

**Guaranteed Education Tuition
Committee Meeting
Tuesday August 18, 2015**

**J.A. Cherberg Building, Capitol Campus
Senate Hearing Room 4
Olympia, WA 98504
1:00 p.m. – 4:00 p.m.**

AGENDA

Call to Order & Welcome

- | | |
|--|-----------------|
| • Approval of July 13, 2015 Minutes | ACTION |
| • Chair's Report | INFO/DISCUSSION |
| ○ Review Legislative Direction of 2ESSB5954 | |
| • Review of Issues & Recommendations | INFO |
| ○ Amortization | |
| ○ Refund Fees / 2 Year Holding Period | |
| ○ Refund of Contributions | |
| ○ Delay of New Unit Sales | |
| • Public Comment | INFO/DISCUSSION |
| • Committee Discussion of Issues & Recommendations | INFO/DISCUSSION |
| • Committee Action | ACTION |
| • Information Sharing / Discussion Regarding
529 Savings Plan Options | INFO/DISCUSSION |
| • Additional Public Comment (if time allows) | INFO/DISCUSSION |
| • Adjournment | |

Upcoming Meeting:

Tuesday, September 1, 2015
Cherberg Building, Capitol Campus
Senate Hearing Room 1
2:00 p.m. – 4:00 p.m.

GUARANTEED EDUCATION TUITION PROGRAM

Monday, July 13, 2015
J.A. Cherberg Building, Capitol Campus
Senate Hearing Room 4
Olympia, WA 98502

WSAC staff in attendance:

Betty Lochner, GET Director
Ryan Betz, Associate Director of GET Marketing and Communications
Betsy Hagen, Associate Director of GET Operations
Luke Minor, GET Marketing & Communications Manager
Katie Gross, Special Assistant to the GET Director
Jackie Ferrado, GET Community Relations Manager
Mallorie Rich, GET Quality Assurance Coordinator
Marc Webster, Senior Fiscal Advisor
Maddy Thompson, Director of Policy and Government Relations
Don Alexander, Director of Financial and Business Services
Hailey Badger, Intern for Policy, Planning and Research

Visitors in attendance:

Rick Brady, Attorney General's office
Matt Smith, State Actuary
Christi Steele, Office of the State Actuary
Allyson Tucker, Washington State Investment Board
Theresa Whitmarsh, Washington State Investment Board
Liz Mendizabel, Washington State Investment Board
Jeff Krueger, Stoel Rives
Scott Copeland, State Board for Community and Technical Colleges
Elissa Goss, Washington Student Association
Katherine Long, Seattle Times
Scott Merriman, Office of the State Treasurer
Kim Cushing, Washington State Senate
Cheri Berthon, Office of Financial Management
Paula Moore, Office of Financial Management
David Carr, GET Account Owner
Megan Mulvihill, Office of Program Research
Megan Wargacki, Office of Program Research
Catrina Lucero, Office of Program Research
James Hong, State Auditor's office
Evan Klein, Washington State Senate

WELCOME

Gene Sharratt, Executive Director of the Washington Student Achievement Council (WSAC) and Chair of the GET Committee, called the meeting to order at 2:01 p.m. Sharratt welcomed the Committee, Council staff, GET staff, and all meeting participants. Beth Berendt, citizen member,

Jim Crawford for David Schumacher, from the Office of Financial Management, Treasurer James McIntire, and Mooi Lien Wong, citizen member, were also present.

Sharratt provided an update to the Committee regarding the outcome of the legislative session as it pertains to the GET program. The Legislature provided specific direction to the GET Committee to ensure short and long term stability of the fund. Sharratt also recognized the GET staff who have quickly adjusted to this legislative direction and thanked them for their professionalism.

Sharratt reviewed the agenda and noted that there would be time for public comment. He also noted that if there is a need for an executive session, the Committee will move to talk with legal counsel, as noted on the meeting agenda.

APPROVAL OF THE NOVEMBER 18, 2014 MINUTES

Beth Berendt motioned to approve the minutes as presented and the minutes were approved unanimously as presented.

DIRECTOR'S REPORT

Betty Lochner, GET Director, stated that this past enrollment year, over 5,000 new accounts were opened and over 618,000 new units were purchased. More than \$600 million dollars has been distributed from GET accounts since inception, and starting August 1, distributions for the 2015-2016 fall term will begin. Over 40,000 students have used GET to attend college.

GET INVESTMENT UPDATE

Allyson Tucker, Senior Investment Officer of Risk Management and Asset Allocation for the Washington State Investment Board (WSIB), thanked the Committee for the opportunity to provide an update on the first quarter investment report. Throughout the quarter the assets were all within policy ranges.

Tucker noted that in December of 2014, the WSIB approved the strategic asset allocation changes discussed in the last meeting. That change has been adopted and is reflected in the presented report. Tucker let the Committee know that the WSIB adopted the Capital Market Assumptions in 2015. This information has been communicated to the Office of the State Actuary and will be used for unit price-setting work.

ACTUARIAL REVIEW

Matt Smith, State Actuary, informed the Committee that he and his staff have completed the experience study that looks at four main categories: economic, demographic, behavioral, and miscellaneous. The information from this study is preliminary until the audit is complete.

The Actuarial Valuation is the next piece of work for the actuary and his staff. The June 30 data file which reflects all the new unit purchases was just received. Staff from the Office of the State Actuary (OSA) will be able to update the health and status of the program based on this information. It will reflect new assumptions as well as the budget. All of the significant changes will be reflected in the Actuarial Valuation which will also be reviewed by the outside actuary.

Once the Committee has made decisions regarding the future of the program, staff work will move forward. OSA staff will also be working on the feasibility study once this project starts.

Berendt noted that she was curious about the completion of the experience study before it was turned over for peer review. She stated her concern in regards to the demographic and behavioral pieces of the study due to recent and pending changes. Berendt asked when the study was completed and if uncertainty was incorporated into the study.

Smith responded that the study was completed before the legislative session started. The study does not reflect legislative changes but the information is still important and necessary for making adjustments in the future. If purchasers choose to hold their funds longer, or if there is a higher number of refunds to process, these items will be reflected in the next actuarial analysis. The experience study's findings will act as the foundation information.

Berendt stated that the projected number of sales has always been an important piece.

Smith agreed that the legislative change is significant and it will change the assumptions going forward. He noted that what primarily is the highest variable is the unit price as well as the premium charged above the expected cost of tuition. However, the experience study is the anchoring point before adjustments are made.

LEGISLATIVE DIRECTION OVERVIEW

Marc Webster, Senior Fiscal Policy Advisor for the Washington Student Achievement Council (WSAC), provided a brief update of the approved legislation impacting the GET program. During both the 2015-2016 and 2016-2017 fiscal years, tuition will be reduced at state, regional, technical, and community colleges. Tuition setting authority has been returned to the legislature. This biennium, it freezes the GET payout at \$117.82/unit for two academic years. As 2ESSB 5954 states, this tuition reduction allows the Committee to “make program adjustments it deems necessary and appropriate to ensure that the total payout value of each account...is not decreased or diluted as a result of the initial application of any changes in tuition...”

Webster noted that the legislation directs the Committee to provide a feasibility study to look at the funded status of the program. Next, the Committee will also look at the feasibility of creating a 529 savings program. The Committee will also look at the possibility of changing the payout value from tuition-based to one that is based on the cost of attendance. They will also research alternatives and impacts that remove the state penalty for non-qualified withdrawals.

Lochner added that the bill will increase the program's funded status and it has protected customers' accounts by freezing the payout value. 2ESSB 5954, as stated by Webster, calls for the GET Committee to make the necessary program adjustments to ensure GET customer accounts are not decreased or diluted as a results of lower tuition. It also allows the GET Committee the opportunity to open a traditional 529 savings plan in order to help more customers/citizens save in new ways.

PUBLIC COMMENT

Sharratt informed the Committee that there six letters received to date from constituents regarding the legislative impacts on the program. These specific letters were asked to be brought to the Committee and some reflect concern and some reflect gratitude to program administrators. These letters were not read aloud but each Committee member was given copies. Sharratt opened the floor for public comment.

David Carr, a GET account owner, addressed the Committee stating that he's been contributing to the program for a number of years and has a custom monthly contract on which he's making payments. He asked if there will be the option to stop contributing to his custom monthly account in the upcoming year depending on what's decided moving forward. Sharratt responded to Mr. Carr, stating that a GET staff member can discuss his account options after the meeting is adjourned. Mr. Carr was appreciative of this response. Sharratt thanked him for his comment.

POSSIBLE ACTION ITEMS

Lochner informed the Committee that the customers the program has heard the most from are those that purchased new units in the last four years. These specific customers purchased units that included an amortization fee that was fixed in to each unit. The intent of this amortization fee was to help improve the program's funded status. The Committee believed this adjustment would possibly take up to 30 years to bring the program's funded status to 100%. However, just four years later, the funded status is now over 100%. With the passing of 2ESSB 5954, GET staff recommend the Committee should provide customers with a few options:

- 1.) The first option is to provide this cohort of customers with the opportunity to receive a full refund for the units they purchased at the price of \$163 and/or \$172 per unit, including any applicable enrollment fees.
- 2.) The second option is to provide this same cohort of customers with the opportunity to wait until September 2015 when the State Actuary has recalibrated a new potentially lower purchase price for their units originally purchased. Customers who prefer to keep their units will be refunded the difference between the price they originally paid and the new lower price that may be established by the Actuary in the fall of 2015. In this particular case, Lump Sum customers retain the same number of units they originally purchased and Custom Monthly Plan customers continue to purchase the same number of units in their original contract; however, at a new lower monthly payment amount.

Treasurer McIntire asked if the staff anticipate the first option allowing customers to purchase additional units at a lower price. Lochner responded that unless the program is opened for new unit purchases, each customer would only have one of the two options.

McIntire asked if program penalties would be waived for all customers. He asked what would happen if someone submitted a refund due to these new terms. Lochner stated that staff are looking at options for all of the customers, however, the main focus is this immediate group of customers. Information will be shared at the next Committee meeting about waiving program fees for all customers. The Committee will also need to decide if they want to open the program for new customers, or allow current customers to purchase new units.

Berendt stated that she is in support of reduced tuition but that she is also in support of having a program that is predictable and sustainable. Berendt believes this program is an investment program. Berendt noted that there has been a lot of activity in the press saying customers won't be hurt and she's hopeful the Committee will look at a variety of options. She believes that these options need to include the actuary's office as it will take purchaser behaviors into account. Berendt asked about the program accepting Custom Monthly payments, with the concern that those that purchased in the last couple of years are most likely overpaying. Berendt also wants to make sure there's a true understanding of what the IRS code 529 says about these refunds. No action should be taken that penalizes customers. The Committee should plan to look at all of the impacts of program suspension, a heightened amount of refunds, cash flow issues, etc., per Berendt. She believes that reduced tuition for the state of Washington is a great thing. However, so is the GET program. Berendt expressed her anxiety of the status of the budget.

McIntire echoed Berendt's comments and concerns. McIntire stated that lowering tuition is a beneficial for parents and students but it's the Committee's sole duty to look out for the interest of the account holders. The Committee is legally bound and personally committed to looking out for the best interest of the GET account holders. McIntire noted his concern regarding the idea of recalibrating prices and selling additional units which would be in excess of the current payout value. McIntire noted the following suggestions for the upcoming August GET Committee meeting agenda:

- Should the Committee maintain a penalty if customers choose to suspend their contracts?
- Refund of amortization
- Discuss the offer to refund the past four years of new unit purchases at the purchase price
- Offer to refund prior purchased units at the current payout value
- Eliminate the 10% withdrawal penalty
- Discuss potential suspension of the sale of new units for up to two years while we decide how to price the unit
- Creating a 529 savings plan for the state that would provide an option where the state would not be guaranteeing anything but would provide a tax free savings option
- Evaluate options for the future of GET

McIntire's main concern is the around the notion of recalibrating a price at which GET would be selling new units.

Lochner responded that the recommendation is to back out the amortization paid for the past four years. The customers within those four years would receive a refund of the difference between the purchase price they paid and what the purchase price would have been without the amortization piece. For those with Custom Monthly plans, this recommendation would reduce the monthly payment amount. For those with Lump Sum accounts, it would simply reset the purchase price, without the amortization. All customers would get refunds of the difference.

McIntire stated that his concern with this is starting a process and going part way and not having all of the pieces completely thought through.

Lochner responded stating that the program administrators are asking for thoughtful direction so that customers are given some answers. This specific item is the one piece GET staff feel could be looked at at this time. The Committee looked at the amortization fee impacts before this specific item was in the legislature.

Smith stated that the Committee has talked about this before. Since adding the amortization fee, the fourth year of purchases has just completed. The final dollar amount for this enrollment period hasn't come through, but Smith's estimate is that around \$60 to \$80 million dollars came in due to the amortization fee. GET has a \$3 billion dollar fund. If the decision was made to back out the amortization fee, roughly \$60-\$80 million dollars is the amount that would be refunded. Lochner mentioned it went from double-digit tuition growth and low investment returns to flat tuition and now potentially decreased tuition and strong recovery in the investment market. If the Committee decides that the amortization is no longer necessary, that's the amount of money that could be refunded. Smith added that the impact would be a 1% change in the funded status, possibly 2% on the upper end. In 2011, the program was 78% funded. One of the options presented to the Committee was to add this amortization layer to bring the funded status up and to keep the program open. It was thought to be a 30-year payment plan based off of tuition growth. No one knew that tuition growth would be so low. This is a possible first step and larger decisions regarding program continuation and unit sale options could be made at a later date.

Mooi Lien Wong stated that she, too, wants to make sure the Committee moves cautiously. She wants to make decisions with both short-term and long-term impacts in mind. Berendt echoed McIntire's concern that more information is needed to make this decision. She wanted to be very clear that it is her over-riding goal that GET continues.

Sharratt asked the Committee if they felt the need to go into Executive Session. McIntire asked staff if they anticipate that any legal action may be taken by customers. Rick Brady, the Assistant Attorney General, representing the GET program, stated that he has reviewed emails and letters from account holders primarily. There has been concern noted about what might happen with funds and the continuation of the program. All are interested in what will be decided. Brady thinks it's fair to say that there are people contemplating taking legal action depending on the action that the Committee takes.

Members indicated there was no need for an executive session.

Lochner assured the Committee that the steps that the Treasurer mentioned are going to be looked at in the next steps of both the feasibility study and the 529 savings plan research. GET staff has started a work plan and a lot of the addressed issues will fall under the feasibility study that the Committee has been directed by the legislature to begin.

McIntire asked if any refund estimates have been run in the event that the first recommendation is agreed upon. Lochner responded that there are about 55,000 accounts that fall in to that four-year cohort. These specific accounts have between one and 500 units. McIntire stated his concern regarding refunds. Lochner stated that if the offer to refund is presented, but only for a portion of someone's account, it gets administratively complicated. Steps taken should reflect the directive to make accounts whole.

Berendt asked if the feasibility study is due in December and Lochner stated that it is due in December of 2016. However, it's possible it will be done earlier. Berendt confirmed that a number of these issues will be looked at in the feasibility study, however, there will be a number of nervous account holders in the meantime. Refunds can include federal penalties, and Berendt is concerned about having customers pay these penalties. Lochner stated that federal penalties would only apply if an account had a gain on it. This particular cohort wouldn't have a gain so there would be no taxable increased value. However, if refunds were issued on every account, some customers could experience a taxable event.

Beth stated that she is a holder of 400 paid-in-full GET units and is willing to recuse herself from future conversations if a conflict of interest arises.

McIntire noted that as much work that can be done should be completed by this December as customers shouldn't be left hanging. Berendt echoed that it doesn't seem as though the Committee can make any decisions on this main issue today. No motion was made on the action item.

No additional public comments were made.

Sharratt stated that he and GET staff would be staying after the meeting in case there were questions. He reminded the Committee of future meeting dates, future meeting agenda items, and that he would touch base with each member in the near future. He thanked all for attending.

ADJOURNMENT

Meeting adjourned at 2:54.



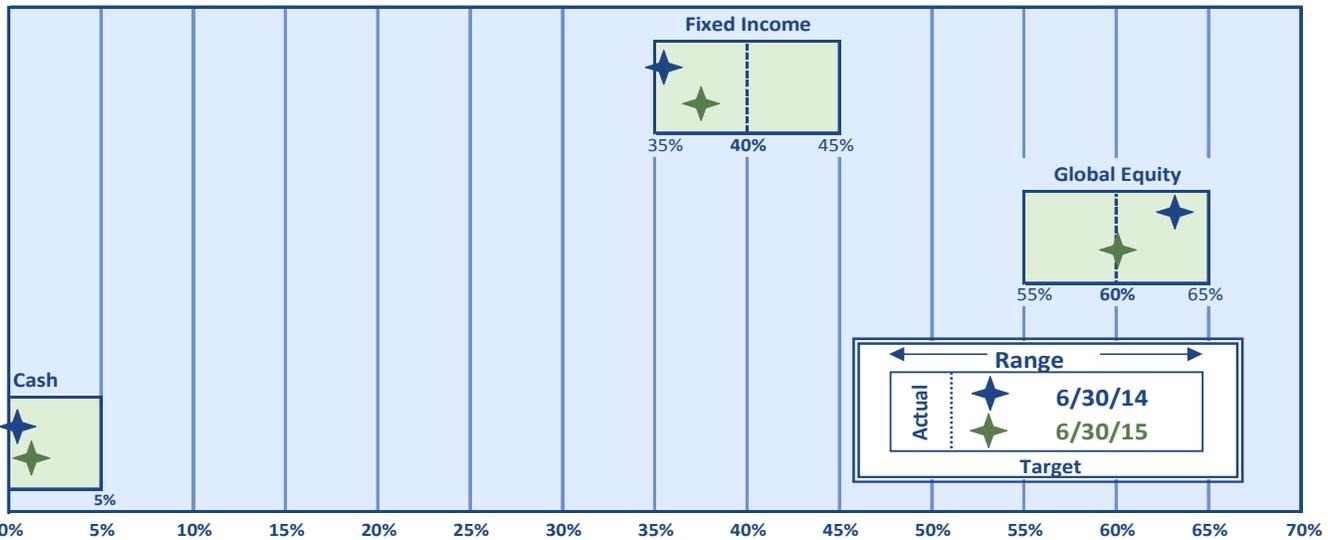
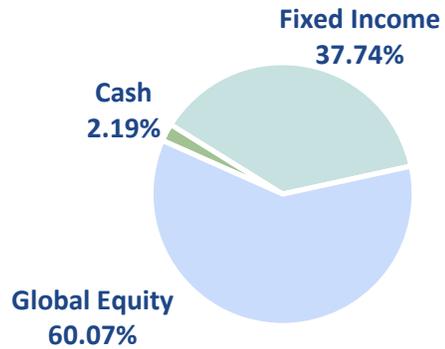
GET Prepaid College Tuition Program

Quarterly Report – June 30, 2015

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

Portfolio Size **Actual Asset Allocation**

Total	\$2,664,112,353
Cash	\$58,243,363
Fixed Income	\$1,005,441,257
Equity	\$1,600,427,734

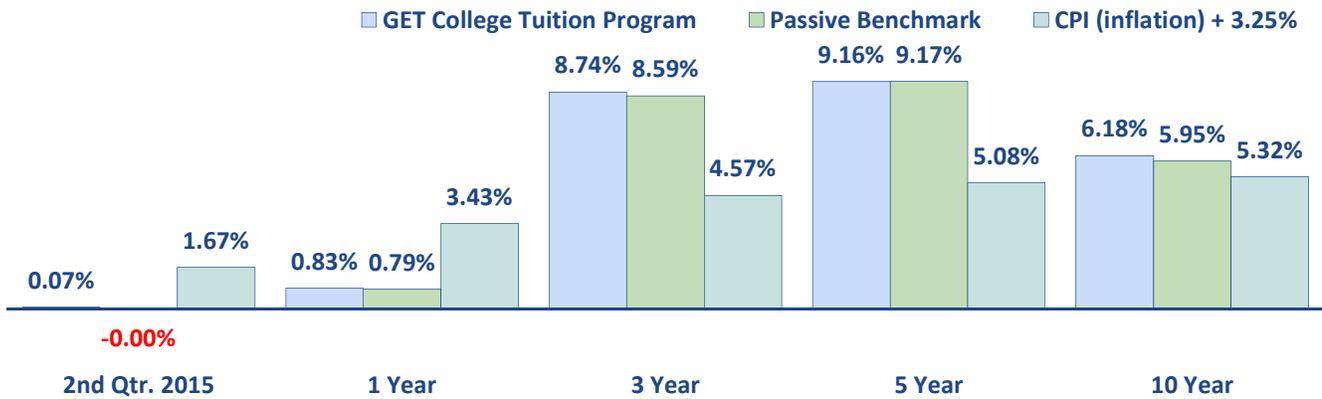


Note: For comparison purposes in the chart above, fixed income and TIPs were added together for the prior year.

Assets Under Management



Total Return *



Return Breakdown

Equity Return *

Benchmark: MSCI ACWI IMI w/U.S. Gross 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.

GET Committee Meeting

August 18, 2015



Welcome & Approval of Minutes



Chair's Report

- Review of the work that's been accomplished in the past 7 weeks
- Review of the College Affordability Act
- Review of customer survey responses
- Summary of guiding principles for decision making



Legislative Direction in the College Affordability Act



- **Tuition is reduced** at all public institutions of higher education in WA:
 - 15% at UW and WSU (5% below 2014-15 levels in 2015-16, & another 10% below 2014-15 levels in 2016-17);
 - 20% at CWU, EWU, WWU and The Evergreen State College (5% below 2014-15 levels in 2015-16, & another 15% below 2014-15 levels in 2016-17) and;
 - 5% in 2015-16 academic year at the community and technical colleges.
- Tuition-setting authority is returned to the Legislature:
 - Beginning in 2017-18 resident undergraduate tuition growth is capped at the annual percentage growth rate in the median state wage.
- Provides for higher education funding enhancements to adjust for the revenue loss to the institutions from tuition reductions.

Legislative Direction in the College Affordability Act continued



Directs the GET Committee:

- To set the payout value at \$117.82 per unit for the 2015-16 and 2016-17 academic years (current value).
- To “make program adjustments it deems necessary and appropriate to ensure that the total payout value of each account ... is not decreased or diluted as a result of the initial application of any changes in tuition...”
- If the GET committee provides additional units as a result of E2SSB5954, the maximum number of units that can be redeemed in any year must be increased as well.
- To conduct a feasibility study to explore the following:
 - Impact of tuition reductions on the funded status of the program;
 - Feasibility of creating a 529 savings program;
 - Changing payout value from tuition to cost of attendance and;
 - Alternatives/impacts of removing a state penalty for non-qualified withdrawals.

Chair's Report



Customer Survey Feedback

- Over 1,000 responses.
- Concerns over the value of their accounts now and in the future.
- Anxious for committee decisions.
- Would like ability to rollover to another 529 savings plan.
- Concerns over GET not keeping pace with out-of-state/private school tuition.
- Would like options and flexibility with the assets in their accounts.
- Do not want to incur any penalties or fees for refunds or rollovers.

Chair's Report



Guiding Principles To Assist Committee Decision Making:

- Maintain actuarial soundness, integrity and confidence in the program.
- Where possible, provide equitable treatment of all customers.
- Minimize risk to the state and to account holders.
- Where possible, provide customers with options and flexibility.
- Explore potential college savings vehicles so that customers continue to have a way to save for future higher education expenses.

Review of Issues & Recommendations



Issues for Discussion:

- 1.) Amortization Fee
- 2.) Refund Fees / 2 Year Holding Period
- 3.) Refund of Contributions
- 4.) Delay of New Unit Sales



Review of Issues & Recommendations



Amortization Fee Background Information:

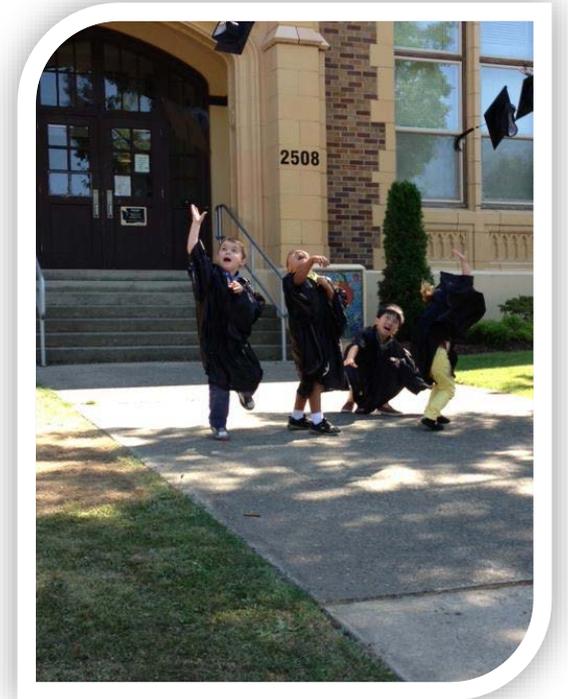
- Fee added to purchase price in 2011 in order to make up for past losses.
- Fee not paid by any other customer cohort.
- Goal of amortization fee was to get funded status of program to 115%.
- Anticipated it could take as long as 30 years to reach this goal.
- Due to higher than expected investment returns and lower than expected tuition growth, the program is likely to exceed this 115% funded status goal when the Actuary's next valuation is completed.

Review of Issues & Recommendations



Amortization Fee Background Information Continued:

- **Amortization fee paid by year:**
 - 2011-12: \$18.70
 - 2012-13: \$19.73
 - 2013-14: \$20.82
 - 2014-15: \$20.82
- **Total cost of amortization refund would be:**
\$60,147,401
- **Total number of accounts that would receive a refund:**
50,481
- **Total number of unique account owners that would receive a refund:**
33,116



Review of Issues & Recommendations



Amortization Fee Background Information Continued:

- Based on the market value of assets at June 30, 2014, including the present value of future payments for custom monthly contracts, a refund of at least \$14 million but less than \$42 million will decrease the program's funded status by 1% (measured at June 30, 2014). A refund of at least \$42 million but less than \$70 million will decrease the program's funded status by 2% (measured at June 30, 2014).
- The program's funded status at June 30, 2014, was 106%. We expect the program's funded status, measured at June 30, 2015, to increase well above 115% even if we assume the tuition policy changes from the recently enacted state budget remain for two years only.

Review of Issues & Recommendations



Amortization Fee Recommended Action:

- Effective August 19, 2015, refund the amortization fee paid by customers who have unredeemed units at a purchase price of \$163 or greater. The amortization fee paid by year is as follows: 2011-12, \$18.70 per unit; 2012-13, \$19.73 per unit; 2013-14, \$20.82 per unit; and 2014-15, \$20.82 per unit.



Review of Issues & Recommendations



Refund Fees Background Information:

- Tuition reductions were never a part of the program's pricing assumptions, payout considerations and marketing materials.
- Some customers are reconsidering the value of the program to them, and the refund penalties make it harder to move between savings options.
 - By waiving the GET refund penalties, the program provides a means of direct rollovers to other 529 savings plans.
- Current customers pay the following refund fees when leaving the program after 6 months:
 - Refund Penalty: 10% of earnings or \$100, whichever is greater
 - Account Cancellation Fee: \$10
 - Account Maintenance Fee: \$1.70 per month while the account was open and active
 - Customers must wait two years before they can request a refund or qualified distribution

Review of Issues & Recommendations



Refund Fees Recommended Action:

- Effective August 19, 2015 through December 15, 2016, waive all GET program refund fees and the two-year hold requirement for all account owners.
 - *By providing a 16 month window to take advantage of this option, account owners are able to wait and see what new products or services might be offered by the program before having to make a decision regarding their GET account.*



Review of Issues & Recommendations



Refund of Contributions Background Information:

- Account owners who purchased units at \$163 and \$172 who plan to use their units in the next 6 to 8 years may not be able to recover their initial contributions to the program because of the recent changes in tuition-setting policy.
- Account owners who have purchased units through a Custom Monthly Plan may also have paid more than the current payout value due to finance charges associated with these plans. Due to the recent changes in tuition-setting policy, it may take several years to regain their contributions.

Refund of Contributions Background Information:

- Based on feedback we have received from our customer survey, phone calls and emails, we believe account owners who are planning to use their units in the next 8 years are most likely to request a refund of contributions.
- If account owners who plan to use their units in the next 8 years request a refund of contributions that would amount to \$199 million.
 - 546,867 units at a price of \$163 per unit
 - 638,176 units at a price of \$172 per unit
 - This represents 32% of total units purchased by this customer cohort

Refund of Contributions Background Information:

- A refund of \$126.4 million in contributions, paid at June 30, 2014, would reduce the program's funded status measured at June 30, 2014, by 5%.
- The program's funded status at June 30, 2014, was 106%. We expect the program's funded status, measured at June 30, 2015, to increase well above 115% even if we assume the tuition policy changes from the recently enacted state budget remain for two years only.

Review of Issues & Recommendations



Refund of Contributions Recommended Action:

- Move to permit account owners to receive a refund of their contributions for unredeemed units until December 15, 2016.
 - *By providing a 16 month window to take advantage of this option, account owners are able to wait and see what new products or services might be offered by the program before having to make a decision regarding their GET account.*



Review of Issues & Recommendations



Delay of New Unit Sales Background Information:

- The program is required to conduct a legislatively mandated feasibility study on the future viability and direction of the program based on the impacts of the College Affordability Act.
- The following questions must be answered as part of the study:
 - How do we protect customer account values after two-year payout value is unfrozen?
 - What is the impact of decreasing tuition rates on the funded status and future unit price?
 - What are some alternatives and impacts for changing the program's distribution policy from tuition and fees to a cost of attendance metric?
 - What is the feasibility and impact of establishing a 529 college savings plan?
 - What are some potential alternatives and impacts for whether the state penalty for withdrawal should be changed?
- It is important that the program has answers to these important questions before the program considers selling new units.

Review of Issues & Recommendations



Delay of New Unit Sales Recommended Action:

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



Review of Issues & Recommendations



Summary:

- Recommendations today are the first steps in many to come.
- Today's possible actions are to provide customers with some initial options.
- Moving forward we will look at a number of longer-term solutions to benefit customers.
- Steps we are taking today are not the final steps.

Public Comment Period

- **Time for Public Comment (30 Minutes)**

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



Committee Discussion of Issues & Recommendations



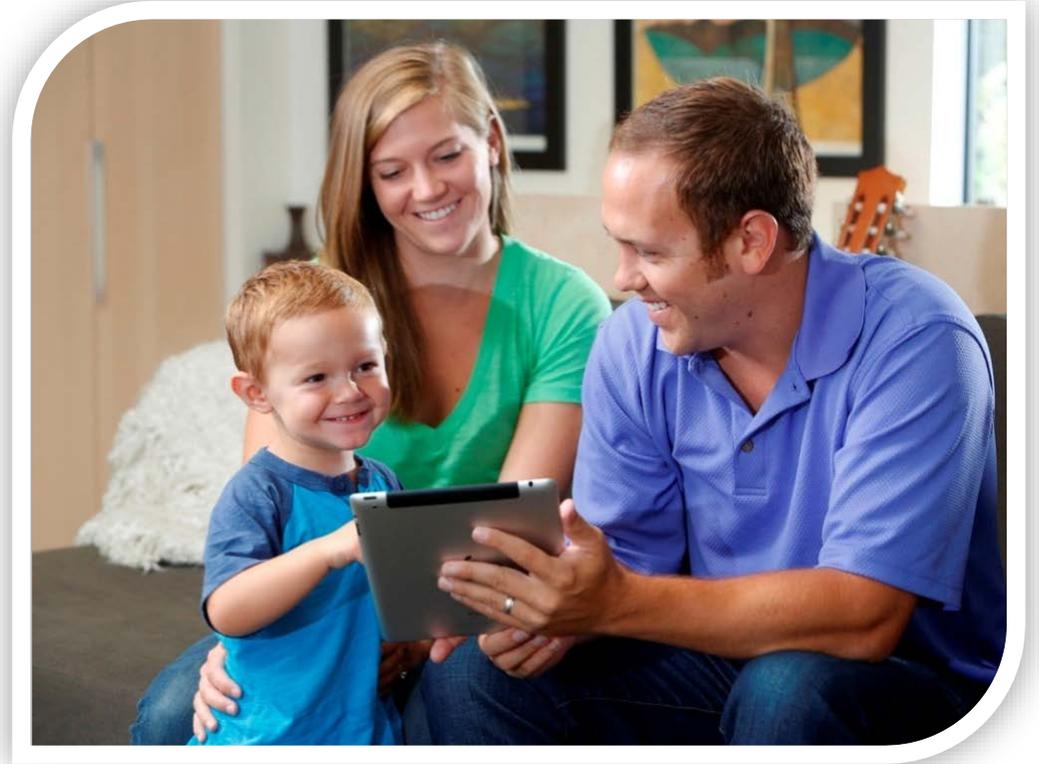
- Amortization
- Refund Fees / 2 Year Holding Period
- Refund of Contributions
- Delay of New Unit Sales



Committee Action on Issues



- Amortization
- Refund Fees / 2 Year Holding Period
- Refund of Contributions
- Delay of New Unit Sales



Information Sharing / Discussion Regarding 529 Savings Plan Options



*Options for a 529 Savings Plans:

- 1.) State Run Program
- 2.) Contracting with a Third-Party Program Manager
- 3.) Partnering with Another State-Run 529 Savings Program

**Report prepared by: Jamie Canup, Partner with Hirschler Fleischer Attorneys at Law*



Information Sharing / Discussion Regarding 529 Savings Plan Options



1.) State Run Program

- Greater control of the program:
 - Marketing
 - Operations
 - Customer Service
- Investment decisions and investment options managed by state
 - As assets under management increase, lower fees result for account owners
- Most expensive option to start up and operate in early years
 - IT infrastructure would be significant early investment of both time and money
 - Could contract with third-party record keeper to reduce costs
- GET already has existing staffing structure in place to operate program
- Direct sold program
 - Advisor sold program not an option



Information Sharing / Discussion Regarding 529 Savings Plan Options



2.) Contracting with Third-Party Program Manager

- State outsourced 529 plan / State gets a professionally-managed program.
- Advantage: No creation of infrastructure to run program, no need to hire staff to run the program.
 - State cannot outsource its fiduciary obligations.
- Program manager provides professional management and investment advice and possible access to underlying funds at a cost-effective alternative.
 - Program manager provides record-keeping, reporting obligations, a call center with extended hours to serve account owners, and national marketing and communications.
- Account owner can take advantage of services provided by a professional financial planner and broker-dealers to help make investment decisions.
 - Advisor sold program.

Information Sharing / Discussion Regarding 529 Savings Plan Options



2.) Contracting with Third-Party Program Manager Continued

- Disadvantage: State loses control over the ability to tailor program to meet its particular needs.
- Must accept that the program will “fit the mold” created by third-party manager.
- Does not provide much flexibility in how the program is structured.
- State fee charged to cover program expenses must remain small in order to remain competitive, so once you start this model you are almost locked in to it.
- Focused on reaching a national audience by selling to more affluent investors in order to build more scale and raise more revenue for the program manager.

Information Sharing / Discussion Regarding 529 Savings Plan Options



3.) Partnering with Another State-Run 529 Savings Program

- Limited attempts by states to partner with other states.
- Outsource to a state that already runs its own program.
- Lots of questions if this can be done under the various securities laws.



Information Sharing / Discussion Regarding 529 Savings Plan Options



The main question for the committee is:

- What does the State of Washington wish to offer and achieve for its citizens when considering what the parameters of its 529 college savings plan should look like?



Additional Public Comment Period



- **Time for Public Comment (If time allows)**

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



Questions & Answers

- **Meeting Adjournment**
- **Next Meetings:**
 - **Tuesday, September 1, 2015**
Cherberg Building, Capitol Campus
Senate Hearing Room 1
2 p.m. to 4 p.m.
 - **Wednesday, October 7, 2015**
Cherberg Building, Capitol Campus
Senate Hearing Room 3
2 p.m. to 4 p.m.
 - **Thursday, December 3, 2015**
Cherberg Building, Capitol Campus
Senate Hearing Room 3
1 p.m. to 3 p.m.

