GUARANTEED EDUCATION TUITION
COMMITTEE MEETING

Tuesday, November 5, 2013

Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order

• Welcome Approval of September 9, 2013 Minutes Approval of 2014 Meeting Schedule	ACTION	TAB 1
• Report from the Chair	INFORMATION	
• Director's Report Overview of Program Statistics Presentation of New Marketing Campaign	INFORMATION	TAB 2
• GET Investment Update Allyson Tucker, Washington State Investment Board	INFORMATION	TAB 3
• Actuarial Analysis Matt Smith, State Actuary	INFORMATION	TAB 4
• Review of Actuarial Valuation Marc Webster, Washington Student Achievement Council	INFORMATION	
• Adjournment		

Next meeting (proposed):
Tuesday, February 11, 2014
Office of the Insurance Commissioner
2:00 p.m. to 4:00 p.m.

11/04/13
2:23 PM

GUARANTEED EDUCATION TUITION COMMITTEE MEETING
Washington Student Achievement Council
Monday, September 9, 2013

Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501

MINUTES

Washington Student Achievement Council staff in attendance:
Gene Sharratt, Executive Director, Washington Student Achievement Council
Don Bennett, Deputy Director, Washington Student Achievement Council
Betty Lochner, GET Director
Susan Martensen, Associate Director for GET Marketing & Communications
Betsy Hagen, Associate Director for GET Operations
Kim Porter, GET Records and Projects Manager
Matthew Freeby, GET Finance Manager
Diana Hurley, GET Customer Service Manager
Jackie Ferrado, GET Community Relations Manager
Luke Minor, GET Marketing & Communications Coordinator
Katie Gross, Special Assistant to the GET Director

Guests in attendance:
Allyson Tucker, State Investment Board
Anne Shaw, Office of the Attorney General
Matt Smith, State Actuary
Catrina Lucero, House of Representatives
Maria Hovde, Senate Ways and Means
Devon Nichols, Office of the State Actuary
Cody Eccles, Senate Republican Caucus Staff
Becca Kenna-Schenk, Senate Democratic Caucus Staff
David Frockt, State Senator
Christi Steele, Office of the State Actuary

WELCOME
Gene Sharratt, GET Committee Chair, called the meeting to order at 2:03 p.m. Sharratt introduced himself and welcomed the Committee members and other participants. GET Committee members present were James L. McIntire, State Treasurer, David Schumacher, Director of the Office of Financial Management, Mooi Lien Wong, citizen member, and Beth Stecher Berendt, citizen member.

APPROVAL OF THE MAY 20, 2013 MINUTES
Berendt motioned to approve the May 20, 2013 minutes. Wong seconded the motion. The minutes were approved unanimously as presented.

APPROVAL OF THE PROPOSED 2013 MEETING CALENDAR
Berendt motioned to approve the proposed 2013 meeting calendar. Wong seconded the motion. The meeting calendar was approved unanimously as presented.

APPROVAL OF FISCAL YEAR 14 BUDGET
Betsy Hagen, Associate Director for GET Operations, provided an overview of the program's budget for FY 14. The budget is set at $5.25 million which was presented and discussed in detail at the meeting on May 20, 2013. Berendt motioned to approve the budget. Schumacher seconded the motion. The budget was approved unanimously as presented.

REPORT FROM THE CHAIR
Sharratt conducted a brief introduction of the Washington Student Achievement Council and its members. Sharratt shared the Council's mission statement, listed the programs that the Council governs, and briefly explained the 10 Year Roadmap's goal to help increase student educational attainment in Washington State.

DIRECTOR'S REPORT
Betty Lochner, GET Director, reviewed the program's contract statistics. There were 7,780 new accounts opened during the 2012-2013 enrollment period. Lochner noted points of interest regarding GET demographics and showed a preview of the new GET marketing campaign that will launch in November. A few technical updates were made to the GET Master Agreement, which the Committee reviewed. Berendt motioned to approve the changes to the Master Agreement. McIntire seconded the motion. The changes to the Master Agreement were approved unanimously as presented.

The Committee and staff members thanked Anne Shaw, our Assistant Attorney General, for her assistance reviewing and updating the Master Agreement.

GET INVESTMENT UPDATE
Allyson Tucker, Senior Investment Officer with the Washington State Investment Board (WSIB) conducted an overview of the program's second quarterly report. The report included investment information thru June 30, 2013. Tucker believes we are entering a transitional market and expects continued volatility. Investments will stay focused on the long-term returns. No questions from the Committee.

ACTUARIAL ANALYSIS
The State Actuary, Matt Smith, presented the 2013 price setting analysis. The purpose of this communication is to give the Committee updated information regarding the program's status, to assist them in setting the new GET unit price. The actuarial measurement presented today is from June 30, 2013. The program is currently funded at 94% which is up from 75% a year ago. The current unfunded liability is $160 million. If the Committee decides to retain the current price setting guidelines, the State Actuary's office calculates the best price setting range to be $159 to $179 per GET unit. These calculations take state support into consideration but exclude the possible impacts of differential tuition.

The four key components of the current price-setting guidelines are:

- Expected cost - the expected cost of tuition and certain administrative expenses.
- Expenses – GET's annual operating expenses.
- Reserve – unexpected future costs such as higher than expected tuition growth or lower than expected investment returns. This component can be increased or decreased to alter the probability that a unit price will ever create an unfunded liability in the future.
- Amortization – optional component that covers unexpected past costs from significant program or policy changes.

An important part of the program is balancing the risk that the state will need to make contributions to the program in the future and the affordability for future purchasers. No questions from the Committee.

The Committee members thanked Smith and his staff for their valuable work. The open communication and one-on-one availability is much appreciated. The Committee stated their appreciation of the availability and willingness to provide explanations that Smith and his staff provided.

McIntire moved to keep the unit price at $172 for the 2013-2014 enrollment period. Berendt seconded the motion. No further discussion ensued. The unit price was approved unanimously and set at $172.

Sharratt thanked the Committee and guests for attending the meeting. Sharratt also recognized Don Bennett for his role as the GET Committee's past Chair. The next meeting is scheduled for Tuesday, November 5, 2013, and will be held at the Office of the Insurance Commissioner.

Berendt moved to adjourn the meeting. Wong seconded this motion. Meeting adjourned at 2:52 p.m.

Proposed 2014 GET 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 proposed meeting schedule for the 2014 calendar year.

DATE	TIME	PLACE
Tuesday, February 11, 2014	2:00 p.m. – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000
Tuesday, June 10, 2014	2:00 p.m. – 4:00 p.m.	TBD
Thursday, September 4, 2014	2:00 p.m. – 4:00 p.m.	TBD
Tuesday, November 18, 2014	2:00 p.m. – 4:00 p.m.	TBD

Guaranteed Education Tuition

As of October 31, 2013

CONTRACT STATISTICS: Number of Contracts				
Contract Statistics by Plan Year	**1998-2011**	**2012**	**2013**	**TOTAL**
# of Active Contracts				
Custom Monthly Contracts (CM)	32,331	2,367	18	34,716
Lump Sum Contracts (LS)	88,580	5,252	70	93,902
Total # of Active Contracts	120,911	7,619	88	128,618
# of Inactive Contracts	10,365	153	4	10,522
# of Depleted Contracts	13,004	8	5	13,017
Total # of Contracts	**144,280**	**7,780**	**97**	**152,157**

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units				
	1998-2011	**2012**	**2013**	**TOTAL**
Contracted Units (Active Accounts)	5,699,992	266,100	3,150	5,969,242
Lump Sum Units (Active Accounts)	18,576,461	396,643	1,667	18,974,771
Total Units (Active Accounts)	**24,276,454**	**662,743**	**4,817**	**24,944,013**
Contracted Units (Inactive Accounts)				693,026
Lump Sum Units (Inactive Accounts)				3,017,063
Grand Total Contracted and LS Units Purchased				**28,654,102**

Other Unit Facts	
Unpaid Contracted Units (Active Accounts)	2,314,951
Total Paid Out Units Since Inception (Active and Inactive Accounts)	6,266,301

CONTRACT PAYMENTS SINCE INCEPTION				
	1998-2011	**2012**	**2013**	**TOTAL**
Total Payments Received (All Accounts)	$ 2,028,465,643	$ 70,151,510	$ 258,400	$ 2,098,875,553
Total Fee Payments Received (All Accounts)	$ 7,607,435	$ 322,480	$ 4,050	$ 7,933,965
Total Contract-Related Payments Received	$ 2,036,073,078	$ 70,473,990	$ 262,450	$ 2,106,809,518
Future Custom Monthly Payments Due (Active Accounts)	$ 310,305,173	$ 67,916,667	$ 956,312	$ 379,178,151

ITEMS OF INTEREST	
Since Inception	
Number of Students Accounts Used For Benefits	34,184
Benefits Paid	$ 494,359,401
Refunds Paid	$ 37,019,499
Total Paid Out In Benefits and Refunds	$ 531,378,900

Prepared by Kim Porter 11/4/2013

GET Prepaid College Tuition Program

Quarterly Report – September 30, 2013

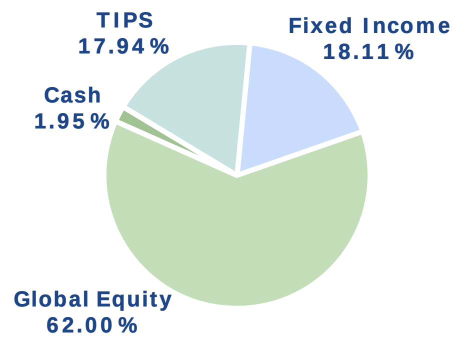
GET Prepaid College Tuition Program

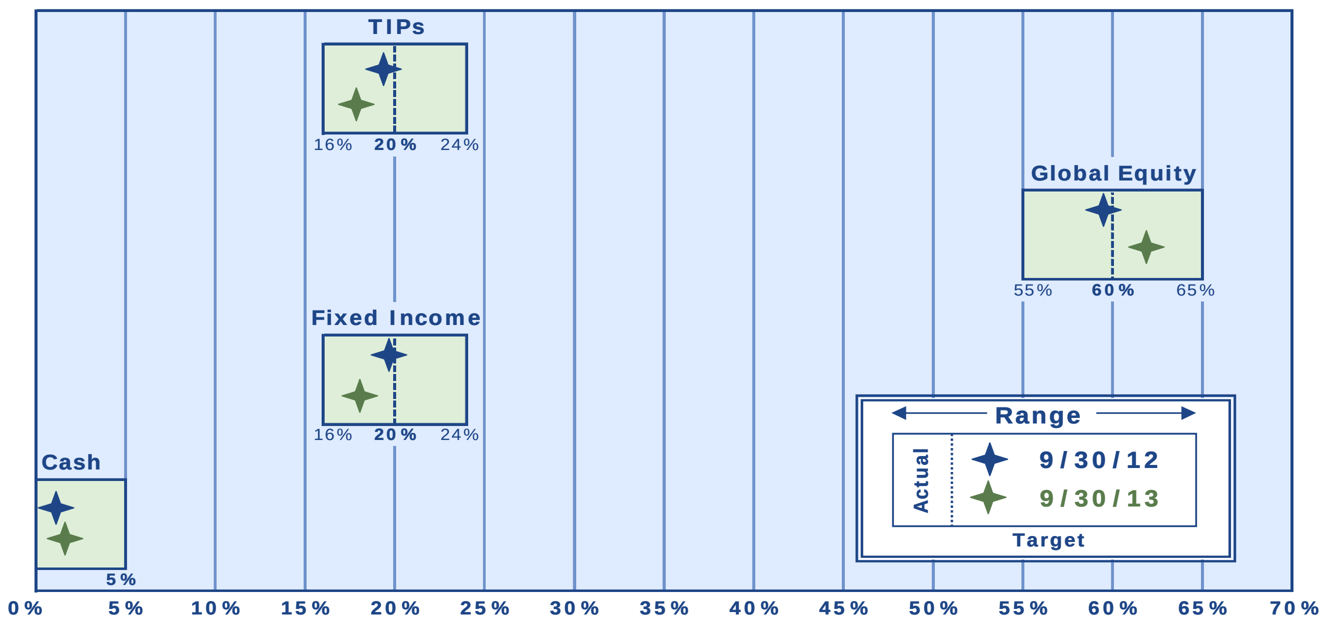
Quarter Ended September 30, 2013

Portfolio Size

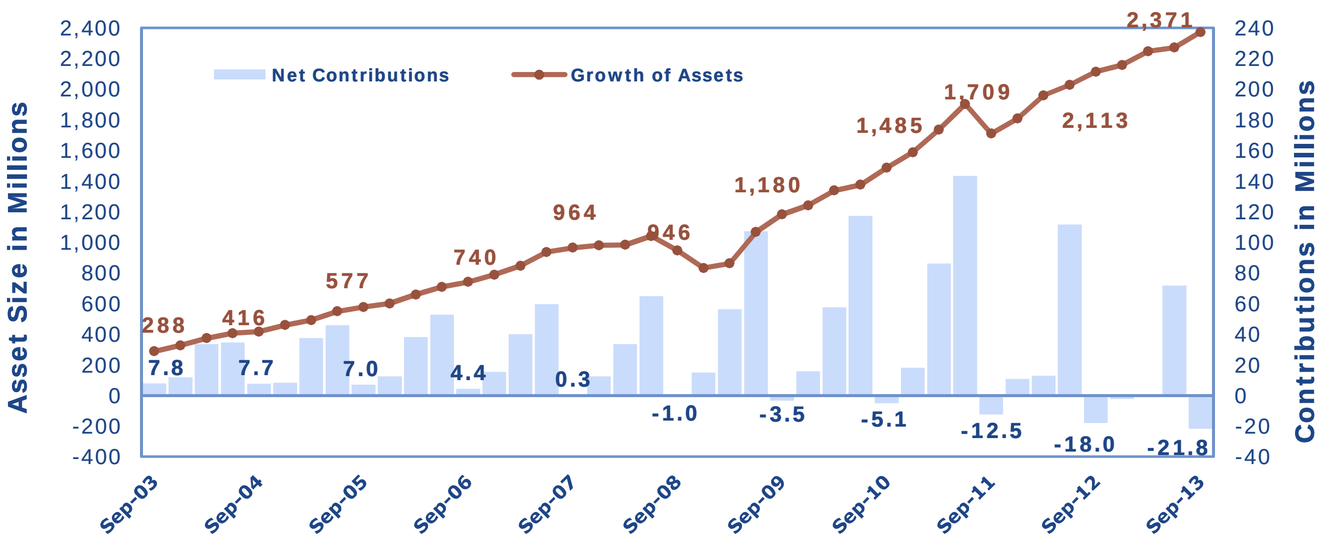
Total	**$2,371,059,347**
Cash	$46,226,028
Treasury Inflation Index Note (TIPs)	$425,412,249
Fixed Income	$429,394,319
Equity	$1,470,026,751

Actual Asset Allocation

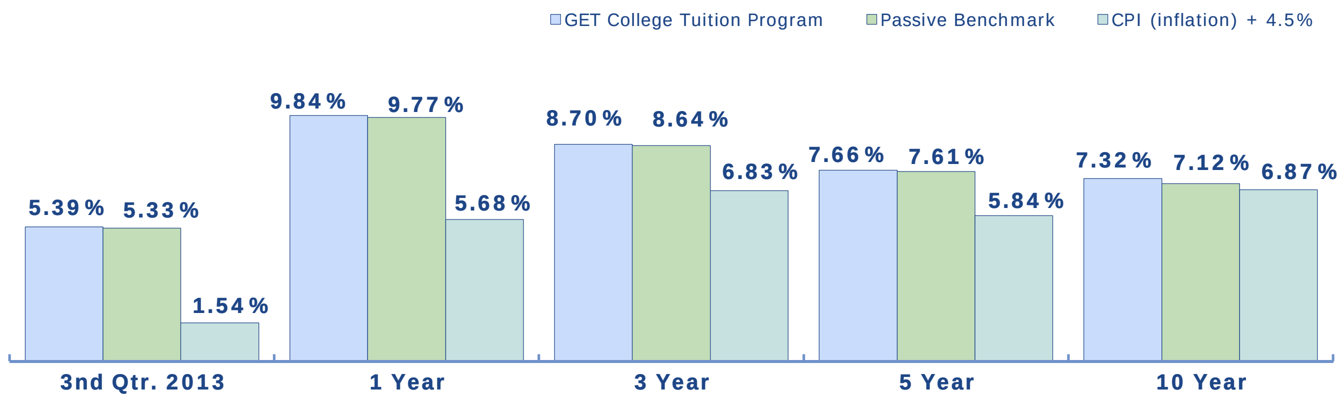




Assets Under Management



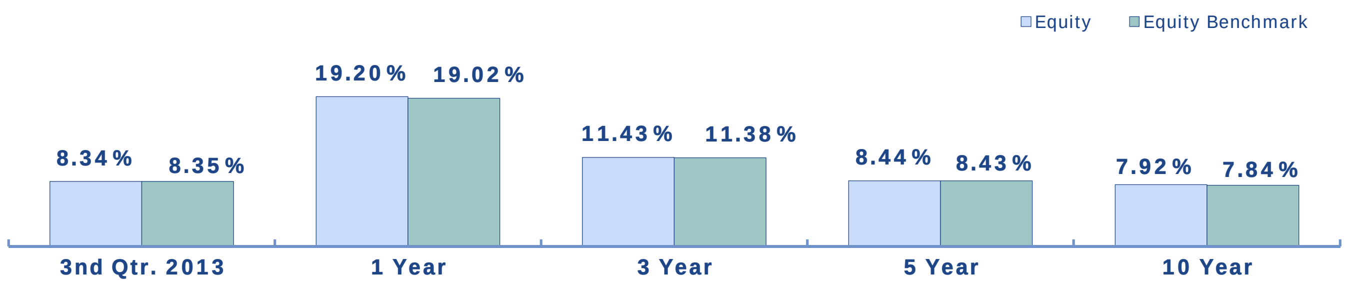
Total Return *



Return Breakdown

Equity Return *

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

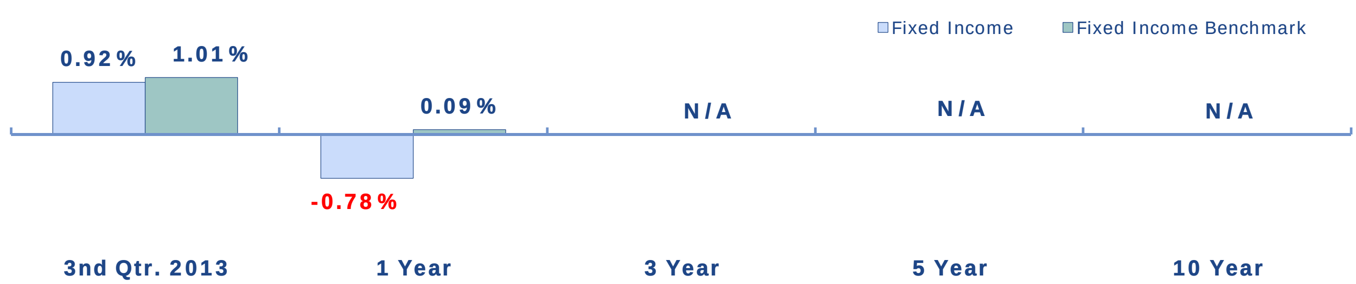


Treasury Inflation Index Note Return *

Benchmark: Barclays Capital TIPS Index and a historical blended return

Fixed Income Return *

Benchmark: Barclays Capital Intermediate Credit



* The return numbers above are net of manager fees and other expenses that can be directly debited from the account for portfolio management but do not include the WSIB management fee.

2013 Actuarial Valuation Report

Guaranteed Education Tuition Program

Office of the State Actuary

"Securing tomorrow's pensions today."

September 2013

Office of the State Actuary

"Securing tomorrow's pensions today."

Report Preparation

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Connect with us on social media.
Click the linked images below.

To obtain a copy of this report in alternative format call 360.786.6140 or for TDD 711.

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Office of the State Actuary

"Securing tomorrow's pensions today."

Letter of Introduction
Guaranteed Education Tuition
Actuarial Valuation Report
As of June 30, 2013

September 2013

This report documents the results of an actuarial valuation of the Guaranteed Education Tuition (GET) program. The primary purposes of this valuation are to:

- Calculate the funded status of the contracts sold as of the valuation date and explain how the funded status should be used.
- Explain the ongoing nature of the program and illustrate the expected future funded status including future unit sales.
- Show how the funded status changes when we change our assumptions.

This report also provides information regarding the assumptions and methods used in the valuation of the GET program and explains the change in the surplus/(deficit) from the last valuation.

This report is organized in the following sections:

- Executive Summary.
- Background.
- Plan Description.
- Best-Estimate Results.
- Sensitivity of Best-Estimate Results.
- Appendices.

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The Executive Summary provides the key results for both current and future contracts. The Background and Plan Description sections explain how this valuation complements annual GET communications, how the Office of the State Actuary (OSA) supports GET, and provide a general understanding of the GET program. The next two sections provide detailed actuarial asset, liability, and cash flow information over the next 25 years. The appendices describe the key assumptions and methods, assets, participant data, and additional information used to prepare this valuation.

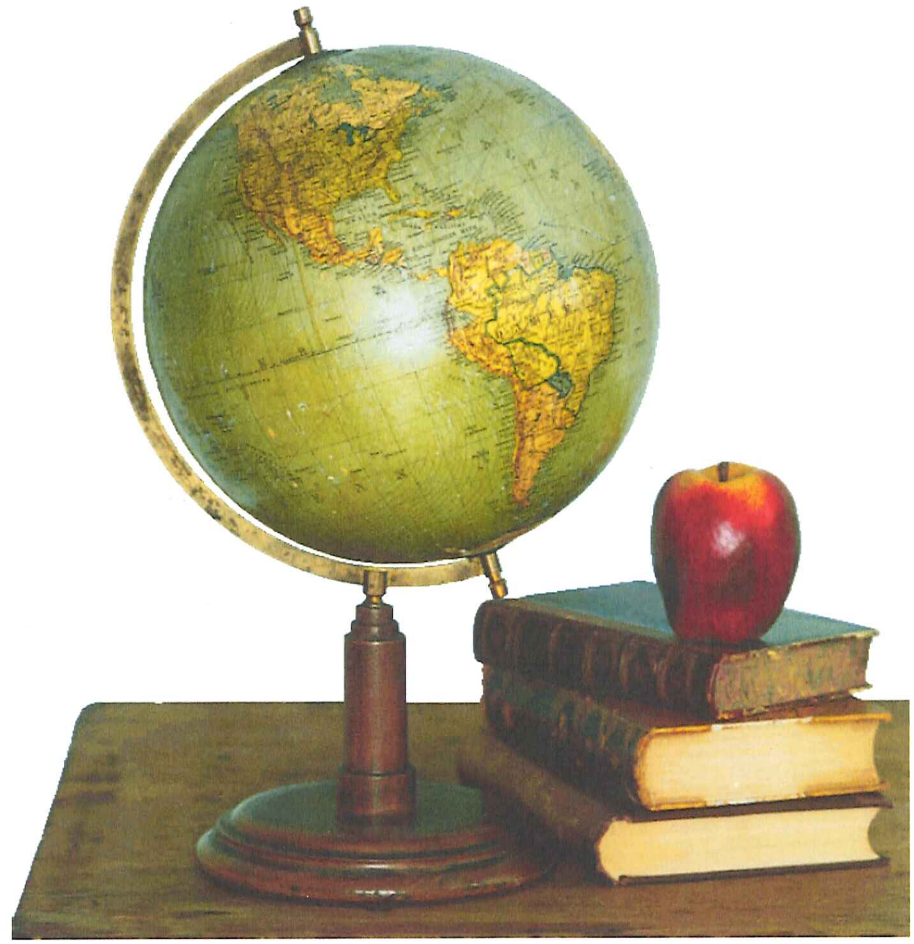
We encourage you to submit any questions you might have concerning this report to our regular address or our e-mail address at state.actuary@leg.wa.gov. We also invite you to visit GET's website for further information regarding Washington's GET program.

Sincerely,

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

Lisa Won, ASA, FCA, MAAA
Senior Actuary

Executive Summary



Intended Use

The purpose of this report is to provide an annual update of the financial status of the Guaranteed Education Tuition (GET) program. This report provides a snapshot view of the present value of current contracts' obligations and assets as of the valuation date along with a best-estimate projection of the program assuming it remains open. The report also shows how these results could vary if key assumptions are altered. All of this information should be used together to understand the ongoing status of the GET program.

This report is one of several key documents related to GET throughout a fiscal year. This report is not intended to replace program information supplied by GET or price-setting analysis supplied by OSA. Please replace this report when a more recent report becomes available.

Comments on 2013 Results

The following comments summarize the key changes from the last valuation. Please see the **Actuarial Certification Letter** for additional comments on the June 30, 2013, valuation results. It is important to note that we do not expect actual experience to match our assumptions each year. However, under a reasonable set of actuarial assumptions, differences between actual and expected outcomes will offset over long-term experience periods.

The actual rate of investment return for the plan year was above the assumed rate of 5.98 percent. The actual, annualized investment return on the market value of assets was 9.60 percent. The assumed annual future investment return has decreased from 5.98 percent in 2012 to 5.50 percent in 2013, which has increased the present value of future obligations.

The actual rate of tuition growth for the plan year was below the assumed rate of 12.0 percent. The actual, annualized rate of tuition growth was 0.0 percent. The assumed future tuition growth has changed from 2012 to 2013, with lower tuition assumptions for the 2013-15 Biennium (consistent with the recently enacted 2013-15 Budget) and higher tuition assumptions in later years. This assumption change on its own served to decrease the present value of future obligations.

In 2011, the committee established a one-time thirty-year amortization of the unfunded liability measured at June 30, 2011. After two years of experience, the full funding plan remains on track. Unit sales exceeded the amount required under the amortization schedule (over 960,000 units sold versus 845,000 required for the year under the thirty-year amortization schedule). The reserve dollars from these unit sales decreased the unfunded present value of future obligations.

The results of the valuation **exclude the impacts of differential tuition**. If differential tuition were implemented and included in the GET unit payout value, the results of this valuation could materially change.

Funded Status of Current Contracts

The table on the following page summarizes the key measures of the program's funded status. The present value of future obligations represents the expected value, as of the valuation date, of all future payments from the program for current contracts only. The future payments represent both unit payout values and expenses. The future payments are discounted to the present value as of the valuation date using the valuation discount rate. The present value of the fund represents both assets currently on hand and the present value of monthly contract receivables discounted to the valuation date using the discount rate.

The funded status helps readers evaluate the health of the GET program at a single point in time. A history of funded status measured consistently over a defined period helps readers evaluate a plan's long-term ability to accurately assess and react to experience. A plan more/less than 100 percent funded is not automatically considered over-funded/at-risk.

The reserve/(deficit) indicates the excess/shortfall of the fund assets on hand to cover the program's obligations at the valuation date. The reserve level can be interpreted similarly to the funded status.

A self-sustaining program that collects all cash inflows up front, like GET, may want to aim for a long-term reserve of approximately 15 percent (or 115 percent funded status) in order to protect against unexpected adverse outcomes over the life of the program.

Funded Status Summary	
(Dollars in Millions)	
Present Value of Future Obligations	**$2,716**
Present Value of Fund	**$2,557**
Funded Status	**94.1%**
Reserve/(Deficit)	**($160)**

Please see the **Sensitivity of Best-Estimate Results** section for how these results could change under different assumptions.

Projection of Current and Future Contracts

The funded status of the current contracts only tells part of the full story of the GET program. Consideration of the full history of the funded status along with a projection of future funded status provides the reader with a more complete picture of the program's health.

GET is currently open to new purchasers on an ongoing basis. The table on the following page shows a projection of future funded status based on the expectation that units will continue to be sold under the current price-setting guidelines, and assumes a GET unit price of $172 for 2013 (see **Appendix D** for price-setting guidelines). Along with the funded status, the table shows the expected number of units sold, assets, net cash flows, and present value of obligations (so the reader can assess the size of the program).

Projection of Current and Future Contracts (If All Assumptions are Realized)

(Dollars in Millions)

Fiscal Year	Funded Status	Units Sold	BOY* Fund Value	BOY* Obligation Value	Net Cash Flow
2013	94%	787,215	$2,557	$2,716	$111
2014	95%	877,243	2,689	2,823	113
2015	96%	886,809	2,830	2,935	97
2016	98%	898,047	2,955	3,028	78
2017	99%	904,397	3,064	3,101	74
2018	100%	912,719	3,170	3,166	75
2019	102%	922,882	3,278	3,229	92
2020	103%	929,078	3,403	3,303	105
2021	105%	937,339	3,543	3,387	108
2022	106%	947,522	3,688	3,468	113
2023	108%	954,496	3,840	3,550	122
2024	110%	963,550	4,003	3,635	134
2025	112%	972,246	4,179	3,725	149
2026	114%	982,939	4,372	3,823	161
2027	117%	991,264	4,580	3,928	180
2028	119%	999,647	4,810	4,043	207
2029	121%	1,008,193	5,069	4,177	247
2030	124%	1,018,861	5,371	4,341	289
2031	126%	1,027,937	5,720	4,539	336
2032	128%	1,035,729	6,119	4,773	380
2033	130%	1,045,790	6,566	5,039	425
2034	132%	1,054,827	$7,063	$5,338	$470

**Beginning of Year.*

Please see the **Sensitivity of Best-Estimate Results** section for how these results could change under different assumptions.

Key Assumptions

The results of this valuation are based on a number of assumptions including future economic conditions and purchaser behavior. We summarize the key assumptions in the table to the right. Please see the **Assumptions, Methods, and Data** section in the **Appendix** for a detailed listing of the assumptions used in this valuation.

Key Assumptions	
Annual Investment Return	5.50%
Annual Tuition Growth	
2014-15	0.0%
2015-16	8.1%
2016-17	8.1%
2017-18	8.1%
2018-19	8.1%
2019-20	6.5%
2020-21	6.5%
2021-22	6.5%
2022-23	6.5%
2023-24	6.5%
2024-25+	5.5%
Average Annual Unit Sales*	947,906

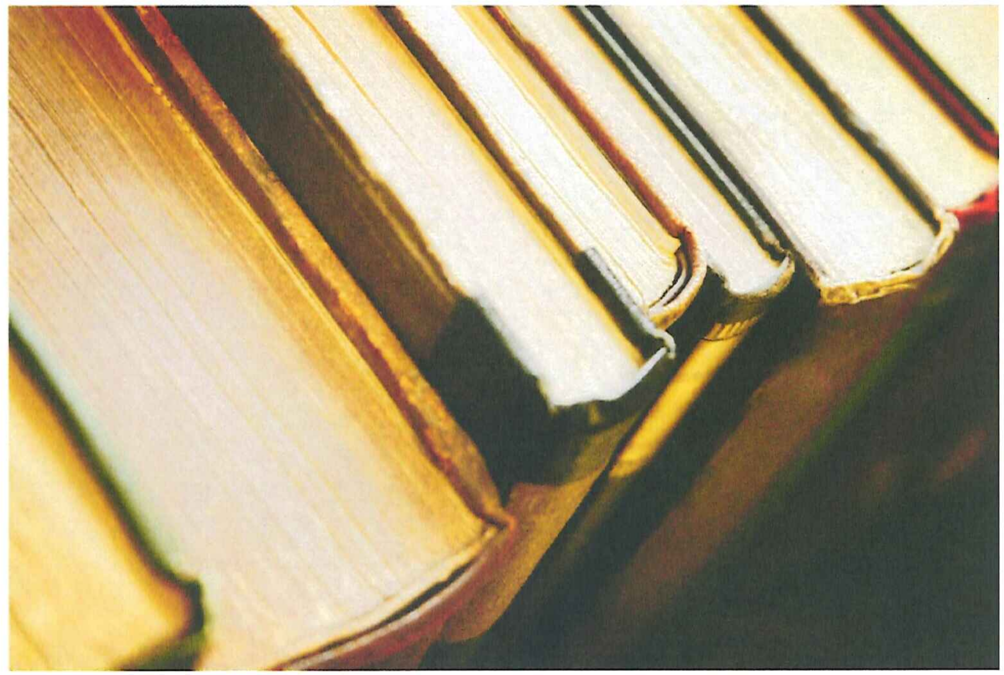
**Over next 20 years.*

Contract Data

The following table summarizes the current contract and unit data used in this valuation for the plan year ending June 30, 2013. Please see the **Contract Data** section in the Appendix for detailed information about when units were bought and are expected to be used.

Contract Summary	
Number of Current Contracts	129,816
Number of Units Outstanding	22,797,654

Background



The Washington State Legislature created the Guaranteed Education Tuition (GET) program in 1997. The program has sold units annually ever since its inception.

RCW 28B.95 outlines the purpose of the GET program along with general guidelines regarding how it is run. The statute establishes the five-member Committee on Advanced Tuition Payment (GET Committee). The GET Committee meets regularly to discuss the goals and status of the program, make administrative decisions, and set the unit price for the following enrollment period.

GET staff supports the functions of the program and the board by administering the program and staffing GET Committee meetings. GET staff also prepares studies and reports directed to the GET Committee by the Legislature. Communications from GET staff can be found on the GET website.

Statute also defines the eight-member Legislative Advisory Committee (LAC). The LAC provides advice to the GET Committee and Office of the State Actuary (OSA) regarding the administration of the program.

OSA assists the GET Committee and Legislature by providing actuarial services and consulting. OSA's three primary services for GET include:

- Prepare an annual actuarial valuation of GET (this document) for the GET Committee.
- Prepare unit price-setting analysis for the GET Committee.
- Consult, price, and communicate the effects of potential changes to the GET program for the GET Committee or Legislature.

This valuation should not be used in isolation to understand the ongoing health of the GET program. Rather, this document should be used together with the annual report from GET staff, OSA's price-setting analysis, and any other studies or reports created by GET staff, OSA, or LAC.

Plan Description

A combination of RCW 28B.95 (determined by the Legislature) and the GET contract (determined by the GET Committee) make up the terms of the GET program. Statute provides general guidelines and certain rules for the GET Committee, whereas the GET contract states all specific details for the purchaser.

The main plan provisions are outlined below so the reader can get a sense for what cash flows occur, what parties are involved, and what drives the results of the actuarial valuation. For a complete description of the plan provisions we direct you to GET's website, which includes both summarized plan provisions and the full GET contract.

Unit Price is Set

- GET Committee sets the price annually for the current enrollment period.
- Based on adopted price-setting guidelines.

Units are Purchased

- Maximum of 500 units.
- Can be purchased either through a lump sum payment or a monthly contract (with interest).

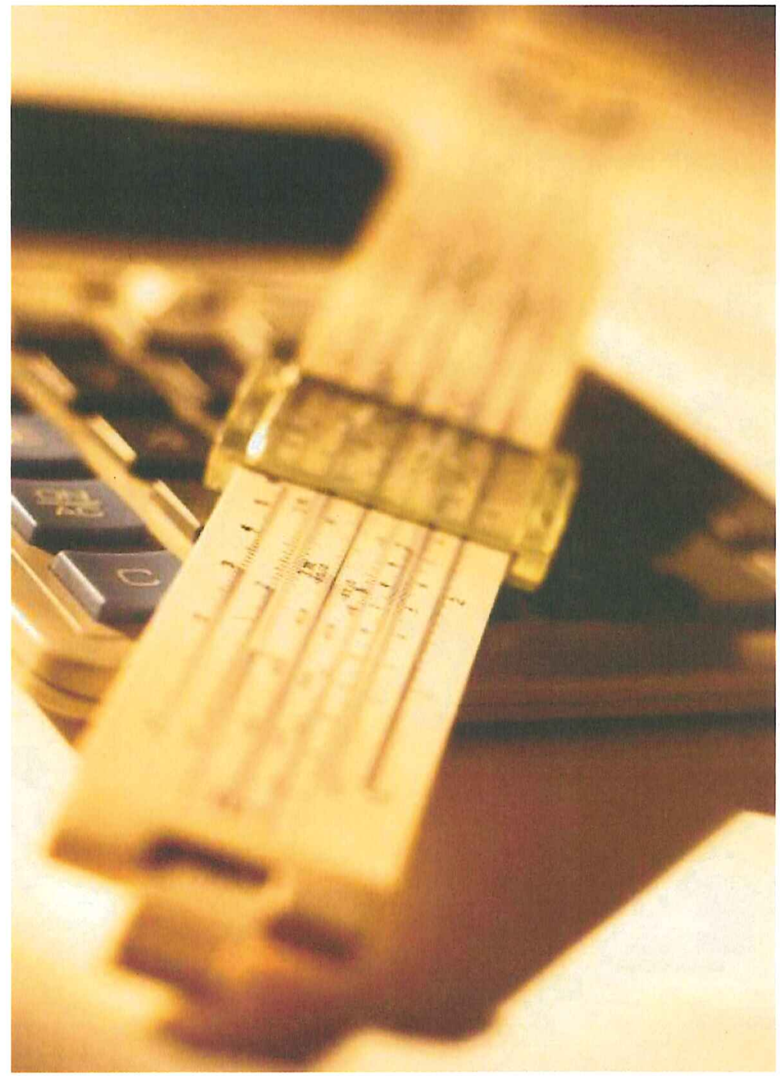
Money is Invested

- Investment returns on the proceeds from unit sales are expected to pay a portion of the future unit value and lowers the price of the unit today.
- Invested by the Washington State Investment Board.

Units are Redeemed

- Unit Value (specific dollar amount) equals 1 percent of annual tuition at most expensive public Washington university at time of unit use.
- Maximum of 125 units per year.
- Refunded based on Unit Value or transferred to another eligible beneficiary.
- Use at any eligible in-state or out-of-state higher education institution based on Unit Value.

Best Estimate Results



This section provides details of our best estimate of the present value of obligations, assets, cash flow, and funded status information for the GET program. The first subsection shows the assets currently set aside for the contracts sold as of the valuation date along with a history of the funded status. The second subsection illustrates how the program is expected to fare beyond the valuation date.

Please see the **Executive Summary** section for a description of this information and how it can be interpreted.

Status of Current Contracts

Obligations	
(Dollars in Millions)	
a) Present Value of Unit Redemptions	$2,686
b) Present Value of Administrative Expenses	$30
c) Present Value of Obligations (a+b)	$2,716
Fund Value	
(Dollars in Millions)	
d) Assets	$2,271
e) Present Value of Monthly Contract Receivables	$286
f) Present Value of Fund (d+e)	$2,557
Calculation of Funded Status	
(Dollars in Millions)	
g) Present Value of Fund (f)	$2,557
h) Present Value of Obligations (c)	$2,716
i) Ratio of Fund Value to Obligations (g/h)	94.1%
j) Reserve / (Deficit) (g-h)	($160)

Funded Status History	
Fiscal Year	Funded Status
2013	94.1%
2012	78.5%
2011	79.1%
2010	86.2%
2009	84.2%
2008	109.5%
2007	117.4%
2006	108.8%
2005	108.1%
2004	104.5%
2003	98.4%
2002	89.6%
2001	104.9%
2000	113.4%
1999	110.1%

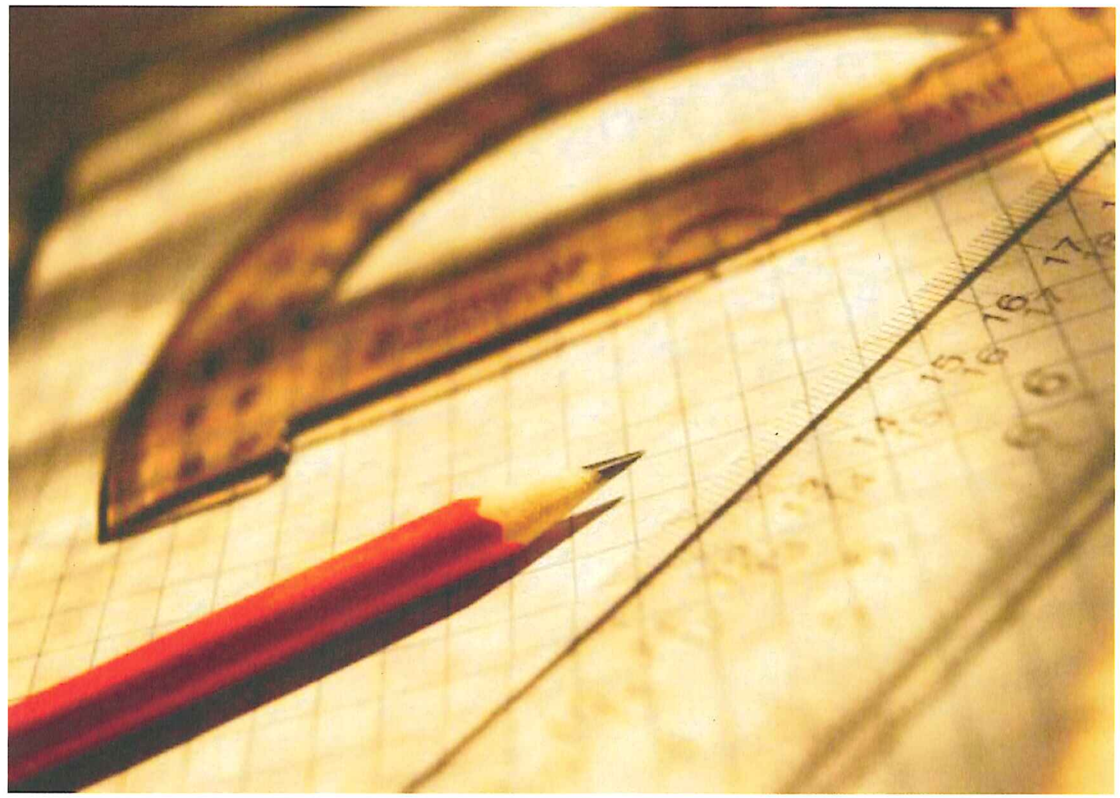
Projection of Current and Future Contracts (If All Assumptions are Realized)

(Dollars in Millions)										Cash Inflows		Cash Outflows	
Fiscal Year	Funded Status	Unit Price*	Number of Units Sold	Unit Value*	Number of Units Used	BOY Fund Value**	BOY Obligation Value	Net Cash Flow	Lump Sum	Monthly Plan	Investment Return	Unit Use	Expense
2013	94%	$172	787,215	$118	1,144,877	$2,557	$2,716	$111	$73	$53	$123	($135)	($3)
2014	95%	175	877,243	118	1,285,139	2,689	2,823	113	83	57	128	(151)	(3)
2015	96%	184	886,809	127	1,429,334	2,830	2,935	97	88	61	134	(182)	(4)
2016	98%	193	898,047	138	1,560,004	2,955	3,028	78	94	65	138	(215)	(4)
2017	99%	204	904,397	149	1,573,966	3,064	3,101	74	100	70	142	(234)	(4)
2018	100%	215	912,719	161	1,544,654	3,170	3,166	75	106	76	146	(248)	(4)
2019	102%	226	922,882	171	1,454,144	3,278	3,229	92	113	82	150	(249)	(4)
2020	103%	239	929,078	182	1,393,532	3,403	3,303	105	120	88	155	(254)	(4)
2021	105%	252	937,339	194	1,392,876	3,543	3,387	108	128	95	161	(271)	(5)
2022	106%	265	947,522	207	1,381,375	3,688	3,468	113	136	101	167	(286)	(5)
2023	108%	280	954,496	220	1,356,125	3,840	3,550	122	145	109	173	(299)	(5)
2024	110%	295	963,550	233	1,334,073	4,003	3,635	134	154	116	179	(310)	(5)
2025	112%	311	972,246	245	1,307,107	4,179	3,725	149	164	125	187	(321)	(5)
2026	114%	327	982,939	259	1,291,227	4,372	3,823	161	174	133	195	(334)	(6)
2027	117%	345	991,264	273	1,260,032	4,580	3,928	180	185	142	203	(344)	(6)
2028	119%	364	999,647	288	1,208,119	4,810	4,043	207	197	151	213	(348)	(6)
2029	121%	384	1,008,193	304	1,127,300	5,069	4,177	247	209	161	225	(343)	(6)
2030	124%	404	1,018,861	321	1,051,899	5,371	4,341	289	223	171	239	(337)	(6)
2031	126%	426	1,027,937	338	979,318	5,720	4,539	336	237	181	256	(331)	(7)
2032	128%	450	1,035,729	357	931,681	6,119	4,773	380	252	193	274	(333)	(7)
2033	130%	474	1,045,790	377	894,465	6,566	5,039	425	268	205	295	(337)	(7)
2034	132%	500	1,054,827	397	870,352	7,063	5,338	470	285	218	319	(346)	(7)
2035	134%	527	1,064,586	419	858,514	7,609	5,669	513	304	232	345	(360)	(7)
2036	136%	556	1,073,663	442	859,808	8,203	6,028	555	323	247	373	(380)	(8)
2037	138%	586	1,083,641	467	865,660	8,845	6,413	598	344	263	403	(404)	(8)
2038	140%	$618	1,093,216	$492	871,484	$9,535	$6,824	$644	$366	$280	$436	($429)	($8)

**Shown in dollars (not in millions). 2013 price adopted by GET Committee. Assumes continuation of current price-setting guidelines.*

***Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.*

Sensitivity of Best Estimate Results



The best estimate results are sensitive to the key assumptions used in the valuation. In this section, we calculated the results after varying the rate of investment return (as well as the discount rate), tuition growth, and number of units sold per year to illustrate the sensitivity of the results to these assumptions. The table in the first subsection shows these results.

We also show the projected cash flows of the program if it were closed as of the valuation date, which the reader can use with a discount rate they deem appropriate to determine the present value of the current contracts. A closed program refers to the full benefits of the program being paid out to contracts sold before the valuation date, but no units being sold beyond the valuation date. The table in the second subsection shows these results.

In addition, we show the termination liability under RCW 28B.95.100 and the corresponding expected cash flows if the GET program were to be terminated as of the valuation date. Program termination means anyone beyond four years of their first expected unit use year would be immediately paid out the current unit value. All participants within four years of unit use would continue to be able to use the program as is for up to ten years.

If program termination were to occur the present value of obligations as of the valuation date would be $2.380 billion and the fund value would be $2.294 billion, which would result in a deficit of $85 million and a funded status of 96.4 percent (represents the funded status if the program were terminated at the valuation date and before the immediate payout occurs). The decrease in liability is due to the immediate payout at a lower than expected unit value for a portion of the contract holders and a portion of the outstanding monthly contracts being cancelled. The decrease in fund value is due to a portion of the outstanding monthly contracts being cancelled (lower than expected contract receivables). The table in the third subsection shows these results.

Sensitivity to Economic Assumptions

Sensitivity of Results to Key Assumptions

(Dollars in Millions)	Best-Estimate	-1% Tuition	+1% Tuition	-1% Discount Rate	+1% Discount Rate	90% of Expected Unit Sales	110% of Expected Unit Sales
Present Value of Fund	$2,557	$2,557	$2,557	$2,569	$2,546	No Change	
Present Value of Obligations	$2,716	$2,517	$2,937	$2,956	$2,505		
Reserve / (Deficit)	($160)	$39	($380)	($387)	$41		
Funded Status (*as of June 30*)							
2013	94%	102%	87%	87%	102%	94%	94%
2014	95%	103%	88%	88%	103%	95%	95%
2015	96%	105%	89%	88%	105%	96%	97%
2016	98%	106%	90%	89%	107%	97%	98%
2017	99%	108%	91%	90%	108%	98%	99%
2018	100%	110%	92%	90%	110%	99%	101%
2019	102%	111%	92%	91%	112%	101%	102%
2020	103%	113%	94%	92%	114%	102%	104%
2021	105%	116%	95%	93%	116%	104%	106%
2022	106%	118%	96%	94%	119%	105%	107%
2023	108%	120%	97%	95%	121%	107%	109%
2024	110%	123%	99%	97%	123%	109%	111%
2025	112%	125%	100%	98%	126%	111%	113%
2026	114%	128%	102%	100%	128%	113%	115%
2027	117%	131%	104%	102%	131%	115%	118%
2028	119%	133%	106%	104%	133%	118%	120%
2029	121%	136%	108%	106%	136%	120%	122%
2030	124%	139%	110%	108%	138%	123%	125%
2031	126%	141%	112%	110%	141%	125%	127%
2032	128%	144%	114%	112%	143%	127%	129%
2033	130%	146%	116%	114%	145%	130%	131%
2034	132%	148%	118%	117%	147%	132%	133%
2035	134%	150%	120%	118%	149%	134%	135%
2036	136%	152%	122%	120%	151%	135%	137%
2037	138%	154%	123%	122%	153%	137%	138%
2038	140%	155%	125%	124%	155%	139%	140%

Closed Program Cash Flows

Projection of Current Contracts Only (If All Assumptions are Realized)											
(Dollars in Millions)								Cash Inflows		Cash Outflows	
Fiscal Year	Funded Status	Unit Value*	Number of Units Used	BOY Fund Value**	BOY Obligation Value	Net Cash Flow	Monthly Contracts	Investment Return	State Contributions	Unit Use	Expense
2013	94%	$118	1,144,877	$2,557	$2,716	$38	$53	$123	$0	($135)	($3)
2014	94%	118	1,276,479	2,556	2,726	19	48	124	0	(150)	(3)
2015	93%	127	1,416,533	2,539	2,718	(16)	43	124	0	(180)	(3)
2016	93%	138	1,542,386	2,490	2,679	(55)	38	122	0	(212)	(3)
2017	92%	149	1,549,491	2,406	2,605	(82)	33	119	0	(231)	(3)
2018	92%	161	1,511,138	2,298	2,509	(103)	29	114	0	(243)	(3)
2019	91%	171	1,407,639	2,171	2,394	(111)	25	108	0	(241)	(3)
2020	90%	182	1,329,308	2,040	2,274	(122)	21	102	0	(243)	(3)
2021	89%	194	1,304,976	1,900	2,147	(144)	18	94	0	(254)	(3)
2022	87%	207	1,264,530	1,741	2,002	(163)	15	86	0	(262)	(2)
2023	85%	220	1,206,031	1,566	1,841	(179)	12	77	0	(266)	(2)
2024	83%	233	1,146,360	1,376	1,666	(193)	9	67	0	(267)	(2)
2025	79%	245	1,078,040	1,176	1,482	(203)	7	57	0	(265)	(2)
2026	75%	259	1,017,403	966	1,289	(215)	5	45	0	(263)	(2)
2027	69%	273	934,993	747	1,088	(220)	4	34	0	(255)	(2)
2028	59%	288	830,002	524	883	(217)	2	22	0	(239)	(2)
2029	45%	304	692,189	305	684	(200)	1	11	0	(210)	(1)
2030	21%	321	558,239	104	504	(104)	0	1	75	(179)	(1)
2031	0%	338	415,570	0	347	0	0	0	142	(141)	(1)
2032	0%	357	285,854	0	220	0	0	0	103	(102)	(1)
2033	0%	377	176,684	0	126	0	0	0	67	(67)	(1)
2034	0%	397	96,107	0	64	0	0	0	39	(38)	(0)
2035	0%	419	46,324	0	28	0	0	0	20	(19)	(0)
2036	0%	442	16,898	0	9	0	0	0	8	(7)	(0)
2037	0%	467	3,144	0	2	0	0	0	1	(1)	(0)
2038	0%	$492	8	$0	$0	$0	$0	$0	$0	($0)	($0)

* Shown in dollars (not in millions).

** Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.

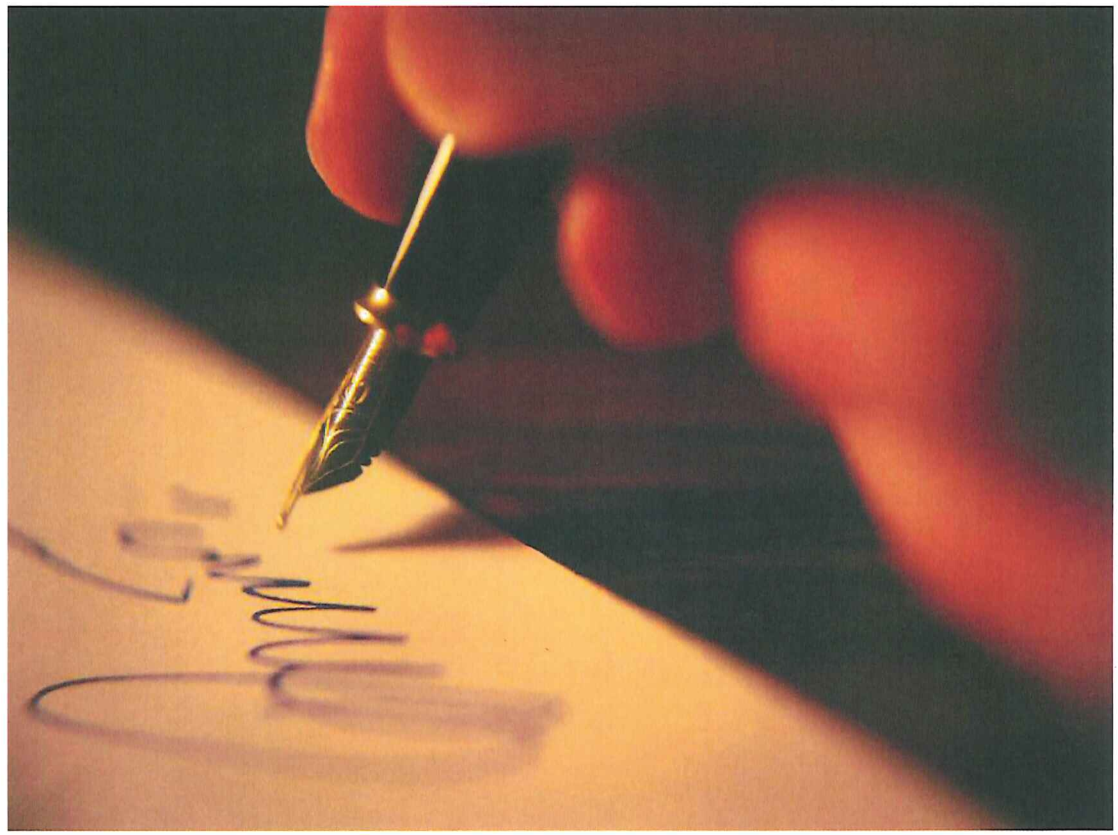
Terminated Program Cash Flows

Projection of Program Termination (If All Assumptions are Realized)											
(Dollars in Millions)							Cash Inflows			Cash Outflows	
Fiscal Year	Funded Status	Unit Value*	Number of Units Used	BOY Fund Value**	BOY Obligation Value	Net Cash Flow	Monthly Contracts	Investment Return	State Contributions	Unit Use	Expense
2013	96%	$118	11,427,173	$2,294	$2,380	($1,249)	$11	$88	$0	($1,346)	($1)
2014	92%	118	1,257,886	1,036	1,127	(90)	8	52	0	(148)	(1)
2015	91%	127	1,401,602	939	1,035	(129)	5	46	0	(179)	(2)
2016	89%	138	1,528,883	805	907	(172)	2	38	0	(211)	(2)
2017	85%	149	1,536,934	631	739	(202)	0	28	0	(229)	(2)
2018	79%	161	1,223,951	429	543	(180)	0	18	0	(197)	(2)
2019	68%	171	855,863	249	369	(138)	0	10	0	(147)	(1)
2020	47%	182	537,478	111	238	(96)	0	3	0	(98)	(1)
2021	10%	194	398,334	15	149	(15)	0	0	63	(77)	(1)
2022	0%	207	256,852	0	76	0	0	0	54	(53)	(0)
2023	0%	$220	114,857	$0	$25	$0	$0	$0	$26	($25)	($0)

** Shown in dollars (not in millions).*

*** Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.*

Actuarial Certification Letter



Office of the State Actuary

"Securing tomorrow's pensions today."

Actuarial Certification Letter
Guaranteed Education Tuition
Actuarial Valuation Report
As of June 30, 2013

September 2013

This report documents the results of a valuation for the Washington Guaranteed Education Tuition (GET) Program defined under Chapter 28B.95 of the Revised Code of Washington. The primary purpose of this report is to update the annual financial status of the program through the calculation of the funded status for current contracts in combination with the projection of the expected funded status in future years. This report also provides information on the sensitivity of the valuation results to key assumptions and developments in the program since the last valuation. This report should not be used for other purposes. Please replace this report with a more recent report when available.

The results summarized in this report involve calculations that require assumptions about future economic and demographic events. Standards of practice for prepaid tuition programs have not been defined within the actuarial profession. We used the standards of practice for pension systems where possible to guide the valuation of GET. We believe that the assumptions, methods, and calculations used in the valuation are reasonable and appropriate for the primary purpose as stated above, and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this publication. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

The results of the valuation **exclude the impacts of differential tuition**. If differential tuition were implemented and included in the GET unit payout value, the results of this valuation could materially change. Significant differences between the actual and assumed future enrollments will impact the results. This analysis will need to be updated in the future if the Legislature enacts either major reform to current tuition policy or other changes to GET.

Since the valuation results are based on assumptions about future events, actual results will differ to the extent that future experience differs from those assumptions.

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The GET Program staff provided the participant, asset, and historical data to us. We checked the data for reasonableness as appropriate based on the purpose of this valuation. An audit of the data was not performed. We relied on all the information provided as complete and accurate. In our opinion, this information is adequate and substantially complete for the purposes of this valuation.

We intend this valuation to be used by the GET Committee during the 2014 fiscal year only. This valuation should be used in combination with separately provided price-setting analysis in order to set the unit price for the 2013-14 enrollment period. We advise readers of this valuation to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this valuation as a whole. Distribution of, or reliance on, only parts of this valuation could result in its misuse and may mislead others.

Consistent with the actuarial Code of Professional Conduct, I, Matthew Smith, must disclose any potential conflict of interest. I have purchased units in GET; however, this does not impair my ability to act fairly. I have performed all analysis without bias or influence. The GET Committee contracted with OSA to perform this valuation, and I supervised the actuarial analysis performed.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,

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

Lisa Won, ASA, FCA, MAAA
Senior Actuary

Appendices

Appendix A — Assumptions, Methods, and Data

The assumptions used in this report can be divided into three broad categories: economic, demographic, and behavioral. We discuss the assumptions used in this valuation throughout the next three subsections.

Economic Assumptions

The two key economic assumptions are expected investment returns and expected tuition growth. The table to the right shows what we have assumed for this valuation.

Key Economic Assumptions	
Investment Returns	5.50% per year
Tuition Growth *(Excludes Differential Tuition)*	
2014-15	0.0%
2015-16	8.1%
2016-17	8.1%
2017-18	8.1%
2018-19	8.1%
2019-20	6.5%
2020-21	6.5%
2021-22	6.5%
2022-23	6.5%
2023-24	6.5%
2024-25+	5.5%

Expected investment returns are based on the Washington State Investment Board's (WSIB) Capital Market Assumptions (CMA) and current asset allocation over a fifteen-year period. We relied on the CMAs provided by WSIB as accurate and have reviewed them for reasonability. We've implicitly assumed the current 60 percent global equity/20 percent fixed income/20 percent inflation-indexed bond portfolio will remain unchanged throughout the projection period. The expected investment returns are used as the discount rate for the liabilities and receivables as well as the investment returns in our best-estimate projections.

The next tables show the structure of the tuition growth model we used to set the tuition growth assumption. Structurally, the model has the ability to add extra components such as a high tuition/high financial aid model or changing enrollment. However, since we've assumed these components are steady during this period we've left them out of the display.

The tuition growth model has three main structural components.

1. **Long-Term Inflationary Growth** — This represents the increase in total dollars spent on instruction. Over the last twenty years, this has increased by about 4 percent per year. We assume it will grow by 5.5 percent in the future.

2. **State Funding** — This represents the increase or decrease in the percent of total dollars assumed to come from the state versus tuition. Historically, it has decreased from approximately 80 percent (in 1990) to 31 percent (in 2013). This has put upward pressure on tuition since tuition increased to replace lost state funding. We assume state funding will continue to decline to about 25 percent and level out. As a result, we project tuition will increase above long-term inflationary levels over the ten-year period where state funding is assumed to decrease.

3. **Peer Catch-Up** — This represents additional total funding growth above the 5.5 percent inflationary component intended to improve quality and catch up to peer institutions according to RCW 28B.15.068 (assumed to grow at 5.5 percent annually). We assume the University of Washington will increase total funding 1.5 percent more per year through 2019.

Tuition Growth Assumption Structure						
(Dollars in Thousands)		Step 1 – Inflation		Step 2 - State Funding		
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2012-13	$686,000		30.9%	$212,000	$474,000	
2013-14	725,510	5.8%	28.9%	209,465	516,045	8.9%
2014-15	810,786	11.8%	31.3%	253,896	556,890	7.9%
2015-16	855,379	5.5%	30.6%	261,859	593,521	6.6%
2016-17	902,425	5.5%	29.9%	269,929	632,496	6.6%
2017-18	952,058	5.5%	29.2%	278,095	673,963	6.6%
2018-19	1,004,422	5.5%	28.5%	286,343	718,079	6.5%
2019-20	1,059,665	5.5%	27.8%	294,657	765,008	6.5%
2020-21	1,117,946	5.5%	27.1%	303,019	814,928	6.5%
2021-22	1,179,433	5.5%	26.4%	311,409	868,024	6.5%
2022-23	1,244,302	5.5%	25.7%	319,806	924,496	6.5%
2023-24	1,312,739	5.5%	25.0%	328,185	984,554	6.5%
2024-25+	$1,384,940	5.5%	25.0%	$346,235	$1,038,705	5.5%

2013 through 2015 data provided by the University of Washington.
Note: State and tuition dollars in a given year are used to develop tuition increases for the following year.

Tuition Growth Assumption Structure
Step 3 - Peer Catch Up

School Year	Peer Funding (per FTE)*	Peer Funding Growth	UW Funding (per FTE)*	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2012-13	$26,298		$20,284		77%	
2013-14	27,744	5.50%	19,663	(3.06%)	71%	0.0%
2014-15	29,270	5.50%	19,231	(2.20%)	66%	0.0%
2015-16	30,880	5.50%	20,577	7.00%	67%	8.1%
2016-17	32,579	5.50%	22,017	7.00%	68%	8.1%
2017-18	34,370	5.50%	23,558	7.00%	69%	8.1%
2018-19	$36,261	5.50%	$25,208	7.00%	70%	8.1%
2019-20						6.5%
2020-21						6.5%
2021-22						6.5%
2022-23						6.5%
2023-24						6.5%
2024-25+						5.5%

**2012-13 Values from University of Washington Planning and Budget Brief, dated November 29, 2012; based on 2010-2011 school year statistics.*

The tuition growth assumption does not consider differential tuition. The impact from differential tuition could vary based on how it interacts with the current contracts. If the payout value is tied to the highest rate of differential tuition, the tuition growth assumption would likely increase. However, if the payout value were tied to the lowest rate of differential tuition, the tuition growth assumption could actually decrease as base tuition may not need to increase as fast with higher differential tuition making up the difference.

- We assumed expenses would grow at an inflationary rate of 2.50 percent per year. Consistent with the most recent actuarial valuation, we assume:
- Maintenance expenses will be $19.57 per contract per year.
- Distribution expense will be $13.05 per contract in payment status per year.
- Monthly payment plan expense will be $1.54 per contract per month.

Demographic Assumptions

We based the new entrant (or future purchaser) cohort on the previous year's sales data provided by GET staff. We assumed each future cohort would have this same makeup.

The table to the right shows the percent of the population in each of the thirty-eight combinations. It also shows the number of units each combination purchases and the length of the monthly payment plan for those who select that payment option. For example, 1.9 percent of the people are assumed to purchase seventy-seven lump sum units that are kept for six years before being used.

To illustrate how we use the table, for every one hundred purchasers:

- Sixty-eight select the lump-sum payment option.
  - Each buys sixty-nine units.
- Thirty-two select the monthly payment plan option.
  - Each buys 124 units.
  - They pay for it over 142 months.

Future Purchaser Cohort Assumption

Length In Program	% Lump Sum	Lump Sum Units Purchased	% Monthly Payment Plan	Monthly Payment Plan Units Purchased	Length of Monthly Payment Plan
2	0.0%	10	0.0%	0	0
3	2.0%	58	0.2%	68	25
4	1.0%	58	0.4%	103	36
5	1.6%	71	0.7%	83	48
6	1.9%	77	0.9%	127	60
7	2.4%	82	1.3%	91	69
8	2.4%	90	1.5%	127	81
9	2.9%	73	1.8%	119	94
10	3.2%	78	1.6%	129	102
11	2.6%	88	1.5%	127	112
12	3.1%	89	1.8%	128	125
13	3.6%	76	1.8%	143	131
14	5.2%	75	2.6%	136	144
15	4.9%	62	2.1%	112	154
16	5.5%	61	2.7%	128	165
17	6.2%	49	2.7%	121	174
18	10.8%	59	4.2%	123	196
19	8.6%	74	4.2%	135	199
20	0.0%	1	0.0%	0	0
Total	**68.0%**	**69**	**32.0%**	**124**	**142**

Behavioral Assumptions

Redemption	
Year	Rate
0	20%
1	20%
2	20%
3	10%
4	10%
5	10%
6+	10%

We've made the following assumptions for GET contract holders.

- **Rate of Redemption** — This shows what percent of a contract holder's total units will be used upon reaching college (or their "use year"). We used the following assumptions.

Payment Default	
Year	Rate
1	2.5%
2	2.0%
3	2.0%
4	2.0%
5+	1.5%

- **Rate of Monthly Payment Default** — This shows the rate at which payments stop under monthly payment plan contracts. If default occurs, these contracts are converted to a lump sum plan. We used the assumptions in the table to the left.

Refund	
Year	Rate
1	1.10%
2	0.40%
3	0.25%
4	0.25%
5+	0.10%

- **Rate of Refund** — This shows the rate at which people ask for payouts for any reason other than tuition payments. We used the following assumptions.

We relied on the expense and behavioral assumptions set by the prior actuary as accurate. We reviewed them for reasonableness and plan to perform an experience study next year to determine if they should be altered.

We assumed purchasers are made up of 70 percent "cash constrained" and 30 percent "investors."

- **Cash Constrained** — Assumed to spend a certain amount on units each year. Currently assumed to equal $14,400 per contract and assumed to grow by 6 percent per year.

- **Investors** — Assumed to buy units based on the expected rate of return on the units over their expected holding length. Currently assumed to stop buying if the expected rate of return falls to 2 percent per year and buy the historical average amount at an expected rate of return of 5.5 percent per year.

We assumed the GET Committee would continue to follow their current price-setting guidelines throughout the projection period. Please see **Appendix D** for details on the current price-setting guidelines.

We assumed the GET Committee would price future units in line with the expected investment returns and tuition growth discussed in the Economic Assumptions subsection.

We assumed no Legislative changes will occur to the program over the projection period.

We further assumed no significant changes will be made to tuition policy over the projection period.

Methods

We valued the current contract and asset values in GET by estimating the future tuition payments (cash outflow), administrative expenses (cash outflow), and monthly contract payments (cash inflow). The estimation of future cash flows required assumptions about:

- When the contract holder will redeem their units.
- Whether they will stop making payments on their monthly payment plan.

- What tuition will be in future years.
- What administrative expenses will be over time.

We discounted these cash flows to today's value in order to calculate the plan's funded status at the valuation date. Discounting the cash flows to today's value requires an assumption regarding how fast invested money will grow over time. The idea is that $1 today is worth more next year ($1.06 in this case) due to investment earnings. Discounting moves the opposite way and states that $1.06 a year from now will be worth $1 today. Discounting all of the cash flows to one common year allows for an apples-to-apples comparison of all cash flows.

Unlike the current contract holders, we do not have data on who will purchase GET units in the future. So, the first step we took was to estimate the makeup of these future purchasers. We refer to the entire group of purchasers each year as a "cohort". The cohort for each purchase year is made up of thirty-eight different types of people. The thirty-eight types of people represent a mixture of the entire population. We expect each of the thirty-eight types of people to remain in the program between two to twenty years before starting to use their units, and are either lump sum or monthly payment plan purchasers. The thirty-eight combinations are made up of the nineteen different contract lengths multiplied by the two different payment options. The percent of the population expected to be in each of the combinations is shown in the assumption section.

Next, we valued the thirty-eight types of people in each cohort. We valued each cohort in the same way we valued the current contract holders in the actuarial valuation. We estimated the future tuition payments (cash outflow), administrative expenses (cash outflow), and monthly contract payments (cash inflow). The estimation of future cash flows required assumptions about when contract holders will redeem their units, whether they will stop making payments on their monthly payment plans, how tuition will change in future years, and what administrative expenses will be over time.

We then discounted these cash flows to the cohort's entry year. We repeated this process for each year in our 25-year projection, since we expect a new cohort to enter each year.

We then created a projection of the GET program that measures every key element during each future year.

For example, we start with the program's current status — present value of obligations, assets, funded status, and price. Throughout the next year, investment returns occur at our assumed rate, tuition grows at our assumed rate, people cash in tuition units at our assumed rate, and people buy new units at our assumed rate (discussed above in the assumption subsection). This particular projection moves the program forward assuming experience matches our assumptions exactly. We call this a deterministic projection because the current program and assumptions determine the future.

At the end of the first year, a valuation is performed and the new obligations, assets, and funded status are calculated. Based on the funded status from the valuation, we make an assumption for how the GET Committee will set a new price for the following year (according to their current price-setting guidelines).

Once the new price is set, we have projected one year. We repeat this process twenty-five times during our twenty-five-year projection. At the end of the projection, we have developed our "expected" path that the GET program will follow. Of course, in reality, the future will be different than we assume. We believe there is a 50 percent chance the future will be better for the program, and a 50 percent chance the future will be worse for the program.

Please see the **Sensitivity of Best-Estimate Results** section for how the results could differ under different assumptions.

Data

We used the contract data file provided by GET staff. We relied on this data file as accurate and complete since we value each entry in the file. We did not perform an audit of this data, but believe it is reasonable for the purposes of our work. We used data entries such as:

- **Program Year** — The contract holder's entry year into the program.
- **Use Year** — When the contract holder expects to start using units for tuition.
- **Payment Amount** — The monthly amount the contract holder owes on their payment plan.
- **Payments Due** — The number of monthly payments left on their monthly payment plan.
- **Units Outstanding** — The number of units the contract holder currently owns (including units still being paid for in the monthly payment plan).

To set our tuition growth assumption we studied the historical tuition data in the next table. We also examined average tuition growth over different periods (see the bottom of the table).

Year	Tuition Growth	Year	Tuition Growth
1982-83	11.0%	1998-99	4.0%
1983-84	11.2%	1999-00	3.7%
1984-85	0.0%	2000-01	3.4%
1985-86	22.7%	2001-02	7.1%
1986-87	0.0%	2002-03	16.0%
1987-88	7.9%	2003-04	7.0%
1988-89	3.8%	2004-05	6.6%
1989-90	1.7%	2005-06	6.8%
1990-91	6.9%	2006-07	6.9%
1991-92	11.5%	2007-08	6.8%
1992-93	3.4%	2008-09	6.8%
1993-94	12.4%	2009-10	13.1%
1994-95	14.8%	2010-11	13.1%
1995-96	3.9%	2011-12	19.0%
1996-97	4.0%	2012-13	15.2%
1997-98	3.9%	2013-14	0.0%
5-Year Average			11.9%
10-Year Average			9.3%
20-Year Average			8.0%
32-Year Average			7.8%
Standard Deviation			5.64%

Appendix B — Assets

The table to the right shows the GET Fund Value. The value of the fund includes the market value of assets held by the Washington State Investment Board (WSIB) along with the present value of the monthly contract receivables.

Fund Value	
Market Value of Assets *(Dollars in Millions)*	
Cash	$51
Inflation Indexed Bonds (TIPS)	405
Fixed Income	425
Global Equities	$1,389
Total Market Value of Assets	$2,271
Present Value of Monthly Contracts	286
Total Fund Value	$2,557

The target asset allocation is currently 60 percent global equity, 20 percent fixed income, and 20 percent inflation-indexed bonds.

The current WSIB Capital Market Assumptions are shown to the right. The average 6.49 percent portfolio return is a one-year arithmetic return. When compounded over a fifteen-year period, the arithmetic return decreases to a 5.88 percent geometric return.

2013 Capital Market Assumptions			
Asset	Return	Standard Deviation	Weight
TIPS	2.70%	5.50%	20.00%
Fixed Income	3.50%	5.75%	20.00%
Global Equities	8.75%	18.50%	60.00%
Portfolio	6.49%	11.41%	100.00%
Correlation	TIPS	Fixed Income	Global Equities
TIPS	1.00		
Fixed Income	0.40	1.00	
Global Equities	0.00	0.15	1.00

Appendix C — Contract Data

Number of Units Sold By Unit Price		
Enrollment Year	Unit Price	Units Sold
1998-99	$35	1,374,095
1999-00	38	615,327
2000-01	41	523,702
2001-02	42	2,463,500
2002-03	52	2,099,531
2003-04	57	1,896,635
2004-05	61	2,108,360
2005-06	66	2,146,191
2006-07	70	2,339,431
2007-08	74	2,102,305
2008-09	76	3,177,699
2009-10	101	2,624,367
2010-11	117	2,697,696
2011-12	163	943,718
2012-13	$172	1,038,773

Number of Units Outstanding by Use Year		
Fiscal Year	Expected Unit Value	Units Starting to be Used
2013*	$118	6,100,387
2014	$118	1,375,772
2015	$127	1,416,366
2016	$138	1,365,402
2017	$149	1,372,132
2018	$161	1,321,473
2019	$171	1,237,012
2020	$182	1,308,116
2021	$194	1,223,965
2022	$207	1,101,022
2023	$220	1,047,702
2024	$233	965,819
2025	$245	912,638
2026	$259	743,690
2027	$273	604,851
2028	$288	359,089
2029	$304	245,827
2030	$321	96,273
2031	$338	117
2032	$357	-

**Includes contracts that already started using units.*

Appendix D — Price-Setting Guidelines

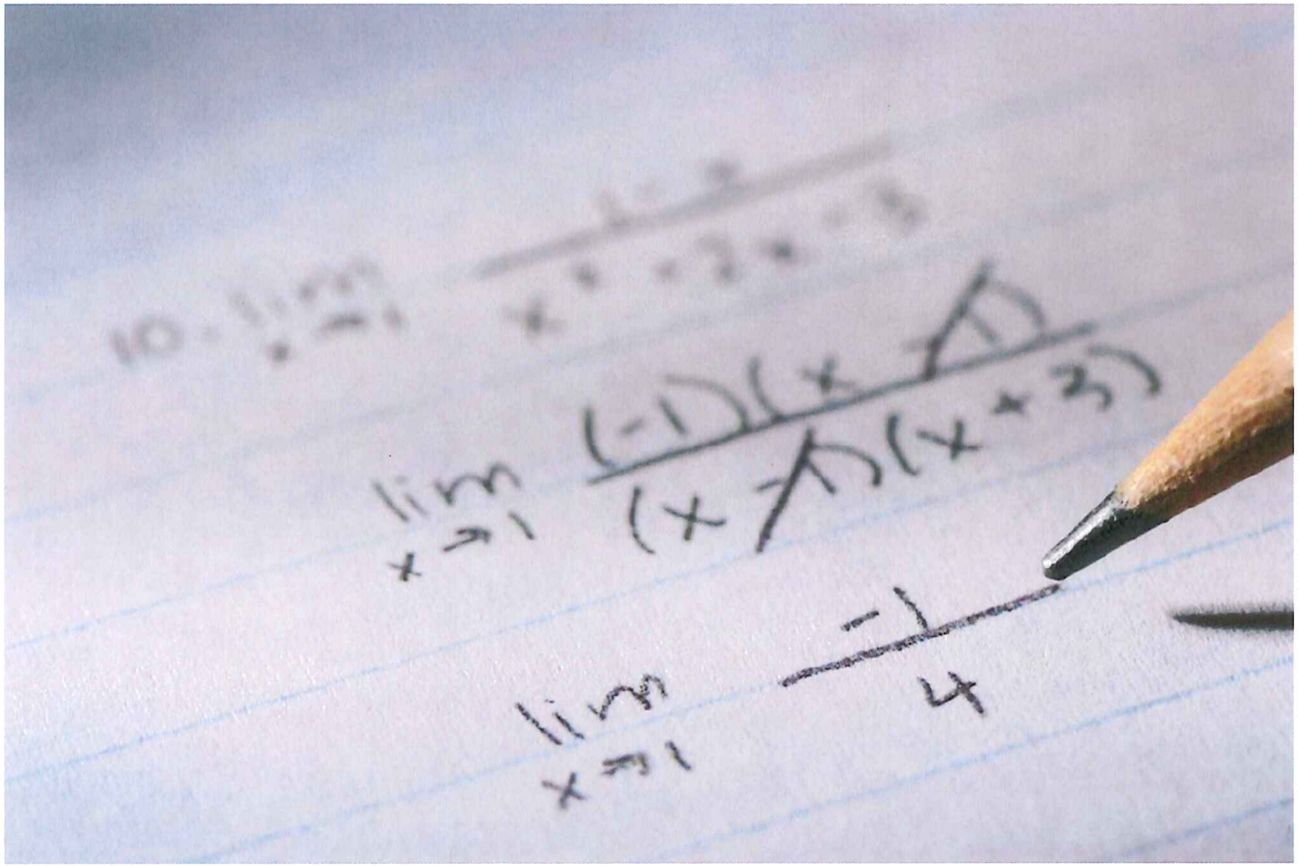
In 2011, the GET Committee adopted new price-setting guidelines (how we price future units) to address the new tuition-setting policy established by the Legislature and to return the program to a fully funded status. The current price-setting guidelines include the following four parts:

- **Expected Cost** — Covers the expected cost of future tuition and certain administrative expenses.
- **Expenses** — Covers the GET program's annual operating expenses.
- **Reserve** — Covers unexpected future costs such as above-expected tuition growth or below-expected investment returns. The current price-setting guidelines call for a 15 percent reserve. This component can be increased or decreased to alter the probability that a unit will ever create an unfunded liability in the future.
- **Amortization** — An optional component that covers unexpected past costs from significant program or policy changes. In 2011, the committee established a one-time 30-year amortization of the unfunded liability measured at June 30, 2011.

After two years of experience, the full funding plan remains on track. Unit sales exceeded the amount required under the amortization schedule (over 960,000 units sold versus 845,000 required for the year under the thirty-year amortization schedule).

GET Unit Price Information		
Category	2012-13 Enrollment	2013-14 Enrollment
Unit Price		
Expected Cost	$127.66	$126.42
Expenses	5.33	5.45
Reserve	19.95	19.78
Amortization	19.73	20.82
Total Unit Price	**$172.00**	**$172.00**

Note: Totals may not agree due to rounding.



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