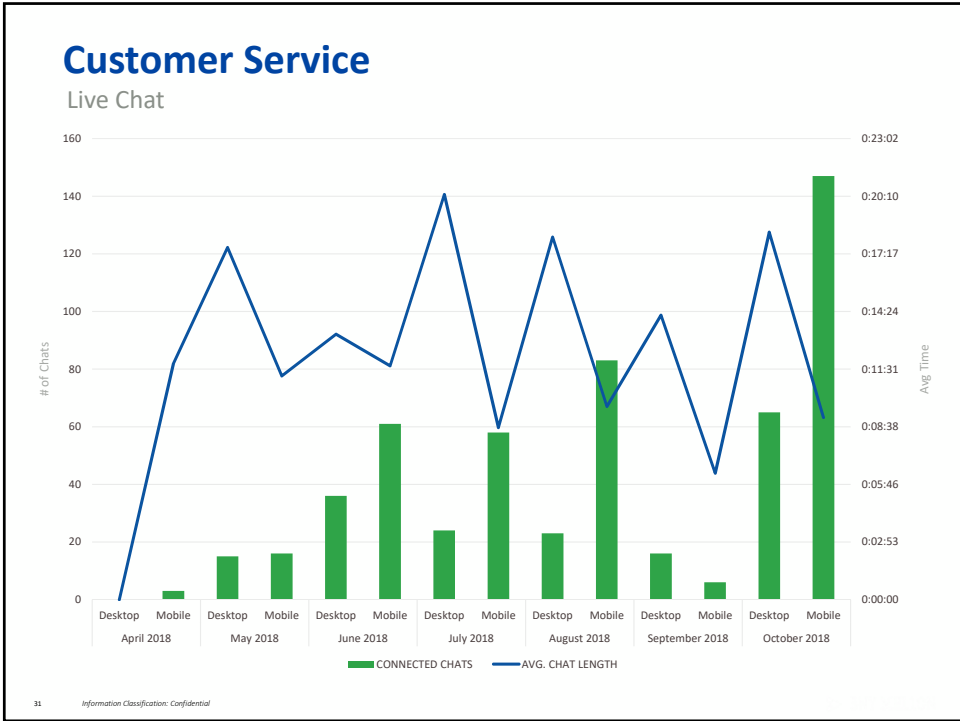
Call Center Statistics

	Jun	Jul	Aug	Sep
Total Answered	1050	311	2795	2892
Avg Speed Answer	0:10	0:36	0:33	4:22
Ave. Talk Time	8:24	7:07	8:22	8:20

Average Talk Time



30 Information Classification: Confidential



## Google Analytics

Site data on users activity by top locations

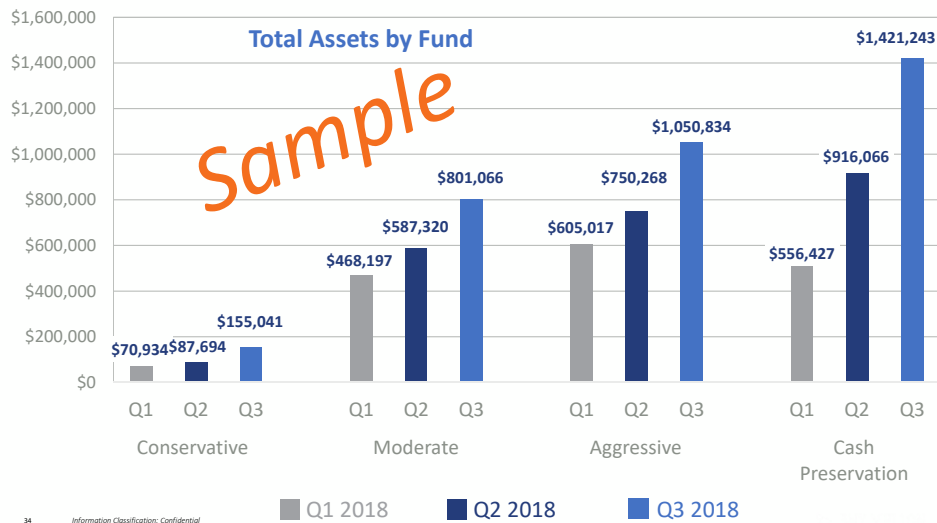
Metro	Acquisition			Behavior			Conversions		
	Users	New Users	Sessions	Bounce Rate	Pages / Session	Avg. Session Duration	Account Setup (Goal 2 Conversion Rate)	Account Setup (Goal 2 Completions)	Account Setup (Goal 2 Value)
	41,419 <small>% of Total: 36.12% (114,663)</small>	40,427 <small>% of Total: 35.75% (113,069)</small>	127,468 <small>% of Total: 84.54% (286,157)</small>	16.92% <small>Avg for View: 19.79% (-14.51%)</small>	4.99 <small>Avg for View: 4.69 (6.35%)</small>	00:06:10 <small>Avg for View: 00:05:44 (7.41%)</small>	0.31% <small>Avg for View: 0.51% (-38.58%)</small>	400 <small>% of Total: 27.36% (1,462)</small>	\$0.00 <small>% of Total: 0.00% (\$0.00)</small>
1. Seattle-Tacoma WA	35,860 (86.01%)	35,035 (86.66%)	110,885 (86.99%)	16.83%	4.91	00:06:09	0.30%	336 (84.00%)	\$0.00 (0.00%)
2. Portland OR	2,116 (5.08%)	1,949 (4.82%)	5,282 (4.14%)	16.83%	5.30	00:06:30	0.64%	34 (8.50%)	\$0.00 (0.00%)
3. Spokane WA	1,996 (4.79%)	1,870 (4.63%)	6,425 (5.04%)	18.69%	5.39	00:06:09	0.31%	20 (5.00%)	\$0.00 (0.00%)
4. Yakima-Pasco-Richland-Kennewick WA	1,361 (3.26%)	1,297 (3.21%)	4,054 (3.18%)	16.67%	5.98	00:06:03	0.20%	8 (2.00%)	\$0.00 (0.00%)
5. (not set)	361 (0.87%)	276 (0.68%)	822 (0.64%)	17.15%	5.59	00:06:22	0.24%	2 (0.50%)	\$0.00 (0.00%)

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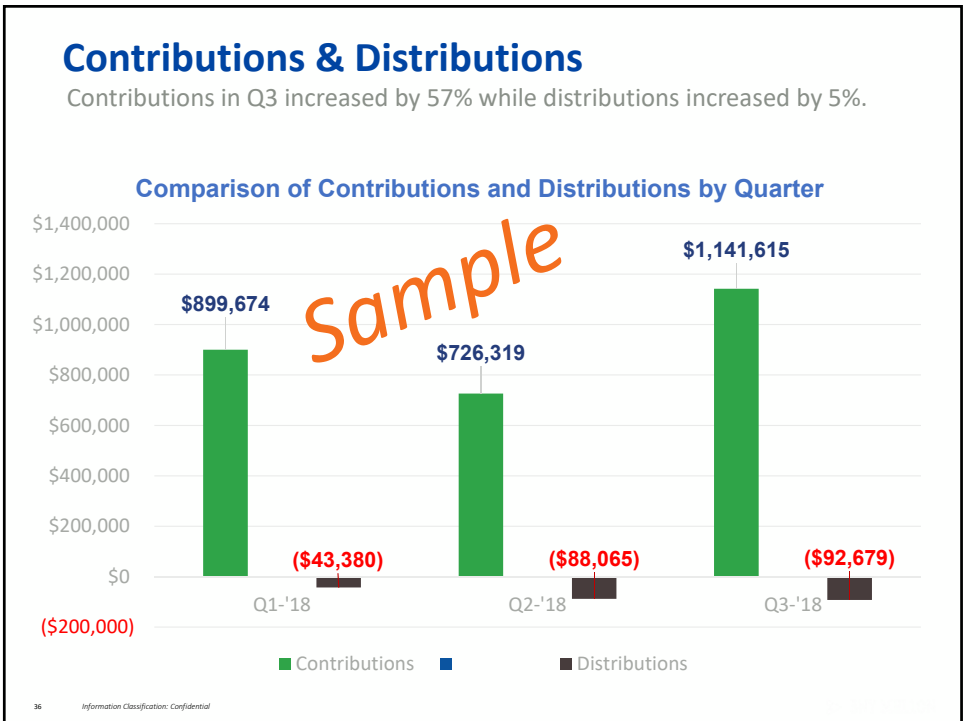
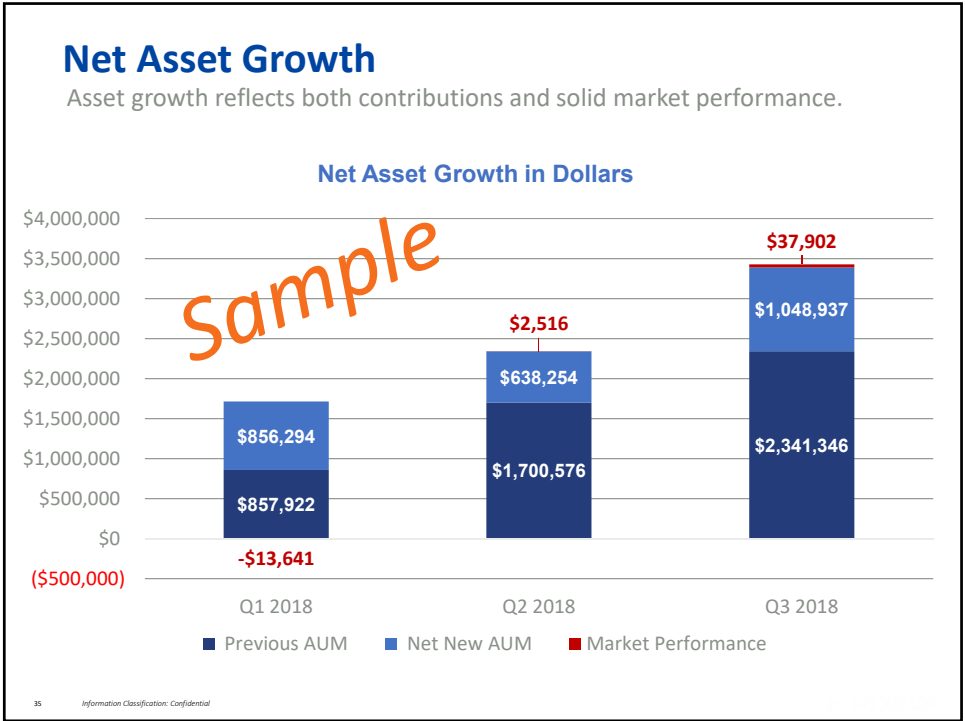
## Investments by Fund

Illustrative text

Total AUM	
Q1	\$1,700,575
Q2	\$2,341,346
Q3	\$3,428,184



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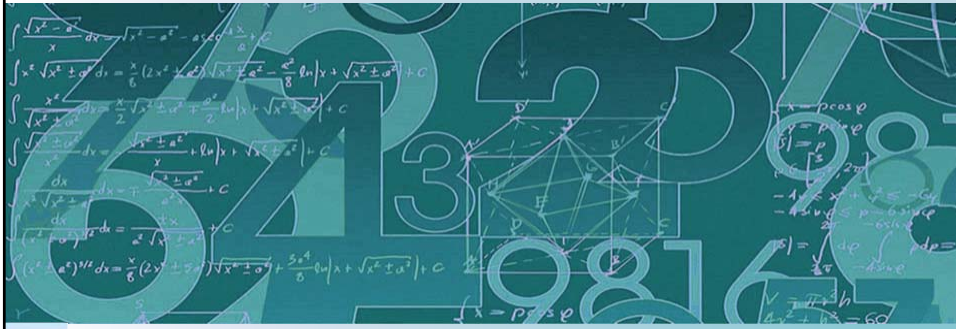
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**2018 GET Actuarial Valuation Report Overview**

*Matthew M. Smith, FCA, EA, MAAA  
State Actuary*

*Presentation to:  
GET Committee*



## Funded Status Summary

Funded Status Summary		
(Dollars in Millions)	2018	2017
Present Value of Future Obligations	\$1,710	\$1,734
Present Value of Fund	\$2,227	\$2,303
Funded Status	130.2%	132.8%
Reserve/(Deficit)	\$517	\$570

- June 30, 2018, actuarial valuation results compare to roll-forward results of 130.4% and \$519 million for the funded status and reserve respectively
- 2018 results do not include the full effect of ESB 6087
  - Should not be used to determine the impacts of ESB 6087 or the potential future increases in units from ESB 6087
- Please see the *June 30, 2018, GET Actuarial Valuation Report* for all supporting information

## Summary Comments On 2018 Results

Significant factors for this year's valuation include the following (with impacts to funded status):

- Higher than expected investment returns for plan year: 1%↑
- Higher than expected distributions: 5%↓
  - Due to refunds under the program's temporary special refund rules
  - \$95 m asset transfer in anticipation of early transfers from ESB 6087
- All other changes: 1%↑
- See the full report for all other sources of gain/loss

### Summary Of Contract Data And Key Assumptions

Contract Summary			Key Assumptions	
	2018	2017	Annual Investment Return	5.65%
Number of Current Contracts	96,611	99,108	Annual Tuition Growth*	
Number of Units Outstanding	16,310,453	17,424,203	2018-19	2.0%
			2019-20	6.5%
			2020-21	6.5%
			2021-22	6.5%
			2022-23	6.5%
			2023-24+	5.0%

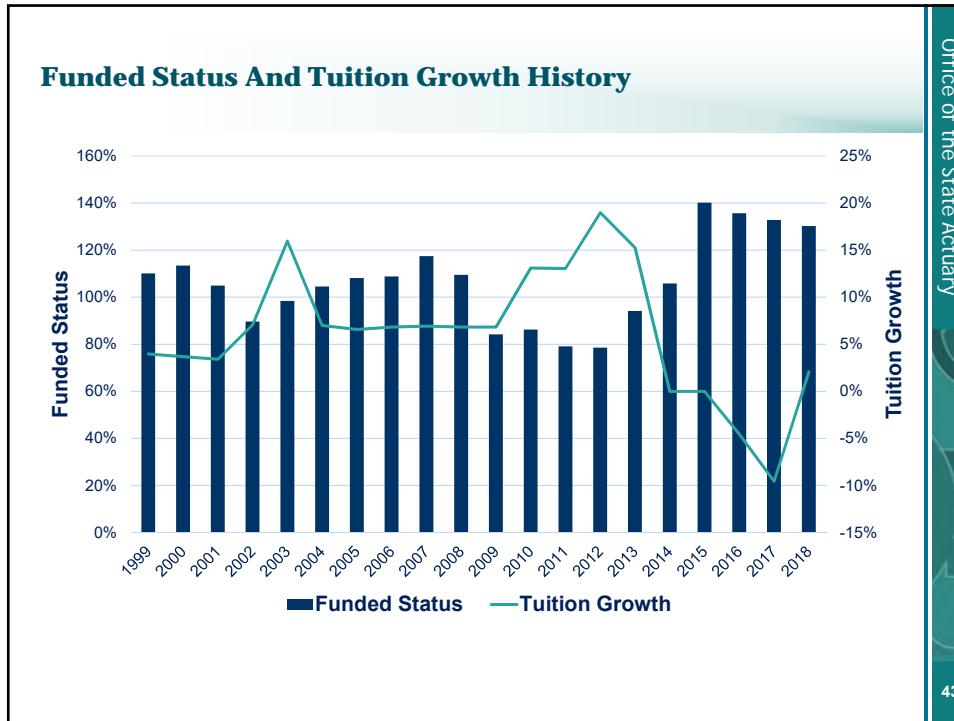
- No change to key assumptions
- Tuition growth assumptions reflect adopted tuition growth rates for 2018-19 academic school year; OSA best estimate thereafter

\*Academic school year.

### Funded Status Details

Funded Status		Development of Expenses		
<i>Obligations (Dollars in Millions)</i>		Fiscal Year	Shutdown Expenses	PV of Expenses
a) Present Value of Unit Redemptions	\$1,696	2018	\$2,922,690	\$2,843,466
b) Present Value of Administrative Expenses	\$15	2019	2,535,281	2,334,650
c) Present Value of Obligations (a+b)	\$1,710	2020	2,052,681	1,789,154
<b>Fund Value</b>		2021	1,726,208	1,424,131
d) Assets	\$2,095	2022	1,447,450	1,130,292
e) Present Value of Monthly Contract Receivables	\$132	2023	1,490,873	1,101,941
f) Present Value of Fund (d+e)	\$2,227	2024	1,535,599	1,074,301
<b>Calculation of Funded Status</b>		2025	1,581,667	1,047,355
g) Present Value of Fund (f)	\$2,227	2026	1,629,117	1,021,084
h) Present Value of Obligations (c)	\$1,710	2027	\$1,542,597	\$915,150
i) Ratio of Fund Value to Obligations (g/h)	130.2%	<b>PV of Expenses \$14,681,524</b>		
j) Reserve/(Deficit) (g-h)	\$517			

- Fund Value includes the present value of monthly contract receivables
- Program Obligations include the present value of potential shutdown expenses; shutdown expenses provided by GET program staff



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43

### Sensitivity Of Results To Key Assumptions Changes

	Sensitivity of Results to Key Assumptions						
	Closed Program*						
	+1% Tuition	Best Estimate	-1% Tuition	-2% Discount Rate	-1% Discount Rate	Best Estimate	+1% Discount Rate
<i>(Dollars in Millions)</i>							
<b>Present Value of Fund</b>	\$2,227	\$2,227	\$2,227	\$2,237	\$2,232	\$2,227	\$2,222
<b>Present Value of Obligations</b>	\$1,807	\$1,710	\$1,620	\$1,936	\$1,818	\$1,710	\$1,613
<b>Reserve/(Deficit)</b>	\$420	\$517	\$607	\$301	\$415	\$517	\$610
<b>Funded Status (as of June 30)</b>	123%	130%	137%	116%	123%	130%	138%

\*Based on current contracts only, no future unit sales.

- Results sensitive to changes in assumed rates of tuition growth and investment return (or “discount rate”)
- Table above illustrates how the results of our “best estimate” change when we vary the assumed rates of tuition growth and investment return

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44



### Upcoming Actuarial Work

- Complete Phases 2 and 3 of ESB 6087
- We expect a final and program validated data file on ESB 6087 transfers in December
- We plan to prepare a separate actuarial communication on Phases 2 and 3
- Assist the Washington State Investment Board with an asset allocation study in 2019 on the post-ESB 6087 program

### Questions?



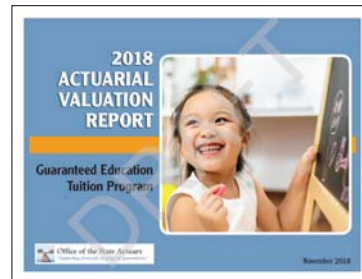
## GET Valuation Adoption



Marc Webster

WSAC Director of External Affairs

- Recap of staff review of the 2018 GET Actuarial Valuation Report



## WA529 Marketing Update



Lucas Minor  
WA529 Director

- Fall TV and Radio Campaign
- Other Marketing Activities
- Community Outreach & Partnerships



## WA529 Marketing Update

### Fall TV & Radio Campaign

*(November 7, 2018 – December 2, 2018)*

- **New WA529 Creative**
  - Dos Rios (Seattle production firm) produced new TV and radio commercials - “Dreams in Motion” theme.
- **TV**
  - TV ads running in Seattle and Spokane media markets
    - 780 total spots (392 paid spots; est. 388 bonus spots)
  - Radio ads running in Seattle, Spokane, Tri-Cities, and Yakima
    - 5,055 total spots (2,297 paid spots; est. 2,758 bonus spots)

49

## WA529 Marketing Update


### Other Marketing Activities

*(On-going)*

- **Statewide print and web advertising**
  - Parenting publications
  - Lifestyle magazines
  - Special editions/publications
- **Statewide paid search campaigns**
  - Campaign started October 1
  - Google and Bing search engines

50


## WA529 Marketing Update



### Other Marketing Activities

*(On-going)*

- **Direct marketing**
  - Direct email campaign on 11/14 to 100,000+ households
  - Insert in Dept. of Health “Child Profile” mailings (over 350,000 pieces distributed by 6/30/19)
- **Social media**
  - Migrating GET Facebook and Twitter profiles to WA529 branding, followed by name change.



51

## WA529 Marketing Update



### Community Outreach & Partnerships

*(on-going)*

- **Events**
  - Community events
  - School events
  - Employee benefit fairs
  - Conferences
- **Partnerships**
  - Community organizations
  - Financial literacy groups
  - Employers
  - Schools, administrators, PTAs, etc.




52

**Public Comment**

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

Share Your Thoughts

- **Process**
  - Sign-up sheet
  - Three minutes per individual
  - You can submit written comments
    - Send to [GETInfo@wsac.wa.gov](mailto:GETInfo@wsac.wa.gov) and include the subject line: "GET Committee Statement."



53

**Next Regular Meeting**

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

**Tentative**  
January 23, 2019, pending  
Committee approval of 2019  
meeting calendar



54

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

# Adjournment



55



## **GET Prepaid College Tuition Program**

Quarterly Report – September 30, 2018

Portfolio Size, Allocation, and Assets Under Management .....	1
Performance.....	2

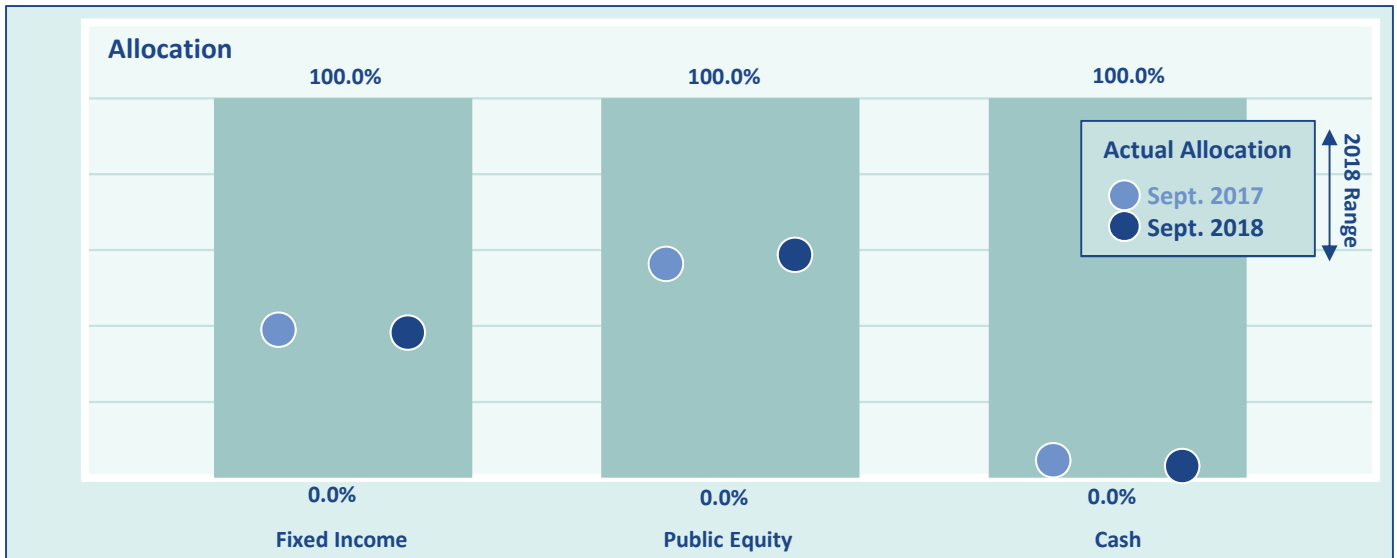
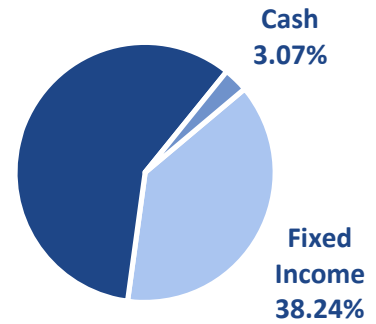


## Portfolio Size

## Actual Asset Allocation

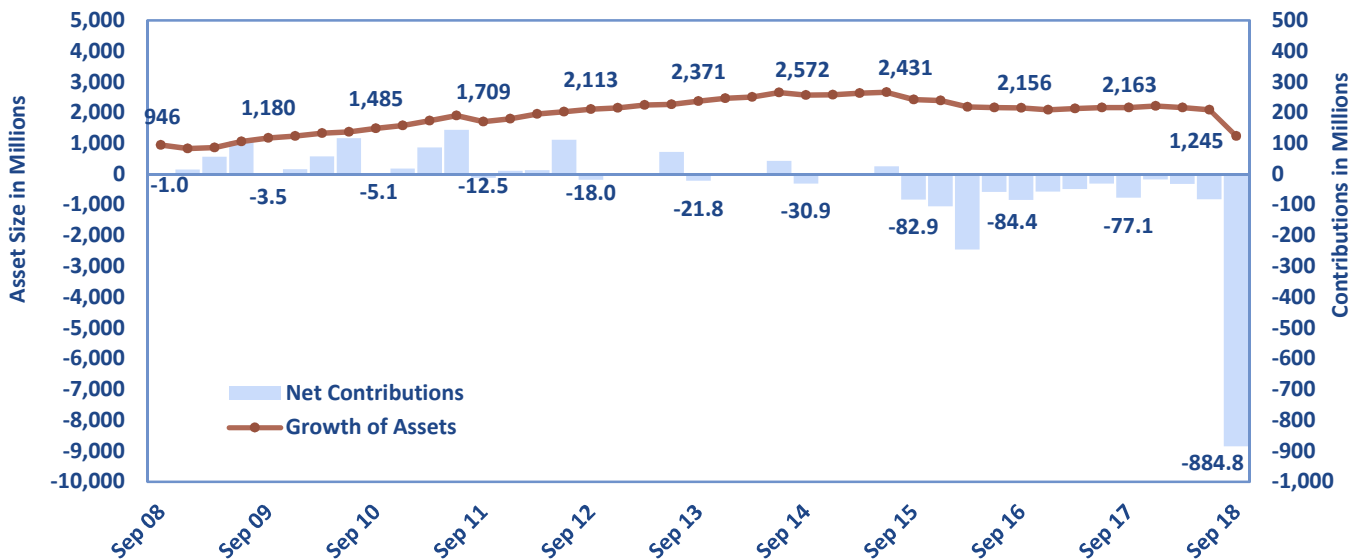
<b>Total</b>	<b>\$1,244,919,174</b>
Cash	\$38,268,144
Fixed Income	\$476,114,707
Equity	\$730,536,324

**Equity**  
58.68%



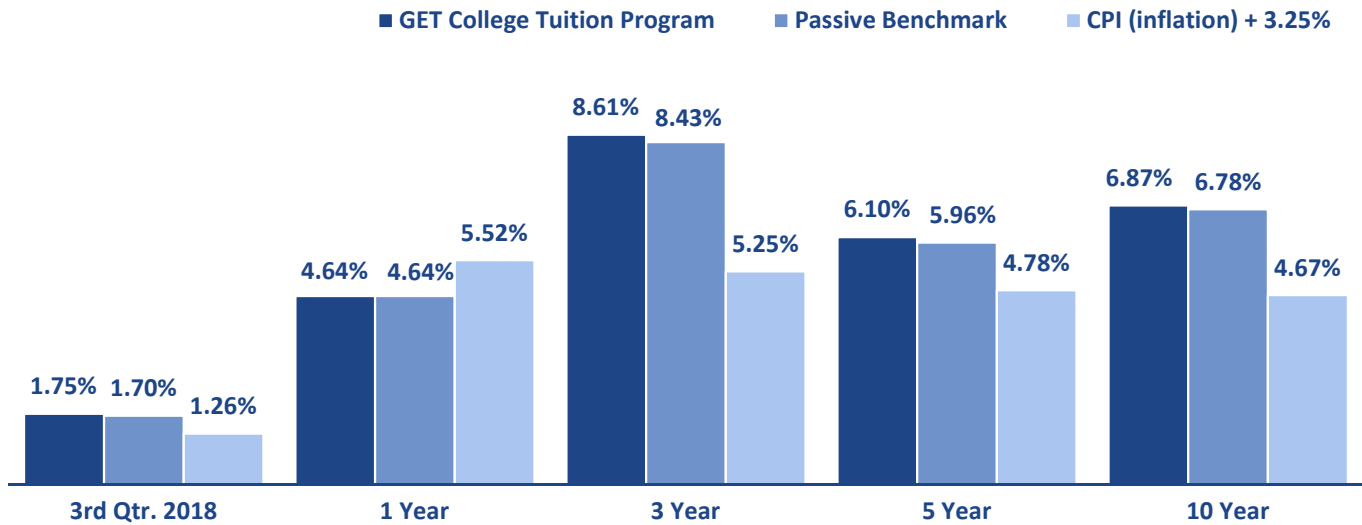
Note: For comparison purposes in the chart above, fixed income and TIPs were added together for the prior year.

## Assets Under Management



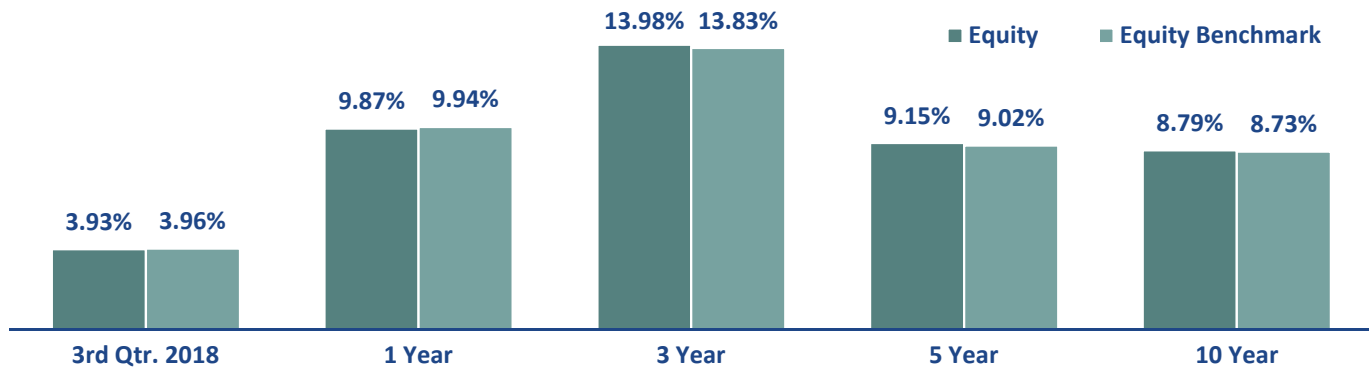


**Total Return \***



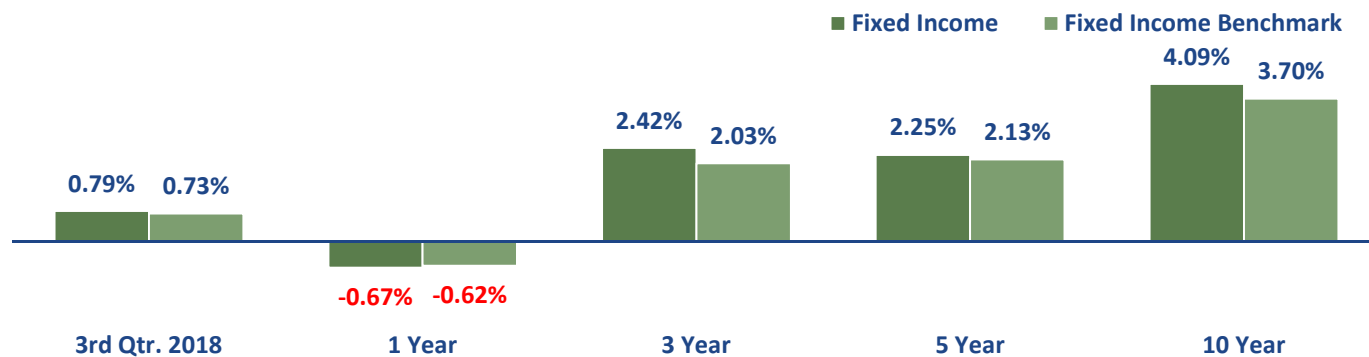
**Equity Return \***

Benchmark: MSCI ACWI IMI w/U.S. Gross and a historical blended return



**Fixed Income Return \***

Benchmark: Bloomberg Barclays Intermediate Credit and a historical blended return





## Portfolio Price & Performance (as of 11/5/2018)\*

Portfolio name	Total Market Value on 11/5/18	NAV at inception	NAV on 11/5/18	NAV Change Since Inception	Inception date
<b>Static</b>					
Cash Preservation	\$172,708,590	\$10.00	\$10.07	0.72%	4/25/2018
Income	\$43,836,970	\$10.00	\$10.01	0.13%	4/25/2018
Income & Growth	\$31,241,788	\$10.00	\$9.80	-2.03%	4/25/2018
Balanced	\$35,506,267	\$10.00	\$9.80	-1.98%	4/25/2018
Conservative Growth	\$23,330,692	\$10.00	\$9.81	-1.93%	4/25/2018
Moderate Growth	\$28,997,777	\$10.00	\$9.78	-2.24%	4/25/2018
Growth	\$36,069,849	\$10.00	\$9.63	-3.67%	4/25/2018
<b>Conservative Year of Enrollment</b>					
2018	\$78,716,871	\$10.00	\$10.04	0.38%	4/25/2018
2020	\$53,152,409	\$10.00	\$9.96	-0.38%	4/25/2018
2022	\$27,775,943	\$10.00	\$9.99	-0.12%	4/25/2018
2024	\$13,242,411	\$10.00	\$9.95	-0.52%	4/25/2018
2026	\$6,222,716	\$10.00	\$9.94	-0.62%	4/25/2018
2028	\$3,014,568	\$10.00	\$9.79	-2.10%	4/25/2018
2030	\$799,489	\$10.00	\$9.73	-2.69%	4/25/2018
2032	\$202,078	\$10.00	\$9.76	-2.43%	4/25/2018
2034	\$37,765	\$10.00	\$9.81	-1.90%	4/25/2018
2036	\$116,447	\$10.00	\$9.69	-3.08%	4/25/2018
<b>Moderate Year of Enrollment</b>					
2018	\$19,919,590	\$10.00	\$9.94	-0.61%	4/25/2018
2020	\$38,300,441	\$10.00	\$9.90	-1.02%	4/25/2018
2022	\$43,517,555	\$10.00	\$9.88	-1.24%	4/25/2018
2024	\$40,586,189	\$10.00	\$9.83	-1.69%	4/25/2018
2026	\$31,725,065	\$10.00	\$9.79	-2.07%	4/25/2018
2028	\$19,512,072	\$10.00	\$9.70	-2.96%	4/25/2018
2030	\$8,268,442	\$10.00	\$9.74	-2.60%	4/25/2018
2032	\$2,600,894	\$10.00	\$9.57	-4.26%	4/25/2018
2034	\$669,578	\$10.00	\$9.75	-2.47%	4/25/2018
2036	\$352,690	\$10.00	\$9.70	-2.96%	4/25/2018
<b>Growth Year of Enrollment</b>					
2018	\$4,755,562	\$10.00	\$10.00	0.04%	4/25/2018
2020	\$6,575,381	\$10.00	\$9.84	-1.59%	4/25/2018
2022	\$11,648,468	\$10.00	\$9.82	-1.76%	4/25/2018
2024	\$13,037,694	\$10.00	\$9.74	-2.57%	4/25/2018
2026	\$13,018,030	\$10.00	\$9.76	-2.43%	4/25/2018
2028	\$11,217,554	\$10.00	\$9.65	-3.48%	4/25/2018
2030	\$5,132,592	\$10.00	\$9.77	-2.34%	4/25/2018
2032	\$2,423,413	\$10.00	\$9.65	-3.51%	4/25/2018
2034	\$818,858	\$10.00	\$9.69	-3.13%	4/25/2018
2036	\$1,201,962	\$10.00	\$9.69	-3.11%	4/25/2018

\*The performance data shown represents past performance. Past performance - especially short-term past performance - is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.