

# GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, August 16, 2011

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

## AGENDA

### Call to Order

- Approval of June 1, 2011 minutes                      ACTION                      Tab 1
- Report from the Chair                                      INFORMATION                      Tab 2  
  Review of GET Options for Consideration
- GET investment update                                    INFORMATION                      Tab 3  
  Washington State Investment Board  
  Diana Will, Investment Officer
- Actuarial Analysis                                         INFORMATION                      Tab 4  
  Troy Dempsey, State Actuary's Office
- GET Options for Consideration                        ACTION                              Tab 2  
  Program Options  
  Unit Price Setting  
  Custom Monthly Options
- Adjournment

**Next meeting:**  
September 8, 2011  
2:00 p.m. – 4:00 p.m.  
Office of the Insurance Commissioner

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING**

Wednesday, June 1, 2011

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

**MINUTES**

**HECB staff in attendance:**

Don Bennett, HECB Executive Director  
Betty Lochner, GET Director  
Larry Lee, Deputy Director  
Susan Martensen, Marketing & Communication  
Kim Porter, Records & Projects Manager  
Ferrado, Outreach Manager  
Matthew Freeby, Finance Lead  
Betsy Hagen, Special Assistant to the GET Director  
Katie Gross, Administrative Assistant

**Guests in attendance:**

Matt Smith, State Actuary  
Troy Dempsey, State Actuary’s Office  
Nona Snell, State Treasurer’s Office  
Diana Will, State Investment Board  
Scott Copeland, State Board of Community Jackie  
and Technical College  
Terry Ryan, Assistant Attorney General

**WELCOME**

GET Committee Chair Don Bennett called the meeting to order at 2:00 p.m. Members of the GET Committee in attendance were Don Bennett, James L. McIntire, State Treasurer, Marty Brown, Director of Office of Financial Management, Beth Stecher Berendt, citizen member, and Mooi Lien Wong, citizen member.

**APPROVAL OF APRIL 26, 2011 MEETING MINUTES**

Committee members reviewed the minutes of the April 26, 2011 meeting. Berendt requested a modification to the minutes. Brown moved to adopt the final minutes as modified. McIntire seconded the motion. The motion was approved unanimously. Minutes adopted.

**APPROVAL OF THE 2011 REVISED CALENDAR**

Bennett presented the 2011 revised calendar for discussion and approval. Due to calendar conflicts and additional meetings needing to be scheduled, there was no action taken on this item.

Additional meetings will be set for July, August, and September.

**REPORT FROM THE CHAIR & LEGISLATIVE UPDATE**

Bennett reviewed the legislative bill analyses for SB 5749 and SB 5182. SB5182 includes a one-year phase-out of the HECB. The organizational structure of the new agency, Office of Student Financial Assistance, will house both the current student financial assistance division and GET, effective July 1, 2012. The head of the new office will be appointed by the governor and also be the chair of the GET Committee.

**BILL SUMMARY**

**Brief Description:** Regarding the Washington advanced college tuition payment (GET) program.

### **Brief Summary of Engrossed Substitute Bill**

- ~~Changes the membership of the Committee on Advanced Tuition Payment (Committee) so that members appointed by the Governor serve for four year terms instead of an unspecified period of time and adds two additional members representing private business. (vetoed by governor)~~
- Directs the Committee to utilize the State Actuary in reviewing the Guaranteed Education Tuition (GET) Program rather than a nationally recognized actuary while permitting the Committee to obtain an assessment by a nationally recognized actuary.
- Directs the Committee, with the State Actuary, to review the GET Program and make any necessary changes for units purchased on or after September 1, 2011 including, but not limited to:
  - Establishing a unit payout value that increases predictability and affordability to consumers;
  - Modifying the tuition unit price;
  - Modifying the contracting of tuition unit purchases to better align the tuition unit price paid throughout the length of the contract with the price established for each enrollment period; and
  - Modifying the enrollment period.

The governing body shall submit a report of these efforts to the governor and the appropriate fiscal committees of the legislature no later than October 1, 2011.

- Creates a legislative advisory committee to the Committee to provide advice regarding the administration of the GET Program including, but not limited to, pricing guidelines, the tuition unit price, and the unit payout value.

### **DIRECTOR'S REPORT**

Betty Lochner, GET Director, provided updated end of 2010-2011 enrollment statistics:

- 15,380 new accounts – exceeded all goals.
- Out of 134,185 accounts, only 10,695 accounts are fully funded with 500 units.
- As of April 30, 2011 the \$117 unit price ended. There are 5,359 accounts and \$2 million in payments since that date waiting for a new unit price.
- Currents customers can continue to purchase units to fully fund accounts to 500 units.

Lochner requested the committee review the 2011-12 enrollment period decision today – Tab 4.

### **RISK ANALYSIS**

Matt Smith, State Actuary, reviewed the power point presentation that included:

- New Governance
- New Tuition Policy
- Assessment Required for Transition to New Policy
- Assessment Requires Updated Risk Analysis
- Managing New Unfunded Liability
  - Key questions
  - Is there an acceptable balance between risk and affordability?
  - Are program changes needed to maintain that balance?
- Initial Next Steps
- Recommendation
- Recap

McIntire suggested that committee members review the risk tolerance matrix and engage in conversation about a set of measures. The implementation of risk tolerance measures can be presented as part of the program's belief structure.

Smith will continue to work on risk analysis information and provide an update for the July 26, 2011 meeting (meeting was cancelled). Smith will also work on a preliminary report for the new legislative advisory committee.

### **PROGRAM ISSUES FOR CONSIDERATION**

Lochner presented the Program Issues for Consideration document. She asked the committee to provide feedback and consider decisions for the following:

- Establish a unit payout value that increases predictability and affordability to consumers  
Note: Current customers may continue to purchase up to 500 units under the existing payout structure.
- Modify the tuition unit price
- Modify the enrollment period
- Modify Custom Monthly (CM) contract to align tuition price paid over time

With the current information provided, the committee decided to modify the upcoming enrollment period. The 2011-2012 GET enrollment period will be November 1, 2011 – May 31, 2012. Brown moved to adopt the 2011-2012 enrollment period. Berendt seconded the motion. The motion was approved unanimously as presented. The motion is adopted.

### **FY12 BUDGET REVIEW**

Larry Lee, Deputy GET Director, presented the fiscal year 2012 GET operating budget. Discussion ensued.

Brown moved to adopt the budget as presented. McIntire seconded the motion. The motion was approved unanimously as presented. The motion is adopted.

Bennett thanked everyone for their hard work and stated that progress was being made.

### **ADJOURNMENT**

The meeting adjourned at 3:50 p.m.

Respectfully Submitted,  
Betsy Hagen, Special Assistant to the GET Director

**2011 GET Committee Meeting Calendar (Revised)**

July 26, 2011

<b>DATE</b>	<b>TIME</b>	<b>PLACE</b>
Monday, February 7, 2011	2:00 – 4:00 p.m.	State Investment Board or Insurance Building, 4 <sup>th</sup> Floor Conference Room
Wednesday, March 23, 2011	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
Tuesday, April 26, 2011	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
Wednesday, June 1, 2011	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
<b>Tuesday, August 16, 2011</b>	2:00 – 3:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
<b>Thursday, September 8, 2011</b>	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
<b>Monday, November 7, 2011</b>	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501

## Guaranteed Education Tuition

As of July 31, 2011

CONTRACT STATISTICS: Number of Contracts			
Contract Statistics by Plan Year	1998-2010	2011	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	32,662	0	32,662
Lump Sum Contracts (LS)	86,759	29	86,788
<b>Total # of Active Contracts</b>	<b>119,421</b>	<b>29</b>	<b>119,450</b>
# of Inactive Contracts	7,379	2	7,381
# of Depleted Contracts	8,149	0	8,149
<b>Total # of Contracts</b>	<b>134,949</b>	<b>31</b>	<b>134,980</b>

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units			
	1998-2010	2011	TOTAL
Contracted Units (Active Accounts)	5,839,396	0	5,839,396
Lump Sum Units (Active Accounts)	18,236,464	341	18,236,805
<b>Total Active Accounts</b>	<b>24,075,860</b>	<b>341</b>	<b>24,076,201</b>
Contracted Units (Inactive Accounts)			439,366
Lump Sum Units (Inactive Accounts)			1,804,947
<b>Grand Total Contracted and LS Units Purchased</b>			<b>26,320,514</b>

### Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,913,715
Total Paid Out Units Since Inception (Active and Inactive Accounts)	3,781,467

CONTRACT PAYMENTS SINCE INCEPTION			
	1998-2010	2011	TOTAL
Total Payments Received (All Accounts)	\$ 1,668,765,364	\$ 27,767	\$ 1,668,793,131
Total Fee Payments Received (All Accounts)	\$ 6,932,053	\$ 950	\$ 6,933,003
<b>Total Contract-Related Payments Received</b>	<b>\$ 1,675,697,417</b>	<b>\$ 28,717</b>	<b>\$ 1,675,726,134</b>

Future Custom Monthly Payments Due (Active Accounts)	\$ 378,426,715	\$ -	\$ 378,426,715
--	----------------	------	----------------

ITEMS OF INTEREST	
<b>Since Inception</b>	
Number of Students Who Have Used Benefits	20,829
Benefits Paid	\$ 233,453,869
Refunds Paid	\$ 21,378,971
<b>Total Paid Out In Benefits and Refunds</b>	<b>\$ 254,832,840</b>



## GET Prepaid College Tuition Program

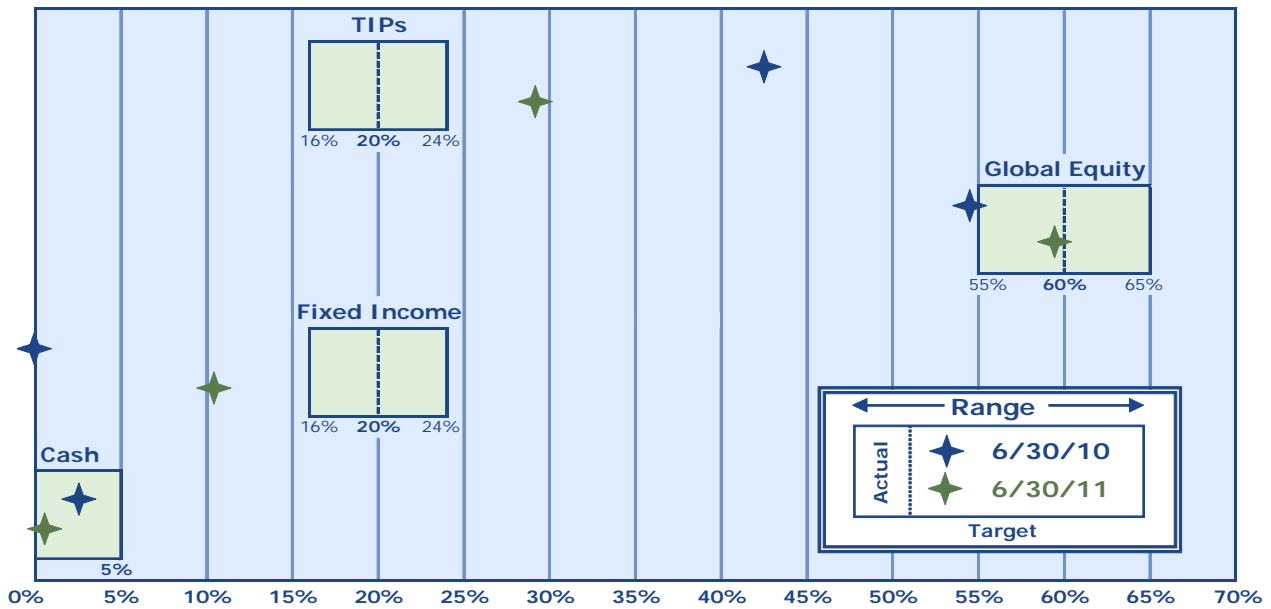
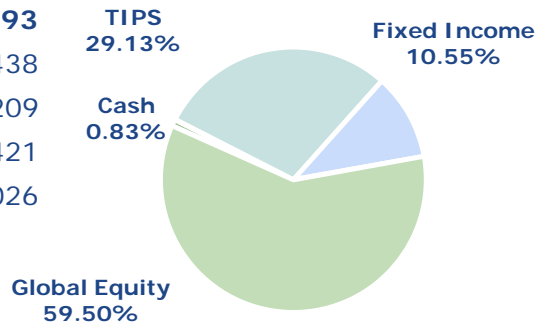
Quarterly Report – June 30, 2011

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

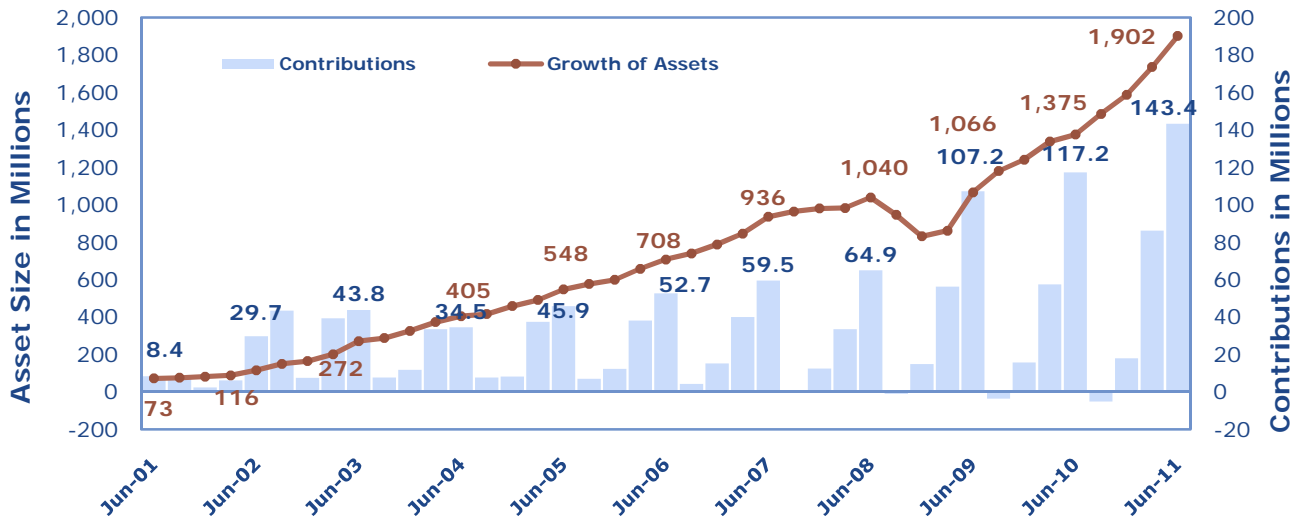
Dated: July 19, 2011

**Portfolio Size      Actual Asset Allocation**

<b>Total</b>	<b>\$1,901,564,093</b>
Cash	15,722,438
Treasury Inflation Index Note (TIPS)	553,871,209
Fixed Income	200,561,421
Global Equity	1,131,409,026

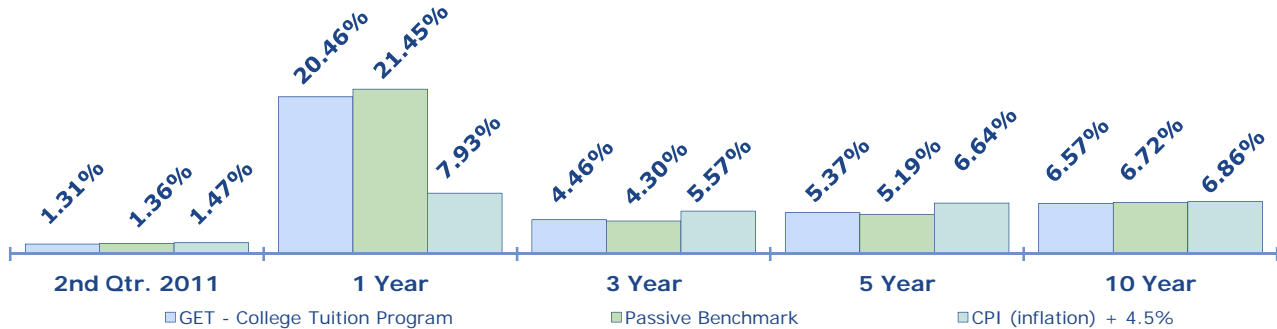


**Assets Under Management**





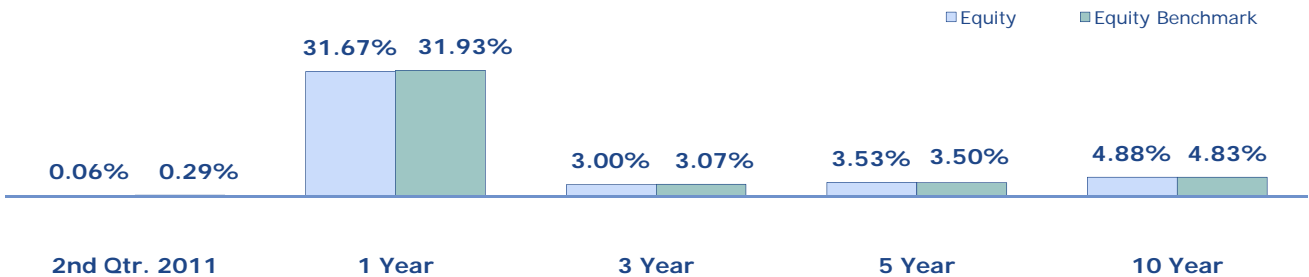
**Total Return \***



**Return Breakdown**

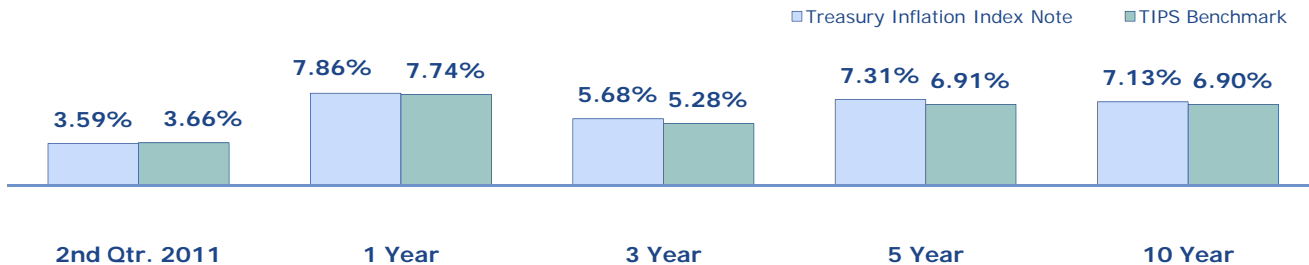
**Equity Return \***

Benchmark: Dow Jones Global TSMI and a historical blended return



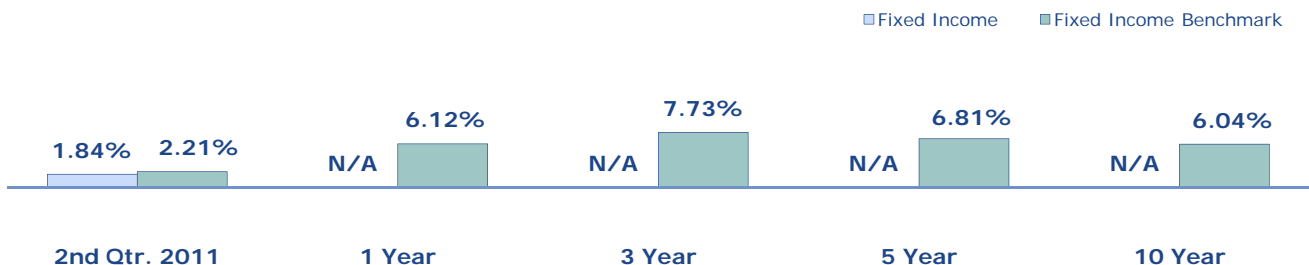
**Treasury Inflation Index Note Return \***

Benchmark: Barclays Capital Custom TIPS Index



**Fixed Income Return \***

Benchmark: Barclays Capital Intermediate Credit



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