

**Guaranteed Education Tuition (GET) Committee
Special Meeting – Conference Call
Tuesday, May 29, 2018**

**Washington Student Achievement Council Offices
919 Lakeridge Way SW, K-20 Conference Room
Olympia, WA 98504
2:00 p.m. – 3:00 p.m.**

In-Person Attendees: Check-in at Front Desk in 917 Building
Call-in Attendees: 1.844.844.0014; Access Code: 129 781 966

AGENDA

Call to Order: Welcome & Member Introductions

- Senate Bill 6087 Implementation
 - *Review phases and timeline for bill implementation* INFORMATION
 - *Unit Cash Value Price for GET to DreamAhead Rollovers* ACTION
 - *2017-2018 \$113 GET Unit Price Deadline* ACTION
- Public Comment
- Next Steps
- Adjournment

**Next Regularly Scheduled Meeting:
September 19, 2018
John A. Cherberg Building, Olympia
Senate Hearing Room 3
2:00 p.m. – 4:00 p.m.**



Senate Bill 6087 Overview

During the 2018 Legislative Session, the Legislature enacted Senate Bill 6087, which provides new account options and additional benefits for GET customers who purchased units before July 1, 2015. This legislation went into effect on April 15.

Customer Options Resulting from SB 6087

Due to the passage of SB 6087, GET customers who still have unredeemed units bought before July 1, 2015 will have the following options available in the coming weeks and months:

1. Roll their GET accounts over to the new DreamAhead College Investment Plan at a special Unit Cash Value Price (*see Phase 1 below*).
2. Keep their savings in their GET accounts and potentially be eligible for up to two adjustments that may add units to their GET accounts.
 - The first adjustment applies to accounts with an average unit price that is higher than \$117.82. Qualifying accounts will receive additional units based on the difference between their average unit price and \$117.82 (*see Phase 2 below*).
 - The second adjustment is contingent on the funded status of the GET program. If the funded status allows the program to make this adjustment, it will apply to all GET accounts with unredeemed units bought before July 1, 2015 (*see Phase 3 below*).
3. Request a refund of their GET account contributions or the GET unit payout value (whichever is greater) with no program penalties until the end of Phase 1.

Key Bill Directives

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

Key Dates in Bill

Phase	Activity	Timeframe
1	Incentivized Rollover	No later than July 14, 2018, the Committee must set the 90-day incentivized rollover window and provide at least 30-days notice to eligible customers.
2	GET Repurchase	Once the 90-day incentive window (Phase 1) closes, and before March 1, 2019.
3	GET Funded Status Adjustment	Once the GET repurchase adjustment (Phase 2) is complete, and before March 1, 2019.



GET Committee SB 6087 Implementation Actions To-Date

Date	Action
4/10/18	Provided direction to the Washington State Investment Board to reallocate GET investments to have one billion dollars in cash available for accommodating incentivized rollovers from GET to DreamAhead.
4/25/18	Set the measurement date for the Unit Cash Value Price (UCVP), as described in SB 6087, to be as of April 30, 2018.
4/25/18	Set a 90-day window to begin by June 15, 2018, or as soon as possible thereafter, to allow eligible purchasers to roll over their GET accounts to DreamAhead at the UCVP. Note: Only unredeemed units purchased before July 1, 2015, and those added through GET's 2017 program rebase are eligible for the UCVP.
4/25/18	Extended the GET non-penalty refund policy to last until the 90-day incentivized GET to DreamAhead rollover window closes.

SB 6087 Communications Plan

Date	Action	Status
4/23/18	Developed a page on the GET website dedicated to describing new options available as a result of the passage of SB 6087: www.get.wa.gov/sb6087	Complete
5/7/18	Sent first quarter statement email to all customers that included a notification of SB 6087 and provided a link to www.get.wa.gov/sb6087 and a message that additional communications are coming.	Complete
5/9/18	Sent detailed email to all qualifying account owners describing each option available due to the passage of SB 6087.	Complete
5/11/18	Postmarked detailed letter to all qualifying account owners describing each option available due to the passage of SB 6087.	Complete
5/26/18	Update SB 6087 webpage to include Unit Cash Value Price.	Scheduled
5/30/18	Send follow-up email to all qualifying account owners announcing the Unit Cash Value Price and providing a reminder of each SB 6087 option, along with associated details and timelines.	Scheduled
6/13/18	Postmark follow-up letter to all qualifying account owners announcing the Unit Cash Value Price and providing a reminder of each SB 6087 option, along with associated details and timelines.	Scheduled
6/15/18 and beyond	Continued communications to qualifying customers and updates to SB 6087 webpage.	Scheduled

Approval of Unit Cash Value Price for GET to DreamAhead Rollovers

May 29, 2018

Background

New legislation (Senate Bill 6087) passed in the 2018 session requires the GET Committee to set a Unit Cash Value Price (UCVP) that is different from the GET unit payout value. Eligible account owners who purchased units before July 1, 2015 will be able to redeem such units, along with any units added through the program's August 1, 2017 unit rebase, at the UCVP, provided they immediately roll these funds over to the DreamAhead College Investment Plan. The bill requires the GET Committee to set a window of time of at least 90 days for eligible account owners to take advantage of this UCVP. At the April 25, 2018 GET Committee meeting, the Committee voted to allow a 90-day period of time for eligible account owners to roll their GET funds over to DreamAhead at the UCVP, beginning June 15 or as soon as possible thereafter.

UCVP Calculation

Senate Bill 6087 requires the GET Committee, with the assistance of the Office of the State Actuary (OSA) and the Washington State Investment Board (WSIB), to set the UCVP within 90 days of the bill's effective date of April 15, 2018. The bill prescribes the UCVP calculation to be as follows: total eligible assets under management divided by the number of eligible outstanding units as of a measurement date determined by the Committee. Eligible assets are those originating from unit purchases on or before June 30, 2015. Similarly, eligible units are those purchased on or before June 30, 2015 and those granted under the 2017 unit rebase, that remain unredeemed as of the measurement date. At the April 25, 2018 GET Committee meeting, the GET Committee approved a motion to measure the UCVP as of April 30, 2018.

At the Committee's request, the OSA calculated the UCVP as of April 30, 2018 using inputs from GET/WSAC staff and the WSIB and provided a letter on May 24, 2018 to the GET Committee Chair stating that their calculation produced a UCVP of \$143. The OSA examined the sensitivity of the UCVP to changes in the number of eligible units and reviewed the reasonability of the resulting UCVP calculated. These supplemental calculations suggested a UCVP of \$143 is reasonable.

See attached May 24, 2018 letter from the OSA regarding the calculation of the UCVP.

Staff Recommendation

Staff recommends approval of a Unit Cash Value Price of \$143 per unit, as described in the May 24, 2018 letter provided by the Office of the State Actuary using the formula prescribed by Senate Bill 6087, and based on inputs provided by GET staff and the Washington State Investment Board.



Office of the State Actuary

“Supporting financial security for generations.”

May 24, 2018

Mr. Michael P. Meotti
Chair
Guaranteed Education Tuition (GET) Committee
917 Lakeridge Way SW
Olympia, Washington 98502

SUBJECT: ESB 6087 UNIT CASH VALUE PRICE CALCULATION

Dear Michael,

As you requested, we calculated the “Unit Cash Value Price” (UCVP) established in Engrossed Senate Bill (ESB) 6087 using the measurement date selected by the GET Committee of April 30, 2018. Using the data, assumptions, and methods outlined in this letter, we calculated a UCVP of \$143.

UCVP Summary		
Eligible Assets (A)	Eligible Units (B)	UCVP (A) ÷ (B)
\$2,044,339,201	14,309,424	\$143

Given the sensitivity of the UCVP to the assumptions and methods used to determine the UCVP, in particular, the number of eligible units, we have rounded the UCVP to the nearest whole dollar.

Please see the remainder of this letter for further details and supporting information.

Summary of Unit Cash Value Price and Calculation Method

ESB 6087 established a temporary redemption price, the UCVP, for eligible account holders who wish to redeem their eligible GET units and transfer the redemption amount from GET to the new DreamAhead College Investment Plan. To be eligible, units must have been purchased prior to July 1, 2015. Eligible account holders may redeem units at the UCVP for a period of no fewer than 90 days as established in the bill and defined by the GET Committee.

To calculate the UCVP, we divide the amount of eligible assets by the number of eligible units as of the April 30, 2018, measurement date established by the GET Committee. We relied on data provided by GET and Washington State Investment Board (WSIB) staff to



determine the amount of eligible assets. We relied on data from GET staff to determine the number of eligible units. We also reviewed the sensitivity of the UCVP to changes in the number of eligible units and the reasonability of our final calculated UCVP.

Calculation Method

ESB 6087 prescribed the overall methodology for determining the UCVP. As described in ESB 6087, the UCVP is the total eligible assets under management divided by the number of eligible outstanding units as of a measurement date determined by the GET Committee. Eligible assets are those originating from unit purchases on or before June 30, 2015, and exclude the total accumulated market value of proceeds from units purchased after June 30, 2015. Similarly, eligible units are those purchased on or before June 30, 2015, and those granted under the 2017 unit rebase, that remain outstanding as of the measurement date.

Eligible Assets

Consistent with the prescribed methodology in ESB 6087, we estimated the amount of eligible assets by reducing the total market value of assets under management as of the measurement date by the accumulated value of proceeds from units purchased after June 30, 2015. To estimate the accumulated proceeds, we relied on monthly cash flow information provided by GET staff, and monthly rates of investment return information provided by WSIB staff, each for the period of July 2015 through April 2018.

To determine the accumulated value of proceeds from units purchased after June 30, 2015, we subtracted all accumulated monthly outflows from all accumulated monthly inflows. To calculate accumulated monthly inflows/outflows, we grew the monthly inflows/outflows provided by GET staff with actual monthly rates of investment return until the end of the measurement period.

Consistent with average monthly payment data provided by GET staff, we calculated the investment earnings on all cash inflows and outflows described above, assuming all transactions occurred in the middle of each month.

Based on this method, we determined the eligible assets as follows.

Eligible Assets Calculation			
Total Assets as of 4/30/2018 (A)	Accumulated Inflows (B)	Accumulated Outflows (C)	Eligible Assets (A) - (B) + (C)
\$2,183,056,774	\$162,427,186	\$23,709,613	\$2,044,339,201

For more information on the monthly investment returns used in this calculation, please see the **Appendix**.



Eligible Units

We relied on unit data provided by GET staff to calculate the number of outstanding units eligible for a UCVP redemption. The calculation starts with the total number of purchased and outstanding units as of June 30, 2015. Consistent with ESB 6087, we added units resulting from the program’s 2017 rebase (“Rebased Units”). Finally, to determine the number of eligible units, we reduced this sum by the number of units used or refunded, between June 30, 2015, and April 30, 2018.

Based on this methodology, we determined the number of eligible units as follows.

Eligible Units Calculation			
Purchased and Outstanding Units as of 6/30/2015	Rebased Units	Distributed Units Between 7/1/2015 and 4/30/2018	Eligible Units (A) + (B) - (C)
(A)	(B)	(C)	
19,638,210	1,891,706	7,220,493	14,309,424

Unit Cash Value Price

Using the Eligible Assets and Eligible Units calculated above, we then calculated the UCVP as follows.

UCVP Summary		
Eligible Assets	Eligible Units	UCVP
(A)	(B)	(A) ÷ (B)
\$2,044,339,201	14,309,424	\$143

Based on information provided by GET staff, we understand the determination of the number of eligible units depends on the method selected. The number of eligible units will also change when account holders with existing custom monthly contracts convert to a lump sum purchase prior to a transfer to the DreamAhead College Investment Plan.

To evaluate the sensitivity of the UCVP to the number of eligible units, we reviewed how the UCVP changes when we change the number of eligible units in the calculation. Assuming one percent more/fewer units would decrease/increase the UCVP as follows.

UCVP Sensitivity to Number of Eligible Units		
Sensitivity	Units	UCVP
+1%	14,452,518	\$141
-1%	14,166,329	\$144

Given this sensitivity, we rounded the UCVP to the nearest whole dollar to avoid the implication that we could accurately calculate the UCVP to the penny.

Lastly, we reviewed the resulting UCVP for reasonability. We independently estimated the UCVP using data from past actuarial valuation reports. We calculated a UCVP assuming all



assets under management and all purchased and unredeemed units were eligible. We also calculated a UCVP assuming all assets under management and all purchased and unredeemed units were eligible, excluding all proceeds and units sold at a unit price of \$113 during the 2017-18 enrollment period. All these supplemental calculations suggested the UCVP we determined in this letter was reasonable.

We greatly appreciated the assistance of GET and WSIB staff in providing the data required for this calculation and for their review of the assumptions and methods we used. We could not have performed this work without their assistance and collaboration.

Please let me know if you have any questions or need further information.

Matthew M. Smith
State Actuary

cc: Betty Lochner, Executive Director
Guaranteed Education Tuition Program
Chris Phillips, Director, Institutional Relations and Public Affairs
Washington State Investment Board

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Appendix – Monthly Investment Returns

The following table shows the investment returns for the GET trust fund, by month, for the period of July 2015 through April 2018.

Investment Returns		
Year	Month	Return
2015	July	0.44%
	August	(4.15%)
	September	(2.11%)
	October	4.45%
	November	(0.41%)
	December	(1.25%)
2016	January	(2.62%)
	February	0.26%
	March	4.63%
	April	1.26%
	May	0.09%
	June	0.38%
	July	2.71%
	August	0.27%
	September	0.41%
	October	(1.21%)
	November	(0.26%)
	December	1.27%
2017	January	1.72%
	February	1.90%
	March	0.72%
	April	1.20%
	May	1.41%
	June	0.33%
	July	1.82%
	August	0.49%
	September	1.06%
	October	1.19%
	November	1.06%
	December	1.04%
2018	January	2.83%
	February	(2.69%)
	March	(1.03%)
	April	0.39%

Source: WSIB

Approval of Extending the 2017-18 \$113 GET Unit Purchase Price End Date

May 29, 2018

Background

New legislation (SB 6087) passed in the 2018 session requires the GET Committee to add additional units to eligible customer accounts with average unit prices higher than \$117.82 based on units purchased before July 1, 2015. The bill requires the GET Committee to calculate the difference between a customer's average unit price and \$117.82, multiply the difference by the total number of eligible units, and divide by the 2017-2018 GET unit purchase price of \$113 to determine the number of new units to add to customer accounts.

The bill requires that a 90-day GET to DreamAhead incentivized rollover window be complete before this unit adjustment can take place, and this unit adjustment must be complete no later than March 1, 2019. At the April 25, 2018 GET Committee meeting, the Committee voted to allow a 90-day period of time for eligible account owners to roll their GET funds over to DreamAhead at the UCVP, beginning June 15 or as soon as possible thereafter. This means that the unit adjustment described above cannot take place any earlier than September 12, 2018.

Unit Price Timeframe and GET Record Keeping System

Historically, the GET unit purchase price for a given enrollment year has been valid through June 30. Once tuition rates are set for the coming fall, and the Office of the State Actuary completes an updated actuarial valuation report and unit pricing analysis, the GET Committee sets a new unit purchase price. This price is typically set in September, and is retroactive to July 1. Any account contributions received between July 1 and the time the new unit purchase price is set are applied towards new unit purchases at the new rate. The annual GET enrollment period runs November 1 through May 31.

During the period of time after June 30 and before the new GET unit purchase price is known, GET's Banner record keeping system has historically held a \$0 unit purchase price and any new account contributions are held in suspense (with the exception of regular payments on existing Custom Monthly Plans). However, the unit adjustment prescribed by SB 6087 will require the \$113 unit price to be active in Banner at the time of the adjustment, and Banner only allows for only one active unit purchase price at a time.

The most efficient means of accommodating this system limitation is to keep the \$113 unit price in the system until the new GET enrollment period begins. This will allow sufficient time to complete the unit adjustment, but means that any new contributions coming in during that time will be applied at the \$113 rate. Since the GET enrollment period will already be closed to new enrollments, GET staff does not anticipate that extending the \$113 unit price window will cause unit sales to exceed the 2017-18 unit sales estimates of 1.37 million.

Staff Recommendation

Staff recommends the GET Committee extend the 2017-2018 \$113 unit purchase price to be valid until October 31, 2018, while maintaining the May 31, 2018 deadline for new enrollments.

May 2018

«AFIRST» «ALAST»
«ASTREET1»
«ASTREET2»
«ASTREET3»
«ACITY» «ASTATE» «AZIP»
«ANATION»

We are writing to inform you of new benefits that may be available to you in the coming months. The Legislature recently enacted Senate Bill 6087, which provides GET customers with new options for their GET accounts. For most customers, these options may offer additional financial benefits, either in the form of additional units, or an incentive to transfer their funds to the new DreamAhead 529 college savings plan. **You may have to take action to receive the benefit of your choice.** The amount of additional benefit you may receive will depend on future choices you make about your GET account, your current account status, when you originally purchased your GET units, and the funded status of the GET program.

ACTION REQUIRED

1. Review the rest of this letter for a brief introduction to Senate Bill 6087.
2. Visit the following webpages for more details:
 - **Stay up-to-date on how Senate Bill 6087 will impact your GET account, and when you will need to make decisions:** www.get.wa.gov/sb6087
 - **Read the details of Senate Bill 6087:**
<http://app.leg.wa.gov/bills/summary?BillNumber=6087&Year=2017>
3. Take a minute to log in to your online GET account to review your current account status and to ensure all of your contact information is up to date.

Here's a quick overview of the new options and potential benefits that Senate Bill 6087 provides:

- **Incentive to roll your GET account over to the new DreamAhead College Investment Plan***
Beginning on June 15, 2018, or soon after, we will open a window of at least 90 days when GET customers with units purchased before July 1, 2015 will have the opportunity to roll their GET accounts over to the new DreamAhead College Investment Plan at a special Unit Cash Value.** The GET Committee will announce this new value by the end of May. We will calculate the Unit Cash Value by dividing the total assets in the GET fund by the total units in the fund. We will adjust this calculation to exclude units purchased after July 1, 2015, and any market value associated with those units. The Unit Cash Value is different from and is likely to be higher than the current GET payout value of \$103.86.

**Note that if you roll your GET account(s) over to DreamAhead, you will be closing your GET account(s) and moving all of your funds to a 529 plan that works much differently than GET. DreamAhead is an investment-based 529 plan. The State of Washington does not insure or guarantee DreamAhead accounts or any investment returns. Account owners assume all investment risks. DreamAhead offers a variety of options that can be customized based on the age of your student and your risk tolerance. The plan offers portfolios that range from conservative options that invest heavily in bonds to aggressive options that invest heavily in stocks. Please take the time to understand how DreamAhead works before starting the rollover by visiting www.dreamahead.wa.gov to download the DreamAhead Program Details Booklet. The Program Details Booklet discusses investment objectives, risks, charges, expenses, and other important information about DreamAhead. Read and consider it carefully before investing. You should also consult your tax, legal and investment advisor before making an investment decision.*

***All rollovers made before or after this limited 90-day period will be at the standard GET payout value in effect when the rollover is processed.*

- **Adjustments for customers who wish to keep their GET accounts**

Once the 90-day incentivized rollover window closes, the GET Committee will make two account adjustments for customers who choose to stay in GET and own units purchased before July 1, 2015. These adjustments will be completed no later than March 1, 2019.

- **Unit adjustment for GET accounts with higher-priced units**

The first adjustment will add units to all GET accounts with units purchased before July 1, 2015 that have an average Unit Purchase Price higher than \$117.82, which was the payout value for GET units in the 2016-17 academic year, before we reset the payout value to match tuition and rebased all customer accounts. If your average unit purchase price is higher than \$117.82, we will take the difference and add units to your account based on the current unit purchase price of \$113. Please note that this process will only consider the average Unit Purchase Price for units purchased before July 1, 2015 that have not yet been redeemed. Custom Monthly Plans not yet paid-in-full will receive additional units based on payments made before July 1, 2015.

- **GET funded status adjustment***

Once we complete the first adjustment for GET accounts with higher-priced units, the bill directs the State Actuary to perform a new calculation of GET's funded status. If the Actuary's calculation determines that GET's funded status is above 125%, we will add more units to all customer accounts with units purchased before July 1, 2015. We do not yet know how many units will be added to customer accounts, as it depends on how many accounts remain in the program and a future funded status measurement. However, the bill states that no account can receive greater than 15% more units as a result of this adjustment.

**GET's funded status compares program assets to program liabilities, meaning it measures how well the GET fund is positioned to meet all future obligations. A funded status of over 100% means the program is expected to, based on current assumptions, be able to pay out all future customers without state financial assistance.*

In the coming weeks, we will send you additional communications, including multiple emails, with more details. Please take a minute to log in to your online GET account to ensure your contact information is up to date. If you have any questions about how Senate Bill 6087 may impact your GET account, or to talk through the current details of your account, get in touch with us. You can call us at 1.800.955.2318, or email us any time at getinfo@wsac.wa.gov. We are here 8:00 a.m. to 4:30 p.m. (PST) Monday through Friday, excluding state holidays. When you call, you may experience longer than normal hold times. You will have the option to leave a message, and a Contact Center Specialist will return your call as soon as possible.

Thank you for your participation in GET. We look forward to continuing to serve you.

Sincerely,



Betty Lochner
GET Program Director

