

Guaranteed Education Tuition (GET) Committee Meeting

Thursday, July 6, 2017

John A. Cherberg Building, Capitol Campus
Senate Hearing Room 1
Olympia, WA 98504
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order: Welcome & Member Introductions

- Approval of the February 22, 2017 Minutes ACTION
- Chair's Report INFORMATION
 - Michael Meotti, GET Committee Chair/WSAC Director*
 - *Legislative Update*
- Director's Report INFORMATION
 - Betty Lochner, GET Director*
 - *Savings Plan Development Update*
 - *GET Refunds and Distributions Update*
- GET Investment Update INFORMATION
 - Allyson Tucker, Washington State Investment Board*
- GET Reopening – Program Payout, Policies & Pricing DISCUSSION/ACTION
 - Betty Lochner, GET Director*
 - Maddy Thompson, WSAC Director of Policy & Government Relations*
 - Luke Minor, AD for GET Marketing & Communications*
- Public Comment
- Adjournment

Next Meeting:
Wednesday, September 13, 2017
J.A. Cherberg Building, Capitol Campus
Senate Hearing Room 3
Olympia, WA 98504
2:00 p.m. – 4:00 p.m.

GUARANTEED EDUCATION TUITION (GET) PROGRAM

Committee Meeting Minutes

February 22, 2017

John A. Cherberg Building, Capitol Campus

Senate Hearing Room 3

WSAC Staff in Attendance:

Betty Lochner, GET Director

Luke Minor, GET Associate Director for Communications and Marketing

Michael Bennion, GET Associate Director for Fiscal Planning

Betsy Hagen, GET Associate Director for Operations

Jackie Ferrado, GET Community Relations Manager

Dan Payne, GET Marketing and Communications Specialist

Katie Gross, Special Assistant to the GET Director

Don Bennett, WSAC Deputy Director

Rachelle Sharpe, WSAC Deputy Director

Maddy Thompson, WSAC Director of Policy and Government Relations

Marc Webster, WSAC Senior Fiscal Policy Advisor

David Mitchell, WSAC Chief Technology Officer

Guests in Attendance:

Matt Smith, State Actuary

Michael Harbour, Office of the State Actuary

Rick Brady, Office of the Attorney General

Clint McCarthy, Senate Caucus Staff

Chris Phillips, Washington State Investment Board

David Walddon, Office of the Chief Information Officer

Brad Hendrickson, Office of the State Treasurer

C.W. Mullen, Citizen

Denny McKee, Citizen

Mike Mulligan, Citizen

Pat Mulligan, Citizen

Albert Tsien, Citizen

WELCOME AND APPROVAL OF MINUTES

Mike Meotti, Executive Director of the Washington Student Achievement Council and Chair of the GET Committee, welcomed the GET Committee members and meeting participants. The GET Committee members in attendance were Treasurer Duane Davidson, Beth Berendt, and, via phone, Mooi Lien Wong.

APPROVAL OF THE NOVEMBER 8, 2016 AND JANUARY 19, 2017 MINUTES

Meotti called for a motion to approve the November 8, 2016 and January 19, 2017 meeting minutes. Berendt motioned to approve the minutes and Davidson seconded the motion. The minutes were unanimously approved as presented.

CHAIR'S REPORT

Meotti introduced himself as the new chair of the GET Committee and welcomed newly elected State Treasurer, Duane Davidson.

DIRECTOR'S REPORT

Betty Lochner, GET Director, provided an update on the 2017 Legislative Session and the development of a 529 college savings plan.

Lochner noted that, in January, the Committee directed staff to revise and reissue an RFP for vendor services for a 529 savings plan, while continuing to analyze other options. Lochner stated that the plan is to reissue the RFP around the end of February and to provide another update at the next scheduled GET Committee meeting.

Davidson asked if any states have had successful partnerships with another state to run a 529 savings plan. Lochner responded that there have been two state partnerships and neither of these partnerships were successful. However, these partnerships were some time ago and there have been a number of changes in the industry since then.

Lochner provided an update on GET non-penalty refund statistics:

- a. Staff have processed 19,718 refunds for a total of \$377 million.
- b. In August, the program added the ability to perform direct rollovers and have processed 935 of those, equaling around \$23 million.
- c. Of all accounts that were active on July 1, 2015, roughly 16% have refunded or rolled over into another 529 plan; we have around 102,000 active accounts remaining.

Lochner provided statistics on GET distributions for current college students:

- a. Since August 1, when the program began distributing units for the 2016-17 academic year, nearly \$100 million has been distributed for over 13,000 students who are using their GET units to help pay for school.
- b. With \$960 million distributed to over 47,000 students since the program's inception, we are anticipating reaching the \$1 billion mark later this year.
- c. Of all the accounts opened since GET's inception, 30% have used or are using their units.

GET INVESTMENT REPORT

Chris Phillips, Institutional Relations Director for the Washington State Investment Board (WSIB), provided the fourth quarter GET investment report. At the end of the fourth quarter, the value of the GET fund was just over \$2 billion. Phillips recapped the current asset allocation, which was modified over a year ago to increase liquidity in response to program changes. There was a net decline in contributions of \$57.3 million in the fourth quarter. Phillips also spoke to market factors currently impacting return rates.

Davidson asked for more information about the weakness in the three year equity return compared to the one and five year periods. Phillips responded that he didn't bring a current analysis of this but would look at what attributed to the weakness.

GET REOPENING DISCUSSION – PROGRAM POLICIES

Lochner provided an overview of the three key policy areas for the Committee to discuss as they look at considerations for reopening GET to new enrollments and unit purchases later this year:

1. Custom Monthly Plans
2. Unit Maximums
3. Minimum Unit Holding Period

Lochner noted the overarching considerations:

- a. What is the optimal balance between customer flexibility, customer protection, and the GET fund's financial health?
- b. What are the potential financial, customer behavior and operational impacts of any proposed program modifications?
- c. Between new customers, current customers, and certain groups of current customers, who will be impacted by possible program modifications, and how will they be affected?

Custom Monthly Plans

Lochner noted that the features of the Custom Monthly plans have been the same since 2001. Reviewing these features will help ensure Custom Monthly plans are achieving the objective of providing customers a convenient way to pay over time. There are no statutory specifications or requirements for these plans, so the Committee has discretion on setting the components for these. The current 7.5% financing rate was set in 1998 and has remained unchanged. In 2001, the Committee increased the maximum Custom Monthly plan contract length from 10 to 18 years. Nearly one third of all GET accounts opened have been Custom Monthly plans.

Unit Maximums

Lochner stated that since 1998, the lifetime unit maximum per beneficiary has been 500 units per student. Only about 9% of GET accounts have reached the unit maximum. GET was designed to cover resident undergraduate tuition and state-mandated fees at Washington public universities, but can be used at private and out-of-state schools, and for other college expenses. Statute allows the GET Committee to set limits on the number of units purchased as long as those limited are not less than what is needed for four years of Washington public tuition and fees.

Minimum Unit Holding Period

Currently, statutory language requires a two-year minimum holding period before units can be redeemed. The Committee has the authority to increase the minimum but they never have. It is disclosed to customers that the purchase price is higher than what the units are worth. Program materials note that customers should hold units until the payout value exceeds the purchase price (the 2014-15 program materials estimated this would take 6 to 7 years). On average, customer hold their units just over seven years.

Lochner stated that although decisions aren't being made today, staff will be asking for feedback if the Committee wants to change any of these current policies. The next Committee meeting will include more discussion that could lead to action.

Berendt clarified that if the program launches a soft reopen on July 1, the Committee would need to make decisions by April. Berendt asked when the new contracts are being printed and Lochner answered that materials won't be printed until the unit price is set in the fall. Any changes that are made would be reflected in the new contract (finalized in the summer). Luke Minor, Associate Director for GET Marketing and Communications added that the unit price information will be included in the program details and would be based on the most current contract that's available. Lochner stated that if there were updates in the summer or fall, information reflecting changes would be given to customers.

Berendt noted while we would hope to implement a soft reopening and have a 529 savings plan, there are still unanswered questions that we need to be aware of moving forward. Matt Smith, State Actuary, responded that depending on the nature of any changes, the repercussions could be minimal. If a policy change puts more restrictions around a current policy then the process could be more difficult.

GET REOPENING DISCUSSION - PRICING

Lochner noted that it's been more than two years since the Committee has set the unit price. Some unit price components and inputs have changed since the last unit pricing exercise. The statute directs the Committee to review the status of the GET fund annually and to look at external factors that may impact the program. The Committee then adjusts the unit purchase price as necessary. It's probable that the next unit price might be lower than the last one that was set.

Smith stated that customers purchase units and have the right to exchange that unit for 1% of a year of tuition. Any time after two years, the customer has the option to redeem the unit. No matter what happens to tuition, this is how the unit will be cashed in. Pricing the unit includes a number of components. The actuarial staff look at the expected growth of tuition, tax policy, budgets, tuition policy, investment earnings, etc. The unit pricing exercise has three major components:

1. Expected cost: covers the expected cost of future tuition and certain administrative expenses. This is a best estimate, not a range.
2. Expenses: Covers the GET program's annual operating expenses.
3. Reserve: Covers unexpected future costs such as above-expected tuition growth or below-expected investment returns.
4. Amortization (optional): An optional component the Committee can implement to cover unexpected costs due to significant program or policy changes.

Smith noted that actuarial staff will be working with GET program staff to conduct a preliminary pricing analysis. We won't know what the tuition budget is until it's adopted by the legislature. Current law says that tuition won't grow more than the average of state average wage growth for the last 15 years, which is roughly 2%. Therefore, if the Legislature sticks to the policy, staff can

expect at least two years of tuition growth at 2% each year. It makes sense to wait until the Legislature passes a budget to ensure we have those first two years. After that, the pricing model reverts to a long-term mean for estimated future tuition growth. The pricing analysis will be finalized in July and August. Smith noted that any policy changes that are decided on will also affect the analysis and unit pricing. Final analysis will be confirmed this fall and the Committee can determine the reserve in September.

Davidson asked if the 15% reserve is in statute or if it's set by the Committee. Smith responded that the Committee sets the reserve and that it's always good to revisit it. Actuarial staff can look at what a 15% really means and how the reserve can protect the program (from lower rates of return, from higher tuition, etc.). The reserve hasn't always been set at 15%.

Davidson asked if 15% is higher than the reserve used to be. Berendt responded that when the program was first established, she doesn't believe there was a reserve component. At that time, the Committee wasn't sure what premium should be charged. In 2002, the program went from a fully funded status to being under funded. The Committee wanted a reserve to help smooth the unexpected ups and down (tuition, economy, etc.). Davidson clarified that having a reserve could decrease the chance of having to add the amortization piece back into the unit price. Berendt responded that at that time, the Office of the State Actuary came onboard and was able to do some risk analysis. Lochner stated that when the program was originally started, there was a desire to keep the premium as low as possible. That changed due to a number of variables, and reserve guidelines were eventually adopted by the Committee.

Smith stated that making the unit affordable and balancing the risk that the state carries are two major factors that allow us to provide the guarantee.

Meotti mentioned looking at the average age of the beneficiaries vs. a prototypical investor. Smith responded that his staff have a tool that they'll be sharing with the Committee members that looks at variables such as this.

Lochner stated that further discussion around pricing scenarios will take place during the next few meetings. In addition to the actuary's office, staff are working closely with other partners, including our AAG, Rick Brady, to understand the legal environment and impacts around possible program policy decisions.

PUBLIC COMMENT

Denny McKee, GET customer, asked if the Committee can provide reassurance to customers that their accounts won't suffer any harm. Lochner responded that the Committee, with the help of the Attorney General's office, will be addressing all of the possible outcomes with customers in mind.

McKee asked if there would be anything to prevent someone from refunding their account now and then repurchasing new units later to make sure no harm was suffered. Lochner responded that these scenarios are being discussed. Berendt added that the Committee will keep fairness and equity in mind throughout all of this. It will be an open and transparent process.

Winston Mullen, GET customer, noted that his main interest is to try and determine which plan is to his advantage (the current prepaid program or new savings plan opening later this year). Mullen asked when customers may know which plan may be more profitable. Meotti commented that the savings plan isn't tied to tuition policy. Lochner stated that an RFP is being issued and GET will most likely open before the savings plan does. The goal is to have two products that provide different options for saving for college.

There were no further questions or comments.

ADJOURNMENT

Meotti asked for a motion to adjourn. Berendt motioned to adjourn the meeting and Davidson seconded the motion. The meeting adjourned at 3:02 p.m.

GET Committee Meeting

July 6, 2017



Welcome

Review Meeting Minutes

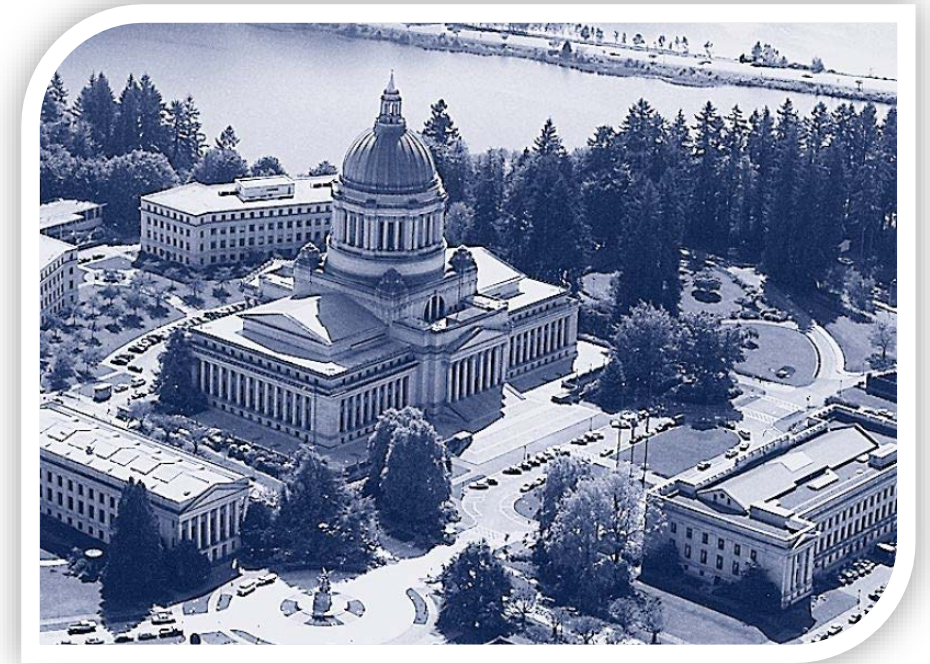
- February 22, 2017



Chair's Report

Legislative Update – 2017 Session

- **Budget bill provisions:**
 - College Affordability Program tuition policy will continue (~2.2% increase).
 - GET reopening date adjusted. GET must reopen no later than by July 1, 2018.
- **Other legislation impacting GET:**
 - Four bills initially introduced (none have yet passed).



Director's Report

Betty Lochner
GET Director

- **Updates**
 - Savings Plan Development
 - GET Distributions and Non-Penalty Refunds

Director's Report

Savings Plan Development Update

- Progress since February GET Committee meeting and next steps:

Timeframe	Activity
March 3 - May 2, 2017	WSAC issued a modified RFP for program and investment management services
May - June 2017	WSAC reviewed bids and interviewed finalists
June 26, 2017	WSAC announced it will enter contract negotiations with BNY Mellon (proposal met all RFP/SB 6601 requirements)
July - August 2017	Conduct contract negotiations
Fall 2017	Begin implementation once a contract is signed

Target launch date: January 2018

Director's Report

Savings Plan Development Update

- **BNY Mellon overview:**
 - Large wealth-management firm with trillions of dollars of assets under management and under custody.
 - Currently provides similar services to Oregon ABLE plans; will provide services to Washington's ABLE plan.
 - BNY Mellon and its subsidiaries would provide all services requested in RFP.



Director's Report

BNY Mellon Proposal Alignment with Statute

Key Statutory Requirements (per SB 6601)		
Eligibility	Open to residents and nonresidents of Washington. Minimum contributions cannot exceed \$25.	✓
Investments and Fees	Must offer age-based investment options. Annual investment fees cannot exceed ½ of 1 percent	✓
Policy Goals	Process (well-diversified glide path for age-based portfolios and robust suite of investment options) People (well-resourced/talented/long-tenured investment manager) Parent (professionally managed plan) Performance (solid risk-adjusted returns over time) Price (good value investment options)	✓
Rollovers	Offer expedited direct rollover process between savings plan and GET and with other 529 plans.	✓

Director's Report

Non-Penalty Refund Update (September 2, 2015 – June 23, 2017)

• Number of requests received and processed:

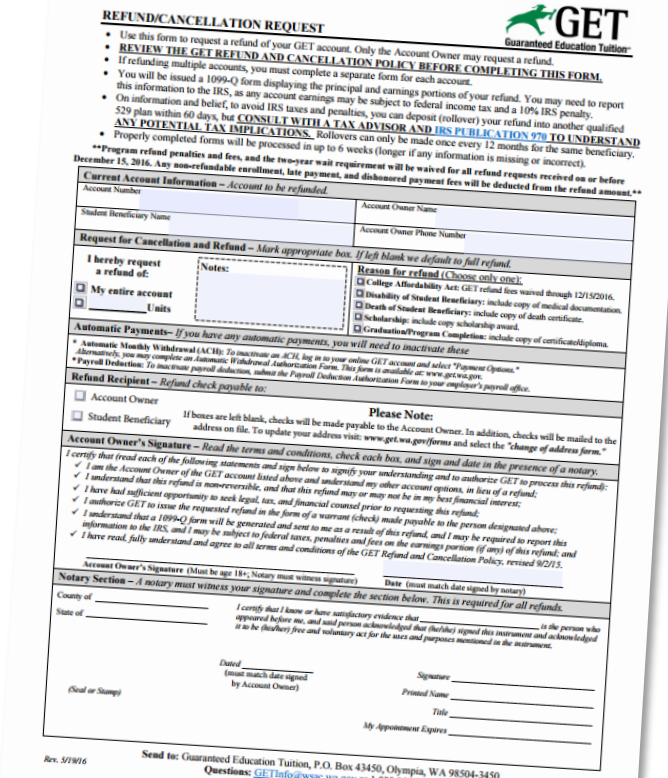
- Non-penalty refunds: **21,081**
- Outgoing rollovers: **1,588**

• Estimated dollar value of processed requests:

- Non-penalty refunds: **\$399 Million**
- Outgoing rollovers: **\$38 Million**

• Overall account statistics:

- Proportion of all accounts refunded or rolled over during non-penalty refund window: **17.4%**
- Remaining total active accounts: **99,210**
- Remaining purchased units: **14.5 million**



REFUND/CANCELLATION REQUEST

Use this form to request a refund of your GET account. Only the Account Owner may request a refund.

REVIEW THE GET REFUND AND CANCELLATION POLICY BEFORE COMPLETING THIS FORM.

If refunding multiple accounts, you must complete a separate form for each account.

You will be issued a 1099-Q form displaying the principal and earnings portions of your refund. You may need to report this information to the IRS, as any account earnings may be subject to federal income tax and a 10% IRS penalty.

On information and belief, to avoid IRS taxes and penalties, you can deposit (rollover) your refund into another qualified 529 plan within 60 days, but **CONSULT WITH A TAX ADVISOR AND IRS PUBLICATION 970 TO UNDERSTAND ANY POTENTIAL TAX IMPLICATIONS.** Rollovers can only be made once every 12 months for the same beneficiary.

Properly completed forms will be processed in up to 6 weeks (longer if any information is missing or incorrect).

****Program refund penalties and fees, and the two-year wait requirement will be waived for all refund requests received on or before December 15, 2016. Any non-refundable enrollment, late payment, and disbursement payment fees will be deducted from the refund amount.****

Current Account Information – Account to be refunded.

Account Number: _____ Account Owner Name: _____

Student Beneficiary Name: _____ Account Owner Phone Number: _____

Request for Cancellation and Refund – Mark appropriate box. If left blank we default to full refund.

I hereby request a refund of:

☐ My entire account ☐ Units

Reason for refund (Choose only one):

☐ College Affordability: GET refund has waived through 12/15/2016.

☐ Disability of Student Beneficiary: include copy of medical documentation.

☐ Death of Student Beneficiary: include copy of death certificate.

☐ Scholarship/Program Completion: include copy of certificate/diploma.

Automatic Payments – If you have any automatic payments, you will need to deactivate these:

☐ Automatic Monthly Withdrawal (ACH): To deactivate an ACH, log in to your online GET account and select "Payment Options."

☐ Payroll Deduction: To deactivate payroll deduction, submit the Payroll Deduction Authorization Form to your employer's payroll office.

Refund Recipient – Refund check payable to:

☐ Account Owner ☐ Student Beneficiary

Please Note: If boxes are left blank, checks will be made payable to the Account Owner. In addition, checks will be mailed to the address on file. To update your address visit: www.get.wa.gov/forms and select the "change of address form."

Account Owner's Signature – Read the terms and conditions, check each box, and sign and date in the presence of a notary.

I certify that (read each of the following statements and sign below to signify your understanding and to authorize GET to process this refund):

☒ I am the Account Owner of the GET account listed above and understand my other account options, in lieu of a refund;

☒ I understand that this refund is non-reversible, and that this refund may or may not be in my best financial interest;

☒ I have had sufficient opportunity to seek legal, tax, and financial counsel prior to requesting this refund;

☒ I authorize GET to issue the requested refund in the form of a warrant (check) made payable to the person designated above;

☒ I understand that a 1099-Q form will be generated and sent to me as a result of this refund, and I may be required to report this information to the IRS, and I may be subject to federal taxes, penalties and fees on the earnings portion (if any) of this refund; and

☒ I have read, fully understand and agree to all terms and conditions of the GET Refund and Cancellation Policy, revised 9/2/15.

Account Owner's Signature (Must be age 18+; Notary must witness signature) _____ Date (must match date signed by notary) _____

Notary Section – A notary must witness your signature and complete the section below. This is required for all refunds.

County of _____ State of _____

I certify that I know or have satisfactory evidence that _____, the person who appeared before me, and said person acknowledged that (he/she) signed this instrument and acknowledged it to be (his/her) free and voluntary act for the uses and purposes mentioned in the instrument.

Notary Signature _____ Date _____

Printed Name _____ Title _____

My Appointment Expires _____

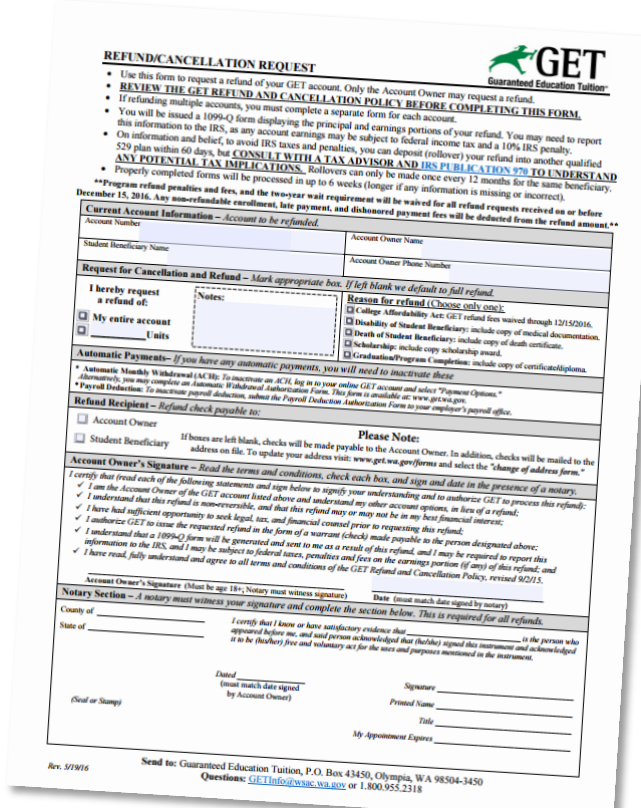
Send to: Guaranteed Education Tuition, P.O. Box 43450, Olympia, WA 98504-3450
 Questions: GETInfo@wsac.wa.gov or 1.800.955.2318

Director's Report

Non-Penalty Refund Update (September 2, 2015 – June 10, 2017)

• Cohort account statistics (units bought after May 2011):

- Accounts opened between 2011-2015 and total cohort units purchased: **27,573 accounts; 3,959,799 units**
- Portion of accounts opened between 2011-2015 that have refunded or rolled over: **33%**
- Total accounts remaining with at least one unit purchased between 2011-2015 and total cohort units remaining: **38,289 accounts; 2,395,242 units**



REFUND/CANCELLATION REQUEST

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 • **REVIEW THE GET REFUND AND CANCELLATION POLICY BEFORE COMPLETING THIS FORM.**
 • If refunding multiple accounts, you must complete a separate form for each account.
 • You will be issued a 1099-Q form displaying the principal and earnings portions of your refund. You may need to report this information to the IRS, as any account earnings may be subject to federal income tax and a 10% IRS penalty.
 • On information and belief, to avoid IRS taxes and penalties, you can deposit (roll over) your refund into another qualified 529 plan within 60 days, but **CONSULT WITH A TAX ADVISOR AND IRS PUBLICATION 970 TO UNDERSTAND ANY POTENTIAL TAX IMPLICATIONS.** Rollovers can only be made once every 12 months for the same beneficiary.
 • Properly completed forms will be processed in up to 6 weeks (longer if any information is missing or incorrect).
 • **Program refund penalties and fees, and the two-year wait requirement will be waived for all refund requests received on or before December 15, 2016. Any non-refundable enrollment, late payment, and dishonored payment fees will be deducted from the refund amount.**

Current Account Information – Account to be refunded.

Account Number: _____ Account Owner Name: _____
 Student Beneficiary Name: _____ Account Owner Phone Number: _____

Request for Cancellation and Refund – Mark appropriate box. If left blank we default to full refund.

I hereby request a refund of:

☐ My entire account ☐ Units

Notes: _____

Reason for refund (Choose only one):

☐ College Affordability Act: GET refund fees waived through 12/31/2016.
☐ Disability of Student Beneficiary: include copy of medical documentation.
☐ Death of Student Beneficiary: include copy of death certificate.
☐ Scholarship: include copy of scholarship award.
☐ Graduation/Program Completion: include copy of certificate/diploma.

Automatic Payments – If you have any automatic payments, you will need to deactivate them.

☐ Automatic Monthly Withdrawal (ACH): To deactivate an ACH, log in to your online GET account and select "Payment Options."
☐ Payroll Deduction: To deactivate payroll deduction, submit the Payroll Deduction Authorization Form to your employer's payroll office.

Refund Recipient – Refund check payable to:

☐ Account Owner ☐ Student Beneficiary

If boxes are left blank, checks will be made payable to the Account Owner. In addition, checks will be mailed to the address on file. To update your address visit: www.get.wa.gov/forms and select the "change of address form."

Account Owner's Signature – Read the terms and conditions, check each box, and sign and date in the presence of a notary.

I certify that I read each of the following statements and signs below to signify your understanding and to authorize GET to process this refund:

☒ I am the Account Owner of the GET account listed above and understand my other account options, in lieu of a refund;
☒ I understand that this refund is non-refundable, and that this refund may or may not be in my best financial interest;
☒ I authorize GET to issue the requested refund in the form of a warrant (check) made payable to the person designated above;
☒ I understand that a 1099-Q form will be generated and sent to me as a result of this refund, and I may be required to report this information to the IRS, and I may be subject to federal taxes, penalties and fees on the earnings portion of and of this refund; and
☒ I have read, fully understood and agree to all terms and conditions of the GET Refund and Cancellation Policy, revised 9/2/15.

Account Owner's Signature (Must be age 18+; Notary must witness signature) _____ Date (must match date signed by notary) _____

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County of _____ State of _____

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument and acknowledged it to be (the/their) free and voluntary act for the uses and purposes mentioned in the instrument.

Dated _____ (must match date signed by Account Owner)

Signature _____
 Printed Name _____
 Title _____
 My Appointment Expires _____

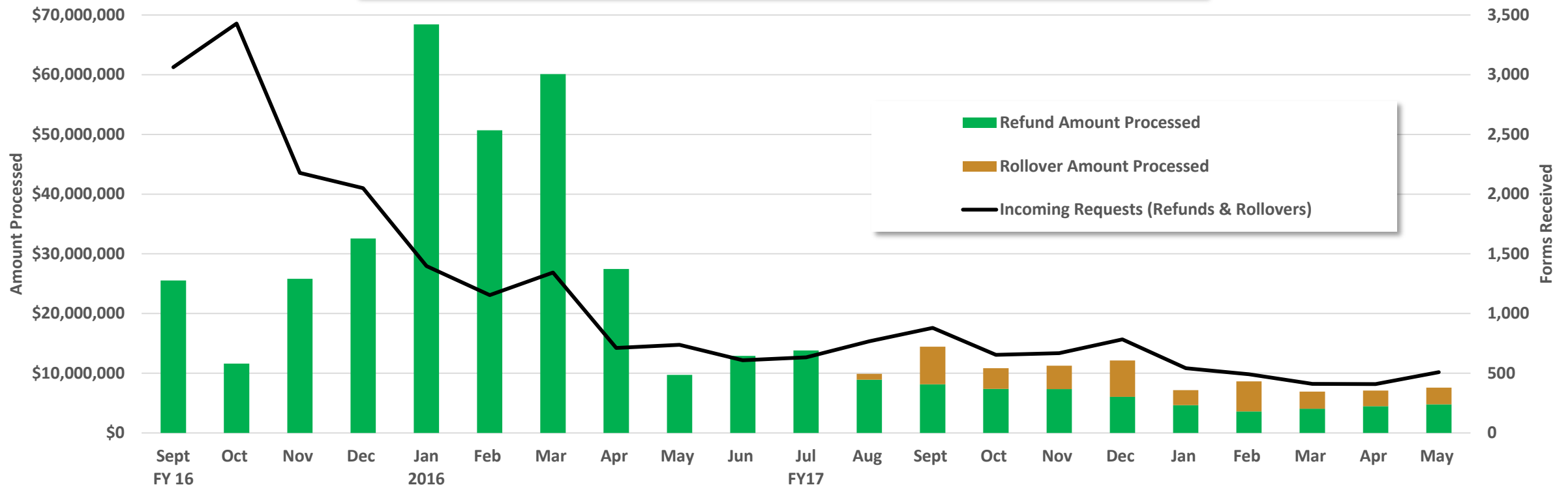
Send to: Guaranteed Education Tuition, P.O. Box 34350, Olympia, WA 98504-3450
 Questions: GETInfo@wac.wa.gov or 1.800.955.2318

Director's Report

Non-Penalty Refund Update

(September 2, 2015 – May 31, 2017)

Refund and Rollover Requests Received and Processed by Month



Director's Report

Distributions for Current College Students

(for payment of higher education expenses – as of June 23, 2017)

- **2016-17 academic year:**

- Total dollars distributed: **\$129 Million**
- Total students using units: **14,432**

- **Since program inception:**

- Total dollars distributed: **\$991 Million**
- Total students who have used units: **47,735**
- Proportion of all accounts opened since inception that have requested distributions: **30%**

Approaching:



GET Investment Update

Allyson Tucker
Senior Investment Officer
Washington State Investment Board

- Review first quarter GET Investment Report



GET Investment Report



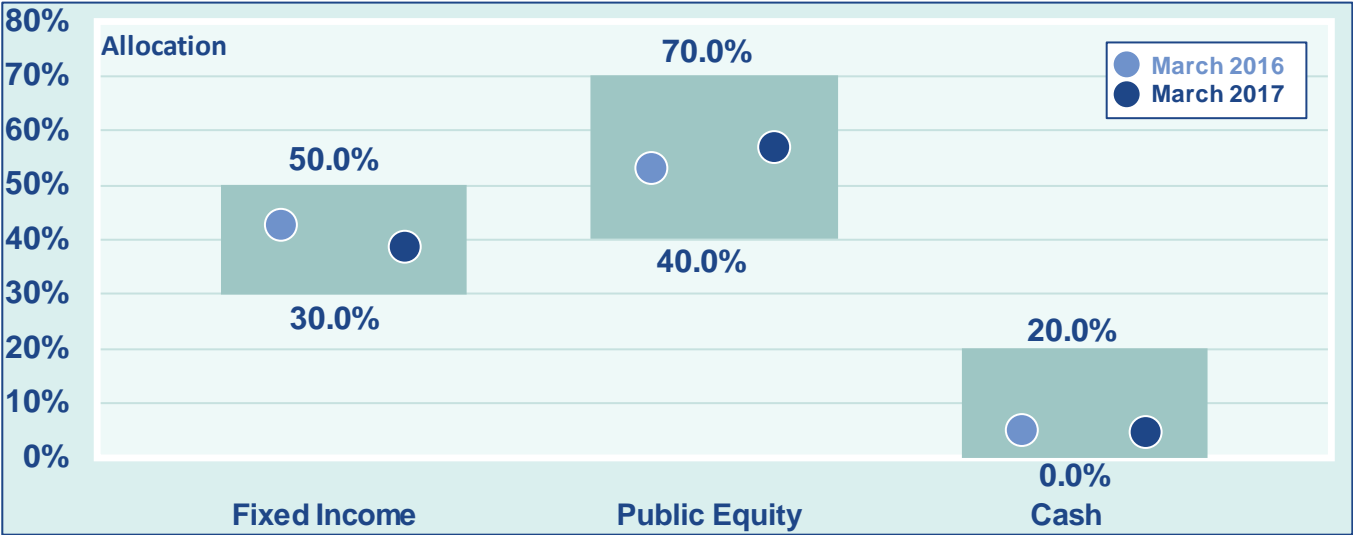
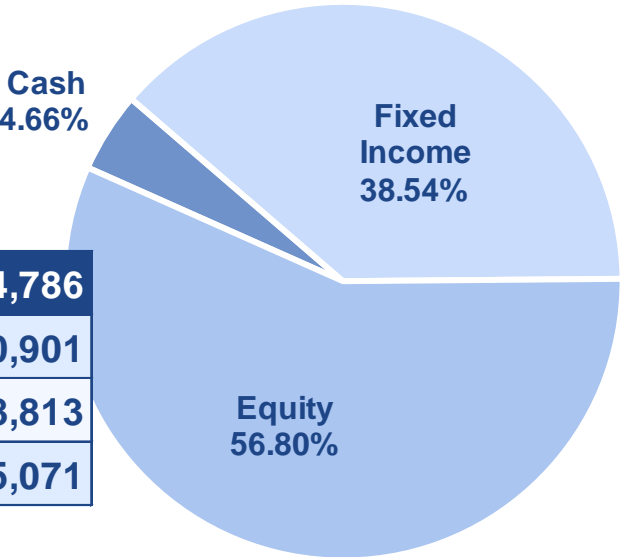
Allyson Tucker, Senior Investment Officer
July 6, 2017



GET Market Values, Asset Allocation, Targets and Ranges

March 31, 2017

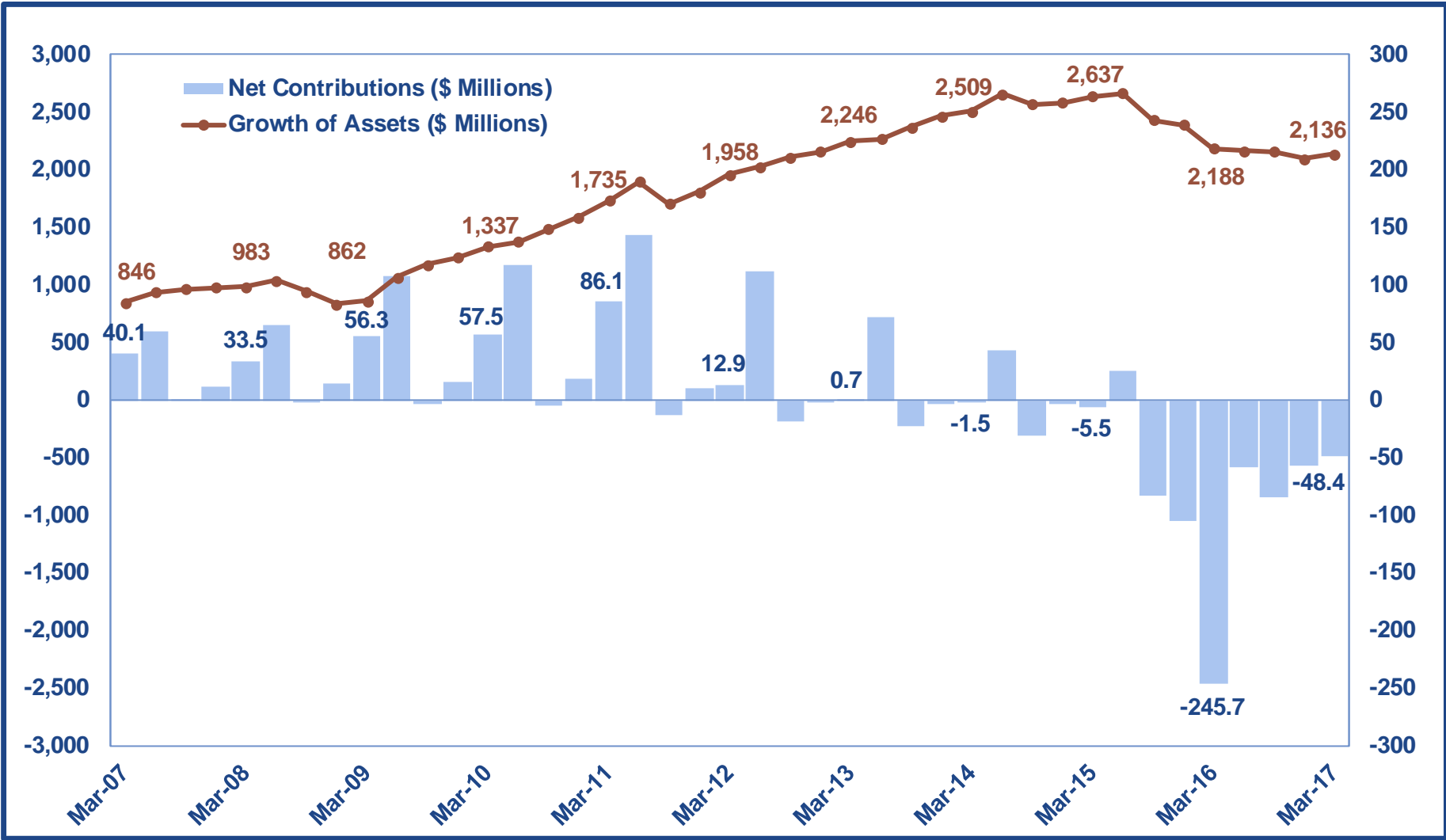
Total	\$2,136,104,786
Cash	\$99,460,901
Fixed Income	\$823,328,813
Equity	\$1,213,315,071





GET Net Contributions and Growth of Assets

March 31, 2017

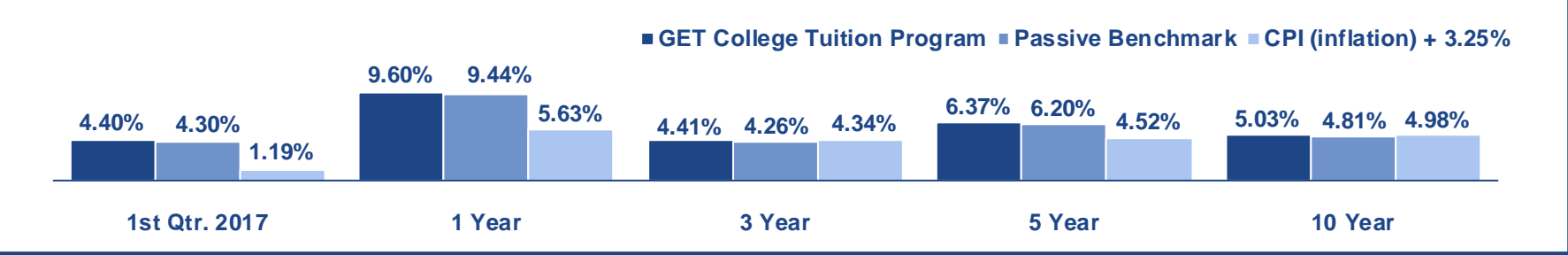




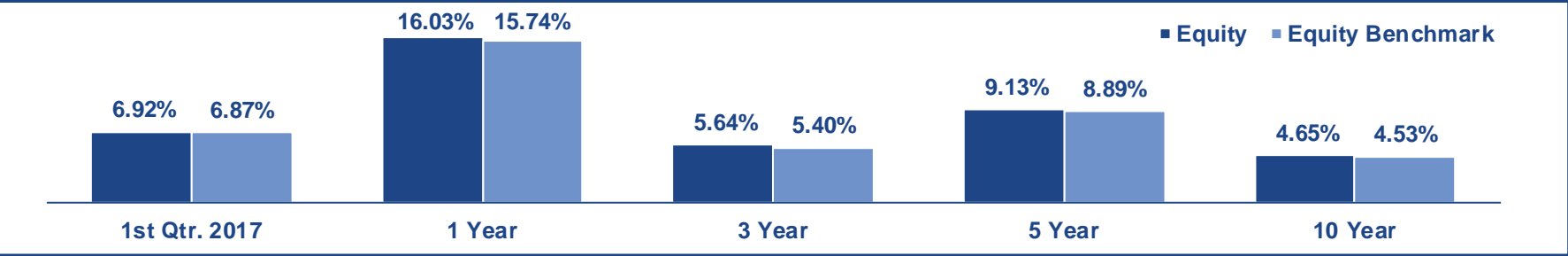
GET Performance

March 31, 2017

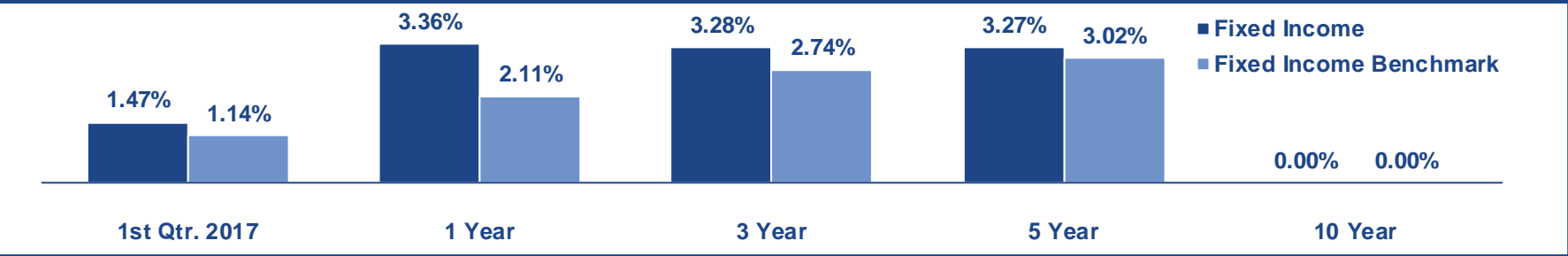
Total Return



Equity Return



Fixed Income Return

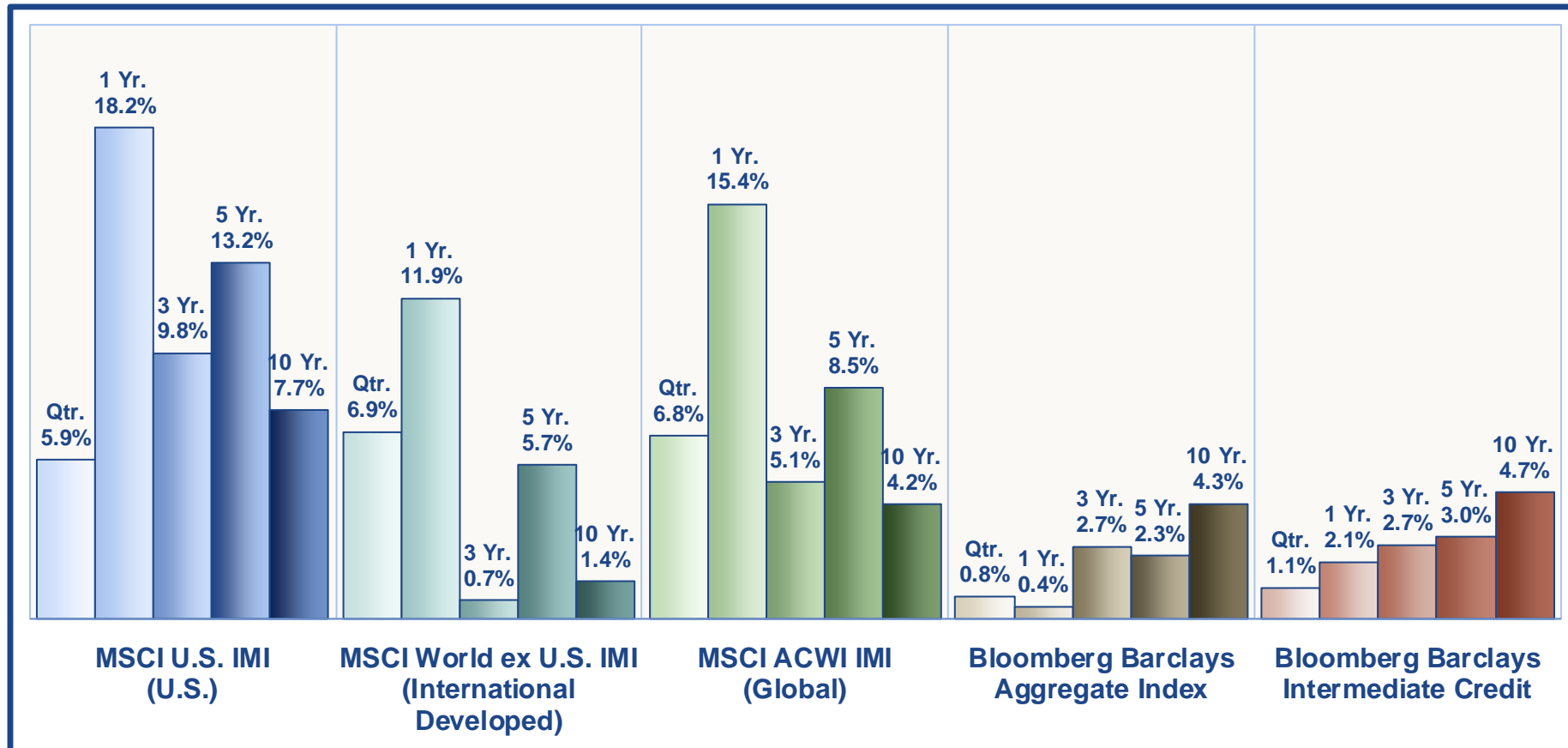


Fixed Income Benchmark: Bloomberg Barclays Intermediate Credit and a historical blended return
Equity Benchmark: MSCI ACWI IMI w/U.S. Gross and a historical blended return

Global Capital Markets Performance

March 31, 2017

- Post-election rally; U.S. has led capital markets but prices are high, cycle is mature
- International developed markets gripped by uncertainty
- Emerging markets appear to have bottomed, but selectivity is vital
- Fed increasing interest rates; 10-year bond yields on the rise



Contact Information



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



Address:

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

Phone Number:

(360) 956-4600

GET Reopening – Policies & Pricing

Betty Lochner

GET Director

Maddy Thompson

**WSAC Director of Policy &
Government Relations**

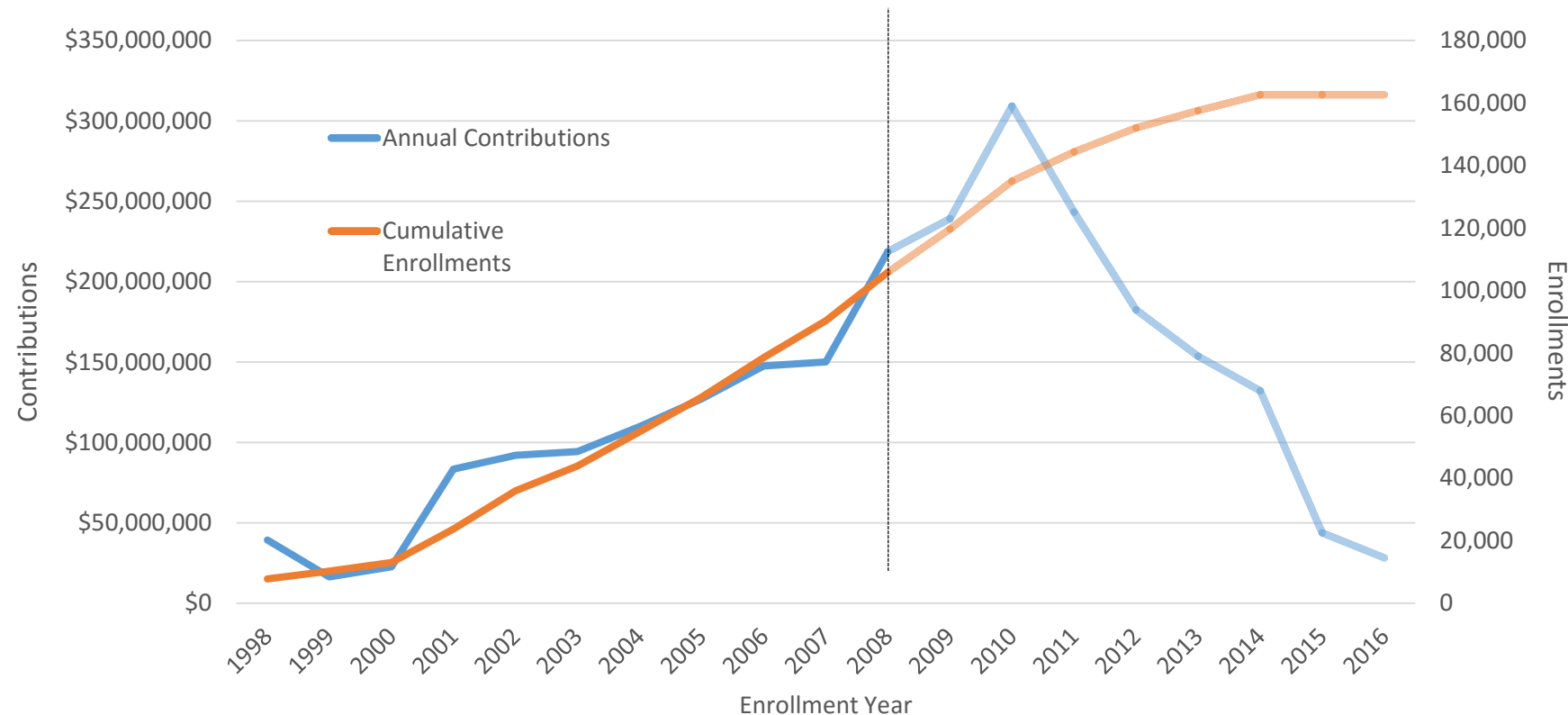
Luke Minor

**Associate Director for GET
Marketing & Communications**



- Review considerations for reopening GET to new enrollments and unit purchases

1998 – 2008: The First Decade of GET



- **2008:** GET crossed the 100,000 active account and \$1 Billion in total contribution milestones.
- **1998-2008:** Nearly 106% increase in tuition and 117% increase in GET unit purchase price.

2009 – 2012: Recession & Tuition Spike

Tuition Year	Tuition Increase	GET Unit Purchase Price	Annual Enrollments	Annual Contributions
2009	13%	\$101	13,773	\$239,150,907
2010	13%	\$117	15,280	\$309,198,361
2011	19%	\$163*	9,440	\$243,301,795
2012	15%	\$172*	7,635	\$182,497,573

**Prices before amortization refund*

- Average annual tuition increase

- **2009-2012:** 15.1%
- **1998-2008:** 6.8%

Over 75% increase in tuition over four years from 2009 through 2012.

- Average annual enrollments

- **2009-2012:** Average of 11,500 enrollments per year
- **1998-2008:** Average of 9,600 enrollments per year

2013 – Present: Tuition Freeze & CAP

Tuition Year	Tuition Increase	GET Unit Purchase Price	Annual Enrollments	Annual Contributions
2013	0%	\$172	5,509	\$153,680,416
2014	0%	\$172	5,070	\$132,265,951
2015	-5%	N/A	0	\$43,905,173
2016	-10%	N/A	0	\$28,309,129

- **Beginning in 2015:**

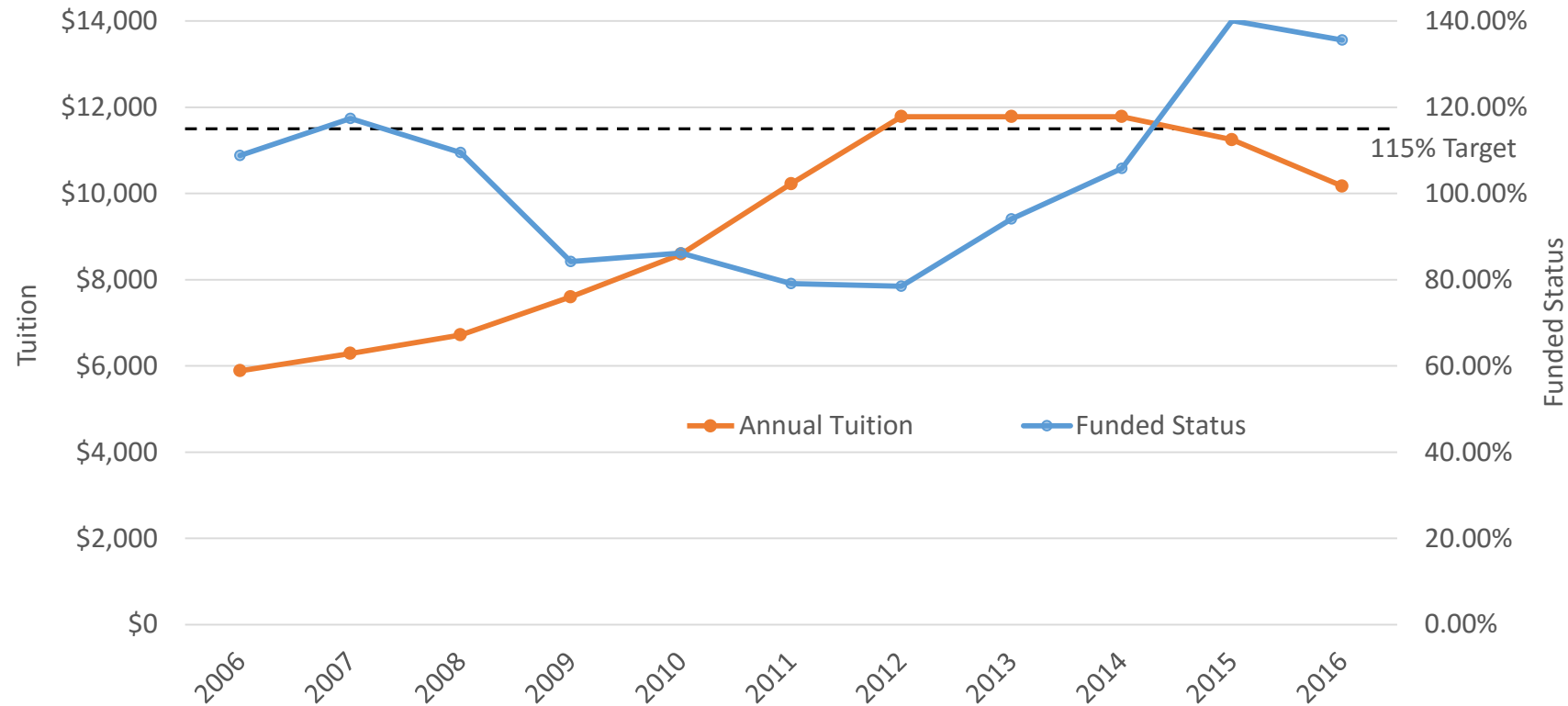
- Lowered tuition in 2015-16 by 5% and in 2016-17 by 10%.
- Only contributions accepted are those from custom monthly contracts (~13,000 active Custom Monthly accounts).

2013 – Present: Tuition Freeze & CAP

- **GET Responds to Customers with Policy Changes**

- ✓ \$51M in amortization charges returned to owners of 43,000 accounts.
- ✓ Suspended new enrollments and unit purchases on July 1, 2015.
- ✓ Froze Unit Payout at \$117.82.
- ✓ Non-Penalty Refund Policy: ~\$400M to 20,000 accounts through May 2017.

2006 – 2016 Tuition & Funded Status



- GET's funded status began improving with the tuition freeze after 2012.
- GET Committee's adopted guideline for a stabilization reserve is 115%.

GET Reopening Considerations

Unit Pricing

Typical Price-Setting Process:

- ✓ Legislature adopts budget and sets tuition policy (by June 30).
- ✓ Universities set the tuition and fees for the upcoming year (July).
- ✓ State Actuary provides GET fund analysis as of June 30 and recommends unit price range (July-August).
- ✓ GET Committee adopts new unit price, considering actuarial analysis and staff recommendations (September).
- ✓ New enrollment year begins once unit price is set (November 1 since 2011).

GET Reopening Considerations

GET Policies and Payout Value

- Before reopening GET to new enrollments, the Committee needs to complete work required by the College Affordability Program:
 - Currently finishing second year of tuition reductions. Beginning with 2017-18 academic year, GET Committee must make adjustments to ensure current customers' total account values are not “decreased or diluted” (per RCW 28B.95.030(7)).
 - Committee initially froze \$117.82 payout value until tuition and fees catch back up.
 - Per WSAC AAG legal opinion, statute requires that 100 GET units = 1 year of tuition & fees (RCW 28B.95.030(8)).
 - Tuition will be allowed to increase this year by ~2.2%
 - 1/100th of a year of tuition would still be less than \$117.82 (i.e. payout value would be lower).

Next Step: Revisit decision to hold GET payout at \$117.82.

GET Reopening Considerations

Guiding Principles for Committee Policy Discussions

- **What is the optimal balance between customer flexibility, customer protection, and the GET fund's financial health?**
- **What are the potential impacts of any proposed program modifications?**
 - Fiscal/actuarial
 - Customer behavior
 - Operational/IT
 - Statutory compliance
- **Who will be impacted by possible program modifications (and how will they be impacted)?**
 - New customers
 - Current customers/specific cohort(s) of current customers

GET Reopening Considerations

GET Payout Policy Options

- **Recent Legislative Proposals**

- A. Offer incentive for GET participants to rollover from GET into a new college savings plan, based on a “unit cash value price.” (SB 5923)
- B. Increase GET payout value to \$125 for 2017-18 academic year and \$129 for the 2018-19 academic year; after that, payout would increase at a variable rate depending on program’s funded status, or match tuition (whichever is greater). (HB 2205)

- **Additional Approaches Explored by Staff**

- D. Maintain current policy: \$117.82 payout value until tuition and fees exceed \$11,782.
- E. “Rebase” GET unit payout value to statutory formula; add units to existing customer accounts to ensure total account value is not initially “decreased or diluted.”
- F. Maintain \$117.82 payout value for existing units; new unit sales based on statutory payout.

GET Reopening Considerations

Committee Discussion

- Preferred approach?
- What information does the Committee need from staff?



Public Comment

Share Your Thoughts

- **Process**

- Sign-up sheet
- If you would like to submit a written comment, please send your input to: GETInfo@wsac.wa.gov, and include the subject line: “GET Committee Statement.”



Next Steps

- Discuss and make decisions on program payout, policies and pricing.
- Upcoming GET Committee meetings:



Adjournment



Next Meeting

Wednesday, September 13, 2017 | 2:00 p.m. – 4:00 p.m.

J.A. Cherberg Building | Senate Hearing Room 3 | Capitol Campus, Olympia

Payout Value Policy Considerations

Overview of Rebasing Approach

July 6, 2017



GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Key Terms**

- **Rebasing** - Resetting the payout value to match the statutory formula (100 GET units = 1 year) and adding units to customer accounts to ensure the total account value remains the same (i.e. is not “decreased or diluted”).
- **Total Account Value** – the total number of purchased, unredeemed units in an account multiplied by the unit payout value.



GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Overview of Process**

- Existing GET customers will receive new units in a proportion equal to the difference between the \$117.82 payout value and the new lower payout value (i.e. $1/100^{\text{th}}$ of a year of tuition and fees).
- Added units would be based on purchased, unredeemed units as of July 31, 2017.
 - Rebase would not include Custom Monthly Units that have not yet been purchased.
- Adjustment would need to occur on August 1 (first day of new tuition payout year).
- “Total Account Value” based on purchased, unredeemed units would not change before and after rebase.

GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Assumptions**

- Based on tuition policy (~2.2% increase), estimated tuition and state-mandated fees for 2017-18 should be ~\$10,395.
- Using “100 units = 1 year” GET payout model, new payout would equal \$103.95 (\$10,395/100).
- Rebase adjustment calculation based on difference between \$117.82 payout and new payout.
 - *Adjustment % = (old payout – new payout)/new payout*

ADJUSTMENT NEEDED	
	Payout Value
Current	\$ 117.82
New	\$ 103.95
Adjustment %	13.34%

Rebasing Customer Examples

GET Payout Value Discussion - Rebasing

- **Example #1**

- 100 Lump Sum units purchased over time, with no distributions.

<u>Lump Sum Account</u>			
<i>Status prior to rebase:</i> 100 Lump Sum purchased units in account as of 7/31/17			
	Before (7/31)	After (8/1)	Added Units
Purchased Unit Count	100	113.34	13.34
Unit Payout Value	\$117.82	\$103.95	
Total Payout Value of Purchased Units	\$11,782.00	\$11,782.00	

Rebasing Customer Examples

GET Payout Value Discussion - Rebasing

- **Example #2**

- 200 Custom Monthly Plan paid-in-full with no distributions.

Paid-in-Full Custom Monthly Plan

Status prior to rebase: 200 unit contract paid-in-full (no distributions)

	Before (7/31)	After (8/1)	Added Units
Purchased Unit Count	200	226.69	26.69
Unit Payout Value	\$117.82	\$103.95	
Total Payout Value of Purchased Units	\$23,564.00	\$23,564.00	

Rebasing Customer Examples

GET Payout Value Discussion - Rebasing

- **Example #3**

- 200 unit Custom Monthly Plan, with 150 units purchased to date (contract not yet paid-in-full).

Non-Paid-in-Full Custom Monthly Plan

Status prior to rebase:

200 unit contract with 150 units purchased to date (50 units remaining to purchase)

	Before (7/31)	After (8/1)	Added Units
Purchased Unit Count	150	170.01	20.01
Unit Payout Value	\$117.82	\$103.95	
Total Payout Value of Purchased Units	\$17,673.00	\$17,673.00	

Rebasing Customer Examples

GET Payout Value Discussion - Rebasing

• Example #4

- Mixed account – 100 unit Custom Monthly contract not yet paid-in full (75 units purchased to date), with additional 50 Lump Sum units added to account.

Non-Paid-in-Full Custom Monthly Plan with Additional Lump Sum Units

Status prior to rebase:

100 unit contract with 75 units purchased to date (25 units remaining to purchase)
+ 50 Lump Sum units added over time

	Before (7/31)	After (8/1)	Added Units
Purchased Unit Count (Monthly)	75	85.01	10.01
Purchased Unit Count (Lump Sum)	50	56.67	+ 6.67
Purchased Unit Count (Total)	125	141.68	= 16.68
Unit Payout Value	\$117.82	\$103.95	
Total Payout Value of Purchased Units	\$14,727.50	\$14,727.50	

GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Considerations**

- Rebasing would apply a consistent formula across all accounts.
- Minor administrative challenges may occur, as this large scale process would apply to all 99,000+ active GET accounts.
 - Plans would be in place to address any issues as they arise.
- Program's funded status would decrease as new units (i.e. liabilities) would be added.
 - State Actuary has prepared preliminary analysis.
 - Estimated that 2.7 million units, as of June 30, 2016, would be added in total to the program under current law tuition policy (currently 14.5 million purchased, unredeemed units in fund).
NOTE: The OSA estimate includes all units under Custom Monthly Contracts as of June 30, 2016.

GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Interactions with other Committee Policies:**

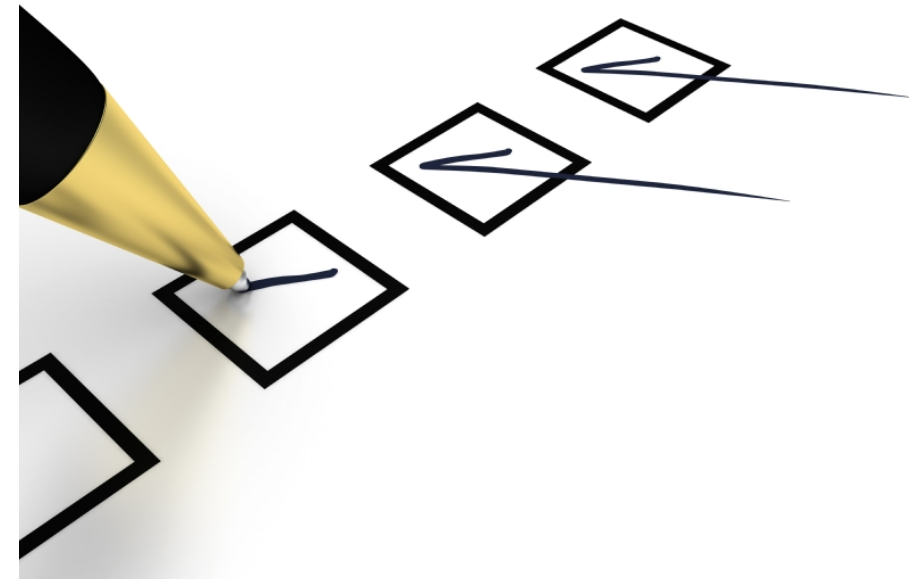
- If units were added to customer accounts, per student unit maximums would need to increase (per RCW 28B.95.030(7)).
- Temporary non-penalty/contribution refund policy would need updating.
 - In order to ensure customers can still exercise the contribution refund option, any refunds would not include rebased units, but would payout at \$117.82 or original contributions, whichever is greater.
 - If a distribution is made after rebasing, contribution refunds cannot be accurately calculated.

GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Quality Control:**

- Internal controls would be in place to ensure accuracy and traceability.
- A complete system backup would occur prior to rebasing.
- Thorough testing and error checking would be conducted throughout month of July prior to process running on August 1.



GET Reopening Considerations

GET Payout Value Discussion - Rebasing

- **Customer Communication**

Before August 1

- Multiple emails and mailed letter to all active accounts.
- Interactive page on GET website that walks through rebasing process.
- Alerts in customer account portal.

After August 1

- Tools to help customer see how the process affects their account.
- Continued communications to customers with links to customer account portal and page on GET website that explains rebasing.
- Continued alerts in customer account portal.



Bob Ferguson
ATTORNEY GENERAL OF WASHINGTON
Education Division
PO Box 40100 • Olympia, WA 98504-0100 • (360) 753-6200

M E M O R A N D U M

DATE: July 5, 2017
TO: Michael Meotti, Washington Student Achievement Council
FROM: Rick Brady, Assistant Attorney General
SUBJECT: GET Units

You have asked me to address two related topics, which I present in the form of questions.

- 1. Does RCW 28B.95.030 require that 100 units equal one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education?**

Prior to the enactment of ESSB 5954, RCW 28B.95.030(2)(c) read (and still reads) as follows:

The number of tuition units necessary to pay for a full year's, full-time undergraduate tuition and fee charges at a state institution of higher education shall be set by the governing body at the time a purchaser enters into a tuition unit contract, except as provided in subsection (7) of this section.)

Historically, the GET Committee studied input including that from GET staff, the State Investment Board and the State Actuary, and set the cost of GET units so that each unit equaled 1/100th of the cost of one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education. However, the value/tuition ratio of 100:1 was not required but was within the GET Committee's discretion.

Relevant sections of RCW 28B.95 are found at .020(23) and .030(6):

'Unit purchase price' means the minimum cost to purchase one tuition unit in the advanced college tuition payment program for an eligible beneficiary. Generally, the minimum purchase price is one percent of the undergraduate tuition and fees for the current year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted to ensure the actuarial soundness of the account. The analysis for price setting shall also include, but not be limited to consideration of past and projected patterns of tuition increases, program liability, past and projected investment returns, and the need for a prudent stabilization reserve.

ATTORNEY GENERAL OF WASHINGTON

July 5, 2017

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RCW 28B.95.020(23). RCW 28B.95.030(6) states that: "The governing body shall annually determine current value of a tuition unit.

In ESSB 6601, the legislature amended RCW 28B.95.030(8) to read:

The governing body shall promote, advertise, and publicize the Washington advanced college tuition payment program. Materials and online publications advertising the Washington advanced college tuition payment program shall include a disclaimer that the Washington advanced college tuition payment program's guarantee is that one hundred tuition units will equal one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education, and that if resident, undergraduate tuition is reduced, a tuition unit may lose monetary value.

Now, if the GET Committee were to set the payout value of GET units so that 100 units equals anything other than one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education, the disclaimer mandated by the legislature would be untrue. To avoid this, RCW 28B.95.030 should be interpreted to mean that the payout value of 100 GET units equals the cost of one year of full-time, resident, undergraduate tuition at the most expensive state institution of higher education.

2. May the GET Committee provide additional units to GET account owners to insulate them against any reduction in account value as a result of chapter 36, Laws of 2015 3rd sp. sess.?

In ESSB 5954, the legislature addressed this when it amended RCW 28B.95.030:

For the 2015-16 and 2016-17 academic years only, the governing body shall set the payout value for units redeemed during that academic year only at one hundred seventeen dollars and eighty-two cents per unit. For academic years after the 2016-17 academic year, the governing body shall make program adjustments it deems necessary and appropriate to ensure that the total payout value of each account on October 9, 2015, is not decreased or diluted as a result of the initial application of any changes in tuition under section 3, chapter 36, Laws of 2015 3rd sp. sess. **In the event the committee or governing body provides additional units under chapter 36, Laws of 2015 3rd sp. sess.,** the committee and governing body shall also increase the maximum number of units that can be redeemed in any year to mitigate the reduction in available account value during any year as a result of chapter 36, Laws of 2015 3rd sp. sess. The governing body must notify holders of tuition units after the adjustment in this subsection is made and must include a statement concerning the adjustment.

ATTORNEY GENERAL OF WASHINGTON

July 5, 2017

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RCW 28B.95.030(7) (emphasis added). Thus, the legislature (i) gave discretion to the GET Committee to make program adjustments to protect account owners' total payout values from going down as a result of the tuition reduction act and (ii) acknowledged that the GET Committee could provide account owners with additional units to accomplish this objective.

One way to protect GET account owners against their GET account values decreasing due to lower tuition rates would be for the GET Committee to engage in a unit "rebasing" exercise. In a rebase, the GET Committee could provide existing GET account owners with additional units in a proportion equal to the difference between the \$117.82 payout value and the new, lower payout value that is anticipated to result when the GET program reopens to new purchases. By way of example only, if the unit payout value is reduced to \$103.95, then the holder of 100 GET units currently valued at \$117.82 would be provided with 13.34 additional units to ensure no decrease in total account payout. In my opinion, such an exercise would be fully consistent with the recent statutory amendments to the GET Program.

I trust I have addressed the topics as requested. Please do not hesitate to contact me to discuss.

/s/

Rick Brady

GET Committee Meeting

July 6, 2017

Actions to Consider

Proposed Action Regarding the GET Unit Payout Value:

- Effective August 1, 2017, rebase all purchased, unredeemed GET units so that the unit payout value again equals 1/100th of one-year of resident undergraduate tuition and state-mandated fees at Washington's highest priced public university, and add units to all existing customer accounts in a proportion equal to the difference between the \$117.82 payout value, and the new lower payout value.

Proposed Action Regarding Account Unit Maximums (necessary if adding units to accounts, per statute):

- Effective August 1, 2017, increase the total lifetime maximum amount of units that may be purchased for a beneficiary from 500 units to 600 units, and increase the annual unit maximum that may be redeemed in an academic from 125 units to 150 units.

Proposed Action Regarding Temporary Non-Penalty Refund Policy:

- Effective August 1, 2017, update the temporary non-penalty refund policy as follows:
 - Allow current account owners to refund or rollover their entire GET account (no partial account refunds allowed) at the \$117.82 unit payout value OR their initial contributions (whichever is greater), excluding new units added through the rebasing process, without state refund fees, until September 1, 2017, or until 60 days after a 529 savings plan opens (whichever is later).
 - While this temporary policy is in effect, if a distribution is made from an account after August 1, 2017, that account is no longer eligible for a refund of initial contributions. All future refunds and distributions for that account would be based on the payout value.

Proposed Action Regarding GET Reopening Date (to align reopening with historical GET enrollment periods):

- Open GET to new enrollments and unit purchases no later than November 1, 2017 so that rebasing is complete, and so customers will know the 2017-18 unit purchase price and any potential details about the upcoming college savings plan prior to making a decision to enroll in GET.

SENATE BILL 5923

State of Washington

65th Legislature

2017 Regular Session

By Senators Mullet, Palumbo, Braun, Pedersen, and Carlyle

Read first time 04/13/17. Referred to Committee on Higher Education.

1 AN ACT Relating to the Washington higher education tuition
2 payment and college savings programs; and amending RCW 28B.95.020,
3 28B.95.030, 28B.95.045, 28B.95.060, and 28B.95.092.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 28B.95.020 and 2016 c 69 s 2 are each amended to
6 read as follows:

7 The definitions in this section apply throughout this chapter,
8 unless the context clearly requires otherwise.

9 (1) "Academic year" means the regular nine-month, three-quarter,
10 or two-semester period annually occurring between August 1st and July
11 31st.

12 (2) "Account" means the Washington advanced college tuition
13 payment program account established for the deposit of all money
14 received by the office from eligible purchasers and interest earnings
15 on investments of funds in the account, as well as for all
16 expenditures on behalf of eligible beneficiaries for the redemption
17 of tuition units and for the development of any authorized college
18 savings program pursuant to RCW 28B.95.150.

19 (3) "Advisor sold" means a channel through which a broker dealer,
20 investment advisor, or other financial intermediary recommends the
21 Washington college savings program established pursuant to RCW

1 28B.95.010 to eligible investors and assists with the opening and
2 servicing of individual college savings program accounts.

3 (4) "College savings program account" means the Washington
4 college savings program account established pursuant to RCW
5 (~~28B.95.010~~) 28B.95.085.

6 (5) "Committee on advanced tuition payment and college savings"
7 or "committee" means a committee of the following members: The state
8 treasurer, the director of the office of financial management, the
9 director of the office, or their designees, and two members to be
10 appointed by the governor, one representing program participants and
11 one private business representative with marketing, public relations,
12 or financial expertise.

13 (6) "Contractual obligation" means a legally binding contract of
14 the state with the purchaser and the beneficiary establishing that
15 purchases of tuition units in the advanced college tuition payment
16 program will be worth the same number of tuition units at the time of
17 redemption as they were worth at the time of the purchase, except as
18 provided in RCW 28B.95.030(7).

19 (7) "Dual credit fees" means any fees charged to a student for
20 participation in college in the high school under RCW 28A.600.290 or
21 running start under RCW 28A.600.310.

22 (8) "Eligible beneficiary" means the person designated as the
23 individual whose education expenses are to be paid from the advanced
24 college tuition payment program or the college savings program.
25 Qualified organizations, as allowed under section 529 of the federal
26 internal revenue code, purchasing tuition unit contracts as future
27 scholarships need not designate a beneficiary at the time of
28 purchase.

29 (9) "Eligible contributor" means an individual or organization
30 that contributes money for the purchase of tuition units, and for an
31 individual college savings program account established pursuant to
32 this chapter for an eligible beneficiary.

33 (10) "Eligible purchaser" means an individual or organization
34 that has entered into a tuition unit contract with the governing body
35 for the purchase of tuition units in the advanced college tuition
36 payment program for an eligible beneficiary, or that has entered into
37 a participant college savings program account contract for an
38 eligible beneficiary. The state of Washington may be an eligible
39 purchaser for purposes of purchasing tuition units to be held for
40 granting Washington college bound scholarships.

1 (11) "Full-time tuition charges" means resident tuition charges
2 at a state institution of higher education for enrollments between
3 ten credits and eighteen credit hours per academic term.

4 (12) "Governing body" means the committee empowered by the
5 legislature to administer the Washington advanced college tuition
6 payment program and the Washington college savings program.

7 (13) "Individual college savings program account" means the
8 formal record of transactions relating to a Washington college
9 savings program beneficiary.

10 (14) "Institution of higher education" means an institution that
11 offers education beyond the secondary level and is recognized by the
12 internal revenue service under chapter 529 of the internal revenue
13 code.

14 (15) "Investment board" means the state investment board as
15 defined in chapter 43.33A RCW.

16 (16) "Investment manager" means the state investment board,
17 another state, or any other entity as selected by the governing body,
18 including another college savings plan established pursuant to
19 section 529 of the internal revenue code.

20 (17) "Office" means the office of student financial assistance as
21 defined in chapter 28B.76 RCW.

22 (18) "Owner" means the eligible purchaser or the purchaser's
23 successor in interest who shall have the exclusive authority to make
24 decisions with respect to the tuition unit contract or the individual
25 college savings program contract. The owner has exclusive authority
26 and responsibility to establish and change the asset investment
27 options for a beneficiaries' individual college savings program
28 account.

29 (19) "Participant college savings program account contract" means
30 a contract to participate in the Washington college savings program
31 between an eligible purchaser and the office.

32 (20) "State institution of higher education" means institutions
33 of higher education as defined in RCW 28B.10.016.

34 (21) "Tuition and fees" means undergraduate tuition and services
35 and activities fees as defined in RCW 28B.15.020 and 28B.15.041
36 rounded to the nearest whole dollar. For purposes of this chapter,
37 services and activities fees do not include fees charged for the
38 payment of bonds heretofore or hereafter issued for, or other
39 indebtedness incurred to pay, all or part of the cost of acquiring,
40 constructing, or installing any lands, buildings, or facilities.

1 (22) "Tuition unit contract" means a contract between an eligible
2 purchaser and the governing body, or a successor agency appointed for
3 administration of this chapter, for the purchase of tuition units in
4 the advanced college tuition payment program for a specified
5 beneficiary that may be redeemed at a later date for an equal number
6 of tuition units, except as provided in RCW 28B.95.030(7).

7 (23) "Unit cash value price" means the total value of assets
8 under management in the advanced college tuition payment program in
9 which eligible purchasers opened accounts before July 1, 2015,
10 divided by the total number outstanding credits purchased by eligible
11 purchasers that opened accounts before July 1, 2015.

12 (24) "Unit purchase price" means the minimum cost to purchase one
13 tuition unit in the advanced college tuition payment program for an
14 eligible beneficiary. Generally, the minimum purchase price is one
15 percent of the undergraduate tuition and fees for the current year,
16 rounded to the nearest whole dollar, adjusted for the costs of
17 administration and adjusted to ensure the actuarial soundness of the
18 account. The analysis for price setting shall also include, but not
19 be limited to consideration of past and projected patterns of tuition
20 increases, program liability, past and projected investment returns,
21 and the need for a prudent stabilization reserve.

22 **Sec. 2.** RCW 28B.95.030 and 2016 c 69 s 4 are each amended to
23 read as follows:

24 (1) The Washington advanced college tuition payment program shall
25 be administered by the committee on advanced tuition payment which
26 shall be chaired by the director of the office. The committee shall
27 be supported by staff of the office.

28 (2)(a) The Washington advanced college tuition payment program
29 shall consist of the sale of tuition units, which may be redeemed by
30 the beneficiary at a future date for an equal number of tuition units
31 regardless of any increase in the price of tuition, that may have
32 occurred in the interval, except as provided in subsection (7) of
33 this section.

34 (b) Each purchase shall be worth a specific number of or fraction
35 of tuition units at each state institution of higher education as
36 determined by the governing body, except as provided in subsections
37 (7) and (8) of this section.

38 (c) The number of tuition units necessary to pay for a full
39 year's, full-time undergraduate tuition and fee charges at a state

1 institution of higher education shall be set by the governing body at
2 the time a purchaser enters into a tuition unit contract, except as
3 provided in subsection (7) of this section.

4 (d) The governing body may limit the number of tuition units
5 purchased by any one purchaser or on behalf of any one beneficiary,
6 however, no limit may be imposed that is less than that necessary to
7 achieve four years of full-time, undergraduate tuition charges at a
8 state institution of higher education. The governing body also may,
9 at its discretion, limit the number of participants, if needed, to
10 ensure the actuarial soundness and integrity of the program.

11 (e) While the Washington advanced college tuition payment program
12 is designed to help all citizens of the state of Washington, the
13 governing body may determine residency requirements for eligible
14 purchasers and eligible beneficiaries to ensure the actuarial
15 soundness and integrity of the program.

16 (3)(a) No tuition unit may be redeemed until two years after the
17 purchase of the unit.

18 (b) Units may be redeemed for enrollment at any institution of
19 higher education that is recognized by the internal revenue service
20 under chapter 529 of the internal revenue code. Units may also be
21 redeemed to pay for dual credit fees.

22 (c) Units redeemed at a nonstate institution of higher education
23 or for graduate enrollment shall be redeemed at the rate for state
24 public institutions in effect at the time of redemption.

25 (4) The governing body shall determine the conditions under which
26 the tuition benefit may be transferred to another family member. In
27 permitting such transfers, the governing body may not allow the
28 tuition benefit to be bought, sold, bartered, or otherwise exchanged
29 for goods and services by either the beneficiary or the purchaser.

30 (5) The governing body shall administer the Washington advanced
31 college tuition payment program in a manner reasonably designed to be
32 actuarially sound, such that the assets of the trust will be
33 sufficient to defray the obligations of the trust including the costs
34 of administration. The governing body may, at its discretion,
35 discount the minimum purchase price for certain kinds of purchases
36 such as those from families with young children, as long as the
37 actuarial soundness of the account is not jeopardized.

38 (6) The governing body shall annually determine current value of
39 a tuition unit.

1 (7) For the 2015-16 and 2016-17 academic years only, the
2 governing body shall set the payout value for units redeemed during
3 that academic year only at one hundred seventeen dollars and eighty-
4 two cents per unit. For academic years after the 2016-17 academic
5 year, the governing body shall make program adjustments it deems
6 necessary and appropriate to ensure that the total payout value of
7 each account on October 9, 2015, is not decreased or diluted as a
8 result of the initial application of any changes in tuition under
9 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the
10 committee or governing body provides additional units under chapter
11 36, Laws of 2015 3rd sp. sess., the committee and governing body
12 shall also increase the maximum number of units that can be redeemed
13 in any year to mitigate the reduction in available account value
14 during any year as a result of chapter 36, Laws of 2015 3rd sp. sess.
15 The governing body must notify holders of tuition units after the
16 adjustment in this subsection is made and must include a statement
17 concerning the adjustment.

18 (8) Once the Washington college savings plan is established, the
19 governing body shall allow eligible purchasers to redeem units at the
20 unit cash value price provided that all of the redeemed funds are
21 deposited immediately into an eligible Washington college savings
22 plan established by the governing body. Eligible purchasers may
23 redeem units at the cash value price for the first six months after
24 the Washington college savings plan has been established. Once the
25 Washington college savings plan has been established for six months,
26 tuition units may only be redeemed for the payout value determined by
27 the governing board.

28 (9) The governing body shall promote, advertise, and publicize
29 the Washington advanced college tuition payment program. Materials
30 and online publications advertising the Washington advanced college
31 tuition payment program shall include a disclaimer that the
32 Washington advanced college tuition payment program's guarantee is
33 that one hundred tuition units will equal one year of full-time,
34 resident, undergraduate tuition at the most expensive state
35 institution of higher education, and that if resident, undergraduate
36 tuition is reduced, a tuition unit may lose monetary value.

37 ~~((+9))~~ (10) In addition to any other powers conferred by this
38 chapter, the governing body may:

39 (a) Impose reasonable limits on the number of tuition units or
40 units that may be used in any one year;

(b) Determine and set any time limits, if necessary, for the use of benefits under this chapter;

(c) Impose and collect administrative fees and charges in connection with any transaction under this chapter;

(d) Appoint and use advisory committees and the state actuary as needed to provide program direction and guidance;

(e) Formulate and adopt all other policies and rules necessary for the efficient administration of the program;

(f) Consider the addition of an advanced payment program for room and board contracts and also consider a college savings program;

(g) Purchase insurance from insurers licensed to do business in the state, to provide for coverage against any loss in connection with the account's property, assets, or activities or to further insure the value of the tuition units;

(h) Make, execute, and deliver contracts, conveyances, and other instruments necessary to the exercise and discharge of its powers and duties under this chapter;

(i) Contract for the provision for all or part of the services necessary for the management and operation of the program with other state or nonstate entities authorized to do business in the state;

(j) Contract for other services or for goods needed by the governing body in the conduct of its business under this chapter;

(k) Contract with financial consultants, actuaries, auditors, and other consultants as necessary to carry out its responsibilities under this chapter;

(l) Solicit and accept cash donations and grants from any person, governmental agency, private business, or organization; and

(m) Perform all acts necessary and proper to carry out the duties and responsibilities of this program under this chapter.

Sec. 3. RCW 28B.95.045 and 2016 c 69 s 6 are each amended to read as follows:

(1) The committee shall create an expedited process by which owners can complete a direct rollover of a 529 account from (a) a state-sponsored prepaid tuition plan to a state-sponsored college savings plan, (b) a state-sponsored college savings plan to a state-sponsored prepaid tuition plan, or (c) a state-sponsored prepaid tuition plan or a state-sponsored college savings plan to an out-of-state eligible 529 plan. Owners may only rollover units purchased in the Washington advanced college tuition payment program at the unit

1 cash value price when the funds are deposited immediately into an
2 eligible Washington college savings account for the first six months
3 that the Washington college savings account is open. Credits may not
4 be distributed at the unit cash value price when deposited into an
5 out-of-state eligible 529 plan.

6 (2) The committee shall report annually to the governor and the
7 appropriate committees of the legislature on (a) the number of
8 accounts that have been rolled into the Washington college savings
9 program from out of state and (b) the number of accounts rolled out
10 of the Washington college savings program to 529 plans into other
11 states.

12 **Sec. 4.** RCW 28B.95.060 and 2011 1st sp.s. c 11 s 172 are each
13 amended to read as follows:

14 (1) The Washington advanced college tuition payment program
15 account is created in the custody of the state treasurer. The account
16 shall be a discrete nontreasury account retaining its interest
17 earnings in accordance with RCW 43.79A.040.

18 (2)(a) Except as provided in (b) of this subsection, the
19 governing body shall deposit in the account all money received for
20 the program. The state treasurer must track funds associated with any
21 new Washington advanced college tuition payment program accounts
22 created after July 1, 2017, separately from those accounts created
23 June 30, 2015, or earlier. The account shall be self-sustaining and
24 consist of payments received from purchasers of tuition units and
25 funds received from other sources, public or private. With the
26 exception of investment and operating costs associated with the
27 investment of money by the investment board paid under RCW 43.33A.160
28 and 43.84.160, the account shall be credited with all investment
29 income earned by the account. Disbursements from the account are
30 exempt from appropriations and the allotment provisions of chapter
31 43.88 RCW. Money used for program administration is subject to the
32 allotment of all expenditures. However, an appropriation is not
33 required for such expenditures. Program administration shall include,
34 but not be limited to: The salaries and expenses of the program
35 personnel including lease payments, travel, and goods and services
36 necessary for program operation; contracts for program promotion and
37 advertisement, audits, and account management; and other general
38 costs of conducting the business of the program.

1 (b) All money received by the program from the office for the GET
2 ready for math and science scholarship program shall be deposited in
3 the GET ready for math and science scholarship account created in RCW
4 28B.105.110.

5 (3) The assets of the account may be spent without appropriation
6 for the purpose of making payments to institutions of higher
7 education on behalf of the qualified beneficiaries, making refunds,
8 transfers, or direct payments upon the termination of the Washington
9 advanced college tuition payment program. Disbursements from the
10 account shall be made only on the authorization of the governing
11 body.

12 (4) With regard to the assets of the account, the state acts in a
13 fiduciary, not ownership, capacity. Therefore the assets of the
14 program are not considered state money, common cash, or revenue to
15 the state.

16 **Sec. 5.** RCW 28B.95.092 and 2016 c 69 s 11 are each amended to
17 read as follows:

18 The governing body shall begin and continue to accept
19 applications for new tuition unit contracts and authorize the sale of
20 new tuition units ((~~by July 1, 2017~~)) once the state opens the
21 Washington college savings program. Upon reopening the advanced
22 college tuition payment program, in any year in which the total
23 annual sale of tuition units is below five hundred thousand, the
24 governing body shall determine how to reinvigorate the advanced
25 college tuition payment program to incentivize Washingtonians to
26 enter into tuition unit contracts and purchase tuition units.

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HOUSE BILL 2205

State of Washington

65th Legislature

2017 Regular Session

By Representatives Bergquist, Muri, Stanford, and Gregerson

Read first time 04/20/17. Referred to Committee on Higher Education.

1 AN ACT Relating to increasing the dependability and program
2 demand of the guaranteed education tuition and Washington college
3 savings programs; amending RCW 28B.95.030; providing an effective
4 date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 28B.95.030 and 2016 c 69 s 4 are each amended to
7 read as follows:

8 (1) The Washington advanced college tuition payment program shall
9 be administered by the committee on advanced tuition payment which
10 shall be chaired by the director of the office. The committee shall
11 be supported by staff of the office.

12 (2)(a) The Washington advanced college tuition payment program
13 shall consist of the sale of tuition units, which may be redeemed by
14 the beneficiary at a future date for an equal number of tuition units
15 regardless of any increase in the price of tuition, that may have
16 occurred in the interval, except as provided in subsection ((7))
17 (6) of this section.

18 (b) Each purchase shall be worth a specific number of or fraction
19 of tuition units at each state institution of higher education as
20 determined by the governing body, except as provided in subsections
21 (6) and (7) of this section.

1 (c) The number of tuition units necessary to pay for a full
2 year's, full-time undergraduate tuition and fee charges at a state
3 institution of higher education shall be set by the governing body at
4 the time a purchaser enters into a tuition unit contract, except as
5 provided in subsection ~~((+7))~~ (6) of this section.

6 (d) The governing body may limit the number of tuition units
7 purchased by any one purchaser or on behalf of any one beneficiary,
8 however, no limit may be imposed that is less than that necessary to
9 achieve four years of full-time, undergraduate tuition charges at a
10 state institution of higher education. In addition, for tuition units
11 purchased on behalf of any one beneficiary, the governing body may
12 not set the limit at less than eight hundred units. The governing
13 body also may, at its discretion, ~~((limit the number of~~
14 ~~participants))~~ establish an amortization fee, if needed, to ensure
15 the actuarial soundness and integrity of the program.

16 (e) While the Washington advanced college tuition payment program
17 is designed to help all citizens of the state of Washington, the
18 governing body may determine residency requirements for eligible
19 purchasers and eligible beneficiaries to ensure the actuarial
20 soundness and integrity of the program.

21 (3)(a) No tuition unit may be redeemed until two years after the
22 purchase of the unit.

23 (b) Units may be redeemed for enrollment at any institution of
24 higher education that is recognized by the internal revenue service
25 under chapter 529 of the internal revenue code. Units may also be
26 redeemed to pay for dual credit fees.

27 (c) Units redeemed at a nonstate institution of higher education
28 or for graduate enrollment shall be redeemed at the rate for state
29 public institutions in effect at the time of redemption.

30 (d) A beneficiary may not redeem more than two hundred tuition
31 units per year.

32 (4) The governing body shall determine the conditions under which
33 the tuition benefit may be transferred to another family member. In
34 permitting such transfers, the governing body may not allow the
35 tuition benefit to be bought, sold, bartered, or otherwise exchanged
36 for goods and services by either the beneficiary or the purchaser.

37 (5) The governing body shall administer the Washington advanced
38 college tuition payment program in a manner reasonably designed to be
39 actuarially sound, such that the assets of the trust will be
40 sufficient to defray the obligations of the trust including the costs

1 of administration. The governing body may, at its discretion,
2 discount the minimum purchase price for certain kinds of purchases
3 such as those from families with young children, as long as the
4 actuarial soundness of the account is not jeopardized.

5 ~~(6) ((The governing body shall annually determine current value~~
6 ~~of a tuition unit.~~

7 ~~(7))~~ (a) For the 2015-16 and 2016-17 academic years only, the
8 governing body shall set the payout value for units redeemed during
9 that academic year only at one hundred seventeen dollars and eighty-
10 two cents per unit. For academic years after the 2016-17 academic
11 year, the governing body shall make program adjustments it deems
12 necessary and appropriate to ensure that the total payout value of
13 each account on October 9, 2015, is not decreased or diluted as a
14 result of the initial application of any changes in tuition under
15 section 3, chapter 36, Laws of 2015 3rd sp. sess. In the event the
16 committee or governing body provides additional units under chapter
17 36, Laws of 2015 3rd sp. sess., the committee and governing body
18 shall also increase the maximum number of units that can be redeemed
19 in any year to mitigate the reduction in available account value
20 during any year as a result of chapter 36, Laws of 2015 3rd sp. sess.
21 The governing body must notify holders of tuition units after the
22 adjustment in this subsection is made and must include a statement
23 concerning the adjustment.

24 (b) For the 2017-18 academic year, the governing body shall set
25 the payout value for tuition units redeemed during that academic year
26 at one hundred twenty-five dollars per tuition unit.

27 (c) For the 2018-19 academic year, the governing body shall set
28 the payout value for tuition units redeemed during that academic year
29 at one hundred twenty-nine dollars per tuition unit.

30 (d) Beginning with the 2019-20 academic year, the payout value of
31 a tuition unit must either increase by three percent annually if the
32 funded status of the program is equal to or greater than one hundred
33 fifteen percent or increase by one percent annually if the funded
34 status of the program is below one hundred fifteen percent.

35 (e) If one percent of tuition and fees at the most expensive
36 state university exceeds the payout value of a tuition unit as
37 calculated in this subsection (6) in any given year, the payout value
38 of the tuition unit must increase to equal one percent of tuition and
39 fees at the most expensive state university, regardless of the funded
40 status of the program.

1 (7) Once the Washington college savings plan is established, the
2 governing body shall allow eligible purchasers who opened accounts
3 before July 1, 2015, to redeem tuition units for one hundred twenty-
4 nine dollars provided that all of the redeemed funds are deposited
5 immediately into an eligible Washington college savings plan
6 established by the governing body, until June 30, 2019. After June
7 30, 2019, tuition units may only be redeemed for the payout value
8 established in subsection (6) of this section.

9 (8) The governing body shall promote, advertise, and publicize
10 the Washington advanced college tuition payment program. Materials
11 and online publications advertising the Washington advanced college
12 tuition payment program shall include a disclaimer that the
13 Washington advanced college tuition payment program's guarantee is
14 that one hundred tuition units will equal one year of full-time,
15 resident, undergraduate tuition at the most expensive state
16 institution of higher education, and that if resident, undergraduate
17 tuition is reduced, a tuition unit may lose monetary value.

18 (9) In addition to any other powers conferred by this chapter,
19 the governing body may:

20 ~~((a)) ((Impose reasonable limits on the number of tuition units or~~
21 ~~units that may be used in any one year;~~

22 ~~((b))~~) Determine and set any time limits, if necessary, for the
23 use of benefits under this chapter;

24 ~~((c))~~) (b) Impose and collect administrative fees and charges in
25 connection with any transaction under this chapter;

26 ~~((d))~~) (c) Appoint and use advisory committees and the state
27 actuary as needed to provide program direction and guidance;

28 ~~((e))~~) (d) Formulate and adopt all other policies and rules
29 necessary for the efficient administration of the program;

30 ~~((f))~~) (e) Consider the addition of an advanced payment program
31 for room and board contracts and also consider a college savings
32 program;

33 ~~((g))~~) (f) Purchase insurance from insurers licensed to do
34 business in the state, to provide for coverage against any loss in
35 connection with the account's property, assets, or activities or to
36 further insure the value of the tuition units;

37 ~~((h))~~) (g) Make, execute, and deliver contracts, conveyances,
38 and other instruments necessary to the exercise and discharge of its
39 powers and duties under this chapter;

1 ~~((+i))~~ (h) Contract for the provision for all or part of the
2 services necessary for the management and operation of the program
3 with other state or nonstate entities authorized to do business in
4 the state;

5 ~~((+j))~~ (i) Contract for other services or for goods needed by
6 the governing body in the conduct of its business under this chapter;

7 ~~((+k))~~ (j) Contract with financial consultants, actuaries,
8 auditors, and other consultants as necessary to carry out its
9 responsibilities under this chapter;

10 ~~((+l))~~ (k) Solicit and accept cash donations and grants from any
11 person, governmental agency, private business, or organization; and

12 ~~((+m))~~ (l) Perform all acts necessary and proper to carry out
13 the duties and responsibilities of this program under this chapter.

14 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of
16 the state government and its existing public institutions, and takes
17 effect July 1, 2017.

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