

# GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, November 18, 2014

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

## AGENDA

Call to Order

- |   |                            |       |
|---|----------------------------|-------|
| • Welcome<br>Approval of September 4, 2014 Minutes<br>Approval of 2015 Meeting Calendar                   | ACTION                     | TAB 1 |
| • Report from the Chair<br>Retreat Summary  | INFO/DISCUSSION            | TAB 2 |
| • Director's Report<br>Overview of Program Statistics<br>Enrollment Update<br>2015 Legislative Strategies | INFO/DISCUSSION            | TAB 3 |
| • GET Investment Update<br>Asset Allocation Recommendation<br>Allyson Tucker, State Investment Board      | INFO/DISCUSSION/<br>ACTION | TAB 4 |
| • Actuarial Valuation Review<br>Matt Smith, State Actuary   | INFO/DISCUSSION            | TAB 5 |
| • Valuation Adoption<br>Marc Webster, Washington Student Achievement Council                              |                            |       |
| • Adjournment   |                            |       |

**GUARANTEED EDUCATION TUITION PROGRAM  
GET COMMITTEE MEETING**

**Office of the Insurance Commissioner  
5000 Capitol Blvd  
Tumwater, WA 98501  
September 4, 2014**

**WSAC staff in attendance:**

Don Bennett, Deputy Director  
Marc Webster, Senior Fiscal Policy Advisor  
Betty Lochner, GET Director  
Ryan Betz, Associate Director for GET Marketing and Communications  
Betsy Hagen, Associate Director for GET Operations  
Luke Minor, GET Marketing and Communications Manager  
Kim Porter, GET Records and Projects Manager  
Matthew Freeby, GET Finance Manager  
Courtney Brown, Lead Contact Center Specialist for GET  
Diana Hurley, GET Contact Center Manager  
Jane Olsen, GET Financial Accountant  
Katie Gross, Special Assistant to the GET Director

**Visitors in attendance:**

Allyson Tucker, State Investment Board  
Matt Smith, State Actuary  
David Stolier, Office of the Attorney General  
Christi Steele, Office of the State Actuary  
Scott Copeland, State Board for Community and Technical Colleges  
Denise Nguyen, State Auditor's Office  
Maria Hovde, Senate Ways and Means  
Devon Nichols, Office of the State Actuary  
Dufie Addo, State Investment Board

**CALL TO ORDER**

The GET Committee meeting started at 2:04 p.m. Gene Sharratt, Chair of the Committee and Executive Director of the Washington Student Achievement Council, welcomed the Committee members and other participants. All participants introduced themselves. The Committee members present were David Schumacher, Director of the Office of Financial Management, Wolfgang Opitz for Treasurer James McIntire, Beth Berendt, citizen member, and Mooi Lien Wong, citizen member. Sharratt reminded the Committee of the Committee Retreat scheduled for October 20 and also reminded them of the next meeting scheduled for November 18.

**APPROVAL OF THE JUNE 10, 2014 MEETING MINUTES**

Berendt motioned to approve the June 10, 2014 minutes as presented. Wong seconded the motion. The minutes were approved unanimously as presented.

## **REPORT FROM THE CHAIR**

Sharratt reviewed with the Committee that the Washington Student Achievement Council was formed in 2012 and they were tasked with creating a 10-year roadmap that would increase educational attainment for Washingtonians. As such, two main goals were established, approved, and are now in statute:

- All Washingtonians ages 25 to 44 will obtain a high school diploma or equivalent.
- At least 70% of Washingtonians ages 25 to 44 will have some type of post-secondary credential beyond high school.

The Council has created 12 strategies to assist in reaching these goals. Strategic action plan drafts will be submitted to the Council for review on October 8 and will hopefully be approved by the legislature in November.

The GET Committee Retreat is scheduled from 1:00 p.m. to 5:00 p.m. in Olympia on Monday, October 20, 2014. Committee members may send suggestions or agenda items to Betty Lochner. Sharratt went over the tentative retreat agenda.

## **DIRECTOR'S REPORT**

Lochner provided an overview of the program's contract statistics through June 30, 2014. During the 2013-2014 enrollment period, over 5,500 new accounts were established and around 741,000 new units were purchased. The total number of new unit sales allowed the program to fulfill 94% of the program's projected budget. Contract statistics that reflect new units purchased since July 1, 2014 will be sent out in the near future once the new unit price is determined.

Lochner noted a number of technical changes to the Master Agreement that program staff have proposed with the help of legal counsel. The GET program is now considered a 'major fund' by the Office of Financial Management which means that the level of auditing and internal control standards has heightened. Most of the Master Agreement changes include increased levels of disclosures to protect the program and our customers.

Berendt requested confirmation that nothing substantial affecting the substance of an account contract was changed. Lochner confirmed this. Nothing that changes the contract information or functionality of the program was altered.

Lochner mentioned that Hootie, the program's new mascot, was introduced in August. Hootie is included in many social media efforts, outreach events, and partnership meetings and seminars. The program has also received requests to have Hootie attend community and school events. This is a way to provide financial literacy opportunities to families in Washington State.

Program advertisements are scheduled to run throughout the entire enrollment period (November thru May). This was not the case in previous years due to the legislative session. Budgeted advertising funds need to be used throughout the enrollment year. Staff is also looking for ways to educate legislators and other stakeholders.

Berendt motioned to adopt the suggested changes to the Master Agreement. Wong seconded the motion. The updates to the Master Agreement were unanimously approved as presented.

## **GET INVESTMENT UPDATE**

Allyson Tucker, from the State Investment Board, introduced Dufia Addo, a new Investment Officer in the Risk Management and Asset Allocation division at the State Investment Board.

Tucker reported that the second quarterly report showed increased investments since March 31, 2014. This increase was driven by contributions as well as market performance. The second quarter was a positive one for the program and the program is currently ahead of its passive benchmark in all but one period. Tucker provided an overview of the programs investments and performance.

Staff from the State Investment Board, the Office of the State Actuary, and GET, will be working on an Asset Allocation study this year as the last study was conducted in 2011. Framework has been put together that describes the work that will be done over the next two months. Tucker believes that the current asset allocation has been working well, but stated that the GET policy calls for a formal review periodically. Staff will present findings and recommendations at the Committee meeting in November. Once the recommendations are approved, Tucker will present them to the State Investment Board.

Tucker encouraged the Committee to contact her with any ideas or suggestions.

Wong noted that she had a conversation with Tucker prior to the meeting. Wong suggested that Tucker take world news into consideration, making sure that projected assumptions are always realistic moving forward.

Sharratt thanked Tucker for her work.

## **ACTUARIAL ANALYSIS**

Matt Smith, State Actuary, was happy to report that the program's funded status is up from 94% to 106%. Actuary staff expect the program to reach the 115% funded status in 2020. The program is on track for the recovery plan. Smith suggested discussing the idea of phasing out the current amortization schedule at the retreat next month.

Smith brought the price range estimates to the Committee's attention. Looking at tuition policy, state support, and tuition funding, the actuarial staff recommend a new unit price between \$167 and \$181.

The risk analysis hasn't changed much since 2013. The biggest area was the probability of the funded status dropping under 50%. Assets are significantly higher than what was modeled last year. The solvency report card when up from 97% to 98%. The valuation report will be presented in November. Actuary staff are working to bring some improvements to the report.

Sharratt motioned to hold the unit price at \$172. Berendt seconded the motion. The Committee unanimously adopted to hold the unit price at \$172. Smith will submit the final copy of the actuarial report now that the unit price has been adopted.

Lochner noted that a press release will be sent out after the meeting, announcing the new price.

Sharratt thanked Lochner and her team and congratulated everyone's efforts.

Berendt recognized Tucker's report on the markets and felt they were very enlightening. Wolfgang Opitz thanked Allyson Tucker, Christi Steele, and Matt Smith, for their excellent work. Opitz noted that 'we would have been substantially unguided.' Wong thanked Smith and his team for meeting with Committee members one on one.

**ADJOURNMENT**

The meeting adjourned at 2:52 p.m.



## Proposed 2015 GET Committee Meeting Schedule

### Background

As outlined in RCW 28B.95.030, WAC 14-104-010, the GET Committee shall hold regular meetings as needed. Additional special meetings may be scheduled if needed.

The following is the proposed meeting schedule for the 2015 calendar year.

DATE	TIME	PLACE
Tuesday, June 16, 2015	2:00 p.m. – 4:00 p.m.	TBD
Tuesday, September 1, 2015	2:00 p.m. – 4:00 p.m.	TBD
Tuesday, November 3, 2015	2:00 p.m. – 4:00 p.m.	TBD

## Guaranteed Education Tuition

As of October 31, 2014

CONTRACT STATISTICS: Number of Contracts				
Contract Statistics by Plan Year	1998-2012	2013	2014	TOTAL
# of Active Contracts				
Custom Monthly Contracts (CM)	33,260	1,625	26	34,911
Lump Sum Contracts (LS)	91,198	3,788	104	95,090
<b>Total # of Active Contracts</b>	<b>124,458</b>	<b>5,413</b>	<b>130</b>	<b>130,001</b>
# of Inactive Contracts	11,696	83	0	11,779
# of Depleted Contracts	15,831	13	7	15,851
<b>Total # of Contracts</b>	<b>151,985</b>	<b>5,509</b>	<b>137</b>	<b>157,631</b>

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units				
	1998-2012	2013	2014	TOTAL
Contracted Units (Active Accounts)	5,740,654	179,000	4,000	5,923,654
Lump Sum Units (Active Accounts)	18,628,777	255,154	3,348	18,887,279
<b>Total Units (Active Accounts)</b>	<b>24,369,431</b>	<b>434,154</b>	<b>7,348</b>	<b>24,810,934</b>
Contracted Units (Inactive Accounts)				784,614
Lump Sum Units (Inactive Accounts)				3,687,757
<b>Grand Total Contracted and LS Units Purchased</b>				<b>29,283,305</b>

### Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,034,658
Total Paid Out Units Since Inception (Active and Inactive Accounts)	7,448,900

CONTRACT PAYMENTS SINCE INCEPTION				
	1998-2012	2013	2014	TOTAL
Total Payments Received (All Accounts)	\$ 2,204,794,569	\$ 45,032,018	\$ 526,302	\$ 2,250,352,889
Total Fee Payments Received (All Accounts)	\$ 8,047,908	\$ 237,230	\$ 5,550	\$ 8,290,688
<b>Total Contract-Related Payments Received</b>	<b>\$ 2,212,842,477</b>	<b>\$ 45,269,248</b>	<b>\$ 531,852</b>	<b>\$ 2,258,643,577</b>

Future Custom Monthly Payments Due (Active Accounts)	\$ 301,603,787	\$ 54,360,866	\$ 1,197,279	\$ 357,161,933
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ITEMS OF INTEREST	
<b>Since Inception</b>	
Number of Students Accounts Used For Benefits	39,498
Benefits Paid	\$ 624,857,819
Refunds Paid	\$ 44,431,233
<b>Total Paid Out In Benefits and Refunds</b>	<b>\$ 669,289,052</b>



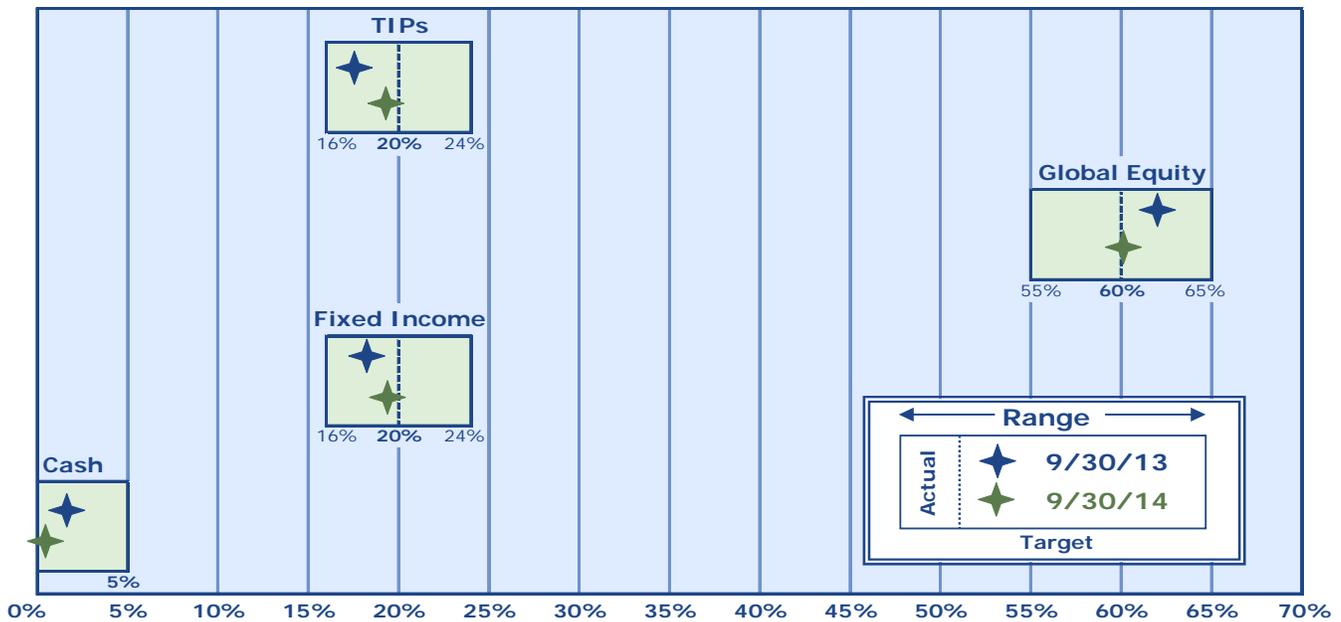
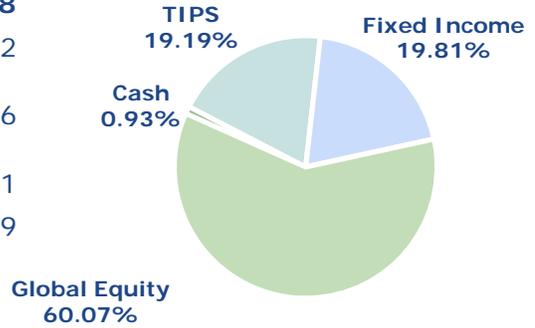
## **GET Prepaid College Tuition Program**

Quarterly Report – September 30, 2014

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

**Portfolio Size** **Actual Asset Allocation**

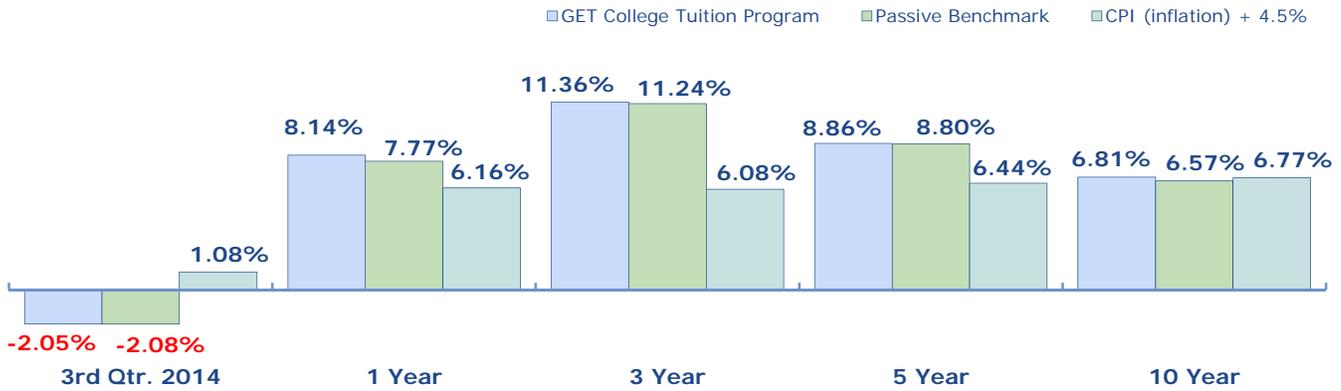
<b>Total</b>	<b>\$2,571,872,688</b>
Cash	\$23,927,512
Treasury Inflation Protected Securities (TIPS)	\$493,535,746
Fixed Income	\$509,452,021
Equity	\$1,544,957,409



**Assets Under Management**



**Total Return \***



**Return Breakdown**

**Equity Return \***

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



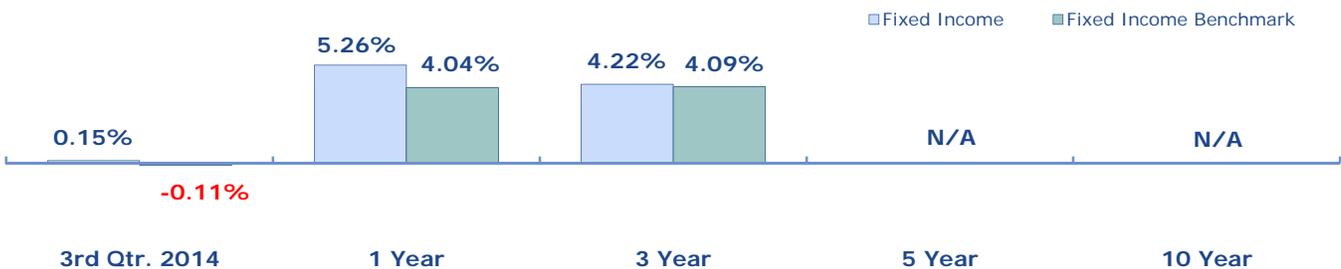
**Treasury Inflation Protected Securities Return \***

Benchmark: Barclays Capital TIPS Index and a historical blended return



**Fixed Income Return \***

Benchmark: Barclays Capital Intermediate Credit



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