

# GUARANTEED EDUCATION TUITION

## COMMITTEE RETREAT

Monday, October 20, 2014

Washington Student Achievement Council

917 Lakeridge Way SW

Olympia, WA 98502

1:00 p.m. – 5:00 p.m.

### INTENDED OUTCOMES

1. Review of GET's internal operations and budget.
2. Insight on GET demographics and the college savings marketplace.
3. Understanding of future price-setting strategy options.
4. Knowledge of how a savings plan would impact GET and Washington residents.

### AGENDA

- WELCOME
- ADMINISTRATIVE REVIEW INFO/DISCUSSION TAB 1
  - 2015 Meeting Calendar
  - Overview of Operations
    - Budget
    - Lean Management Principles
    - Allocation of Distributions
  - Marketing Strategies
    - Survey Results
    - Demographics
- ACTUARIAL REVIEW INFO/DISCUSSION TAB 2

Christi Steele, Office of the State Actuary  
Price Setting & Funded Status
- SUSTAINABILITY & PLANNING INFO/DISCUSSION TAB 3
  - Savings Plan Research  
Joan Marshall, College Savings Plans of Maryland
  - Prepaid Plans - National Overview
- NEXT STEPS DISCUSSION
  - S.W.O.T. Discussion
  - Action Items

### GET Committee Members

Gene Sharratt, Chair, and Executive Director of the Washington Student Achievement Council

James L. McIntire, State Treasurer

David Schumacher, Director of the Office of Financial Management

Elizabeth Stecher Berendt, Citizen Representative

Mooi Lien Wong, Citizen Representative

### Next GET Committee meeting:

Tuesday, November 18, 2:00 p.m. to 4:00 p.m.

Office of the Insurance Commissioner, Tumwater



## 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 September 30, 2014

CONTRACT STATISTICS: Number of Contracts				
Contract Statistics by Plan Year	1998-2012	2013	2014	TOTAL
# of Active Contracts				
Custom Monthly Contracts (CM)	33,347	1,632	17	34,996
Lump Sum Contracts (LS)	91,360	3,791	78	95,229
<b>Total # of Active Contracts</b>	<b>124,707</b>	<b>5,423</b>	<b>95</b>	<b>130,225</b>
# of Inactive Contracts	11,610	73	0	11,683
# of Depleted Contracts	15,668	13	2	15,683
<b>Total # of Contracts</b>	<b>151,985</b>	<b>5,509</b>	<b>97</b>	<b>157,591</b>

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units				
	1998-2012	2013	2014	TOTAL
Contracted Units (Active Accounts)	5,757,104	180,700	2,900	5,940,704
Lump Sum Units (Active Accounts)	18,662,107	254,562	1,792	18,918,461
<b>Total Units (Active Accounts)</b>	<b>24,419,211</b>	<b>435,262</b>	<b>4,692</b>	<b>24,859,165</b>
Contracted Units (Inactive Accounts)				774,164
Lump Sum Units (Inactive Accounts)				3,640,453
<b>Grand Total Contracted and LS Units Purchased</b>				<b>29,273,782</b>

### Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,072,410
Total Paid Out Units Since Inception (Active and Inactive Accounts)	7,341,752

CONTRACT PAYMENTS SINCE INCEPTION				
	1998-2012	2013	2014	TOTAL
Total Payments Received (All Accounts)	\$ 2,198,765,185	\$ 44,360,732	\$ 267,800	\$ 2,243,393,717
Total Fee Payments Received (All Accounts)	\$ 8,034,510	\$ 236,705	\$ 4,000	\$ 8,275,215
<b>Total Contract-Related Payments Received</b>	<b>\$ 2,206,799,695</b>	<b>\$ 44,597,437</b>	<b>\$ 271,800</b>	<b>\$ 2,251,668,932</b>

Future Custom Monthly Payments Due (Active Accounts)	\$ 306,660,255	\$ 55,238,934	\$ 867,526	\$ 362,766,715
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ITEMS OF INTEREST	
<b>Since Inception</b>	
Number of Students Accounts Used For Benefits	38,723
Benefits Paid	\$ 613,546,627
Refunds Paid	\$ 43,891,789
<b>Total Paid Out In Benefits and Refunds</b>	<b>\$ 657,438,416</b>



# GET Committee Retreat

Operations Overview





Guaranteed Education Tuition™  
Save today. Secure tomorrow.



## Background

The Guaranteed Education Tuition Program (GET) is Washington's 529 prepaid college tuition plan, helping families statewide save for their child's college education. Since our state legislators initiated this program in 1998, over 157,000 families have opened accounts and more than 37,000 students have attended colleges nationwide. With GET your savings are guaranteed by state law to keep pace with rising tuition, and that brings you peace of mind.

GET is a division of the Washington Student Achievement Council with oversight from the GET Committee, which meets quarterly to review policies, pricing and investments. The Washington State Investment Board manages the GET fund, which is now valued at nearly \$3 billion. It's a self-sustaining program which has become one of the fastest growing prepaid tuition plans in the country.

GET staff provide fiduciary oversight for all accounts and processes.

## Our Mission

GET serves Washington families by offering a safe and secure way to save for college.

## Our Vision

We are committed to:

- Encouraging statewide awareness and participation in GET, Which is nationally recognized as a great college savings program.
- Excellence in customer service that supports family and student success.
- A positive work environment where employees are valued as individuals and supported in their work.



## Our Values

- Stewardship - We value responsible stewardship of resources and participant funds.
- Improvement - We value pursuit of continued process improvement that results in efficiency and cost savings.
- Respect - We value an environment of respect through open and honest communication.
- Teamwork -We value integrity, fairness, diversity and teamwork in the workplace.
- Well-being - We value employee health and well-being in a supportive environment that nurtures personal and professional growth.



## Executive Summary

GET Operations is comprised of three units, the contact center, finance, and records. Staff members complete vital and necessary process work for all accounts.

GET is now categorized as a major fund with a value of nearly \$3 billion. This status comes with a new level of direction and oversight. The volume and complexity of our work has also increased over time. Internal controls are now in place and tasks are being completed in the appropriate unit. A process document and process experts have been created. Talk time has increased as well as legal and trust documents. Two financial reconciliations take place each month; one for incoming cash and one for distributions. Our budget preparation and execution have also evolved. Staff members work very hard to instill integrity in the program and maintain a qualified status for our 529 plan.

In 2007, our full time employee count was at 26. Today, our full time employees are at 30 (additional FTE: 2 to marketing and 2 to IT). Current Operations staffing is as follows: contact center 6.5 FTE, finance, 6 FTE, and records has 5 FTE. All units work closely together; transparent communication is a must.



Success measures: meeting customer quote times, accuracy and quality assurance, continuous process improvement, confidence and competence of staff members, transparent communication within the Operations units.

FY	FTE	Total Enrollments	Total Units	Total Incoming Cash	Total Distributions
2008	26	90,401	18,385,052	\$883,486,935.45	\$88,633,316.30
2014	30	157,529	30,440,800	\$2,229,979,517.68	\$567,858,419.28



**Guaranteed Education Tuition™**  
Save today. Secure tomorrow.



Year	Percent of Tuition Increase	Effective Dates for Unit Price	Unit Price	Admin Fee %	Components of Price				Payout Value
					(Admin)	(Tuition)	(Premium)	(Amortization)	
1998	4.0%	8/1/1998 - 8/31/1999	\$35.00	5.14%	\$1.80	\$30.80	\$2.40	\$-	N/A
1999	3.7%	9/1/1999 - 8/31/2000	\$38.00	5.63%	\$2.14	\$33.36	\$2.50	\$-	N/A
2000	3.4%	9/1/2000 - 8/31/2001	\$41.00	7.80%	\$3.20	\$34.46	\$3.34	\$-	\$36.41
2001	7.1%	9/1/2001 - 8/31/2002	\$42.00	6.98%	\$2.93	\$36.96	\$2.11	\$-	\$38.98
2002	16%	9/1/2002 - 4/30/2003	\$52.00	6.31%	\$3.28	\$42.76	\$5.96	\$-	\$45.20
2003	7.0%	5/1/2003 - 4/30/2004	\$57.00	4.04%	\$2.30	\$48.32	\$6.38	\$-	\$48.36
2004	6.6%	5/1/2004 - 4/30/2005	\$61.00	5.02%	\$3.06	\$54.58	\$3.36	\$-	\$51.54
2005	6.8%	5/1/2005 - 4/30/2006	\$66.00	3.98%	\$2.63	\$58.89	\$4.48	\$-	\$55.06
2006	6.9%	5/1/2006 - 4/30/2007	\$70.00	3.71%	\$2.60	\$63.28	\$4.12	\$-	\$58.88
2007	6.8%	5/1/2007 - 4/30/2008	\$74.00	3.35%	\$2.48	\$67.91	\$3.61	\$-	\$62.90
2008	6.8%	5/1/2008 - 4/30/2009	\$76.00	4.30%	\$3.27	\$72.58	\$0.15	\$-	\$67.20
2009	13.1%	5/1/2009 - 4/30/2010	\$101.00	3.14%	\$3.17	\$83.90	\$13.93	\$-	\$76.00
2010	13.1%	5/1/2010 - 4/30/2011	\$117.00	2.55%	\$2.98	\$98.66	\$15.36	\$-	\$85.92
2011	19.0%	5/1/2011 - 6/30/2012	\$163.00	2.83%	\$4.61	\$121.60	\$18.93	\$17.86	\$102.23
2012	16.0%	7/1/2012 - 6/30/2013	\$172.00	3.10%	\$5.33	\$127.66	\$19.95	\$19.06	\$117.82
2013	0%	7/1/2013 - 6/30/2014	\$172.00	3.17%	\$5.45	\$126.42	\$19.78	\$20.82	\$117.82
2014	0%	7/1/2014 - 6/30/2015	\$172.00	3.45%	\$5.93	\$124.74	\$20.51	\$20.82	\$117.82



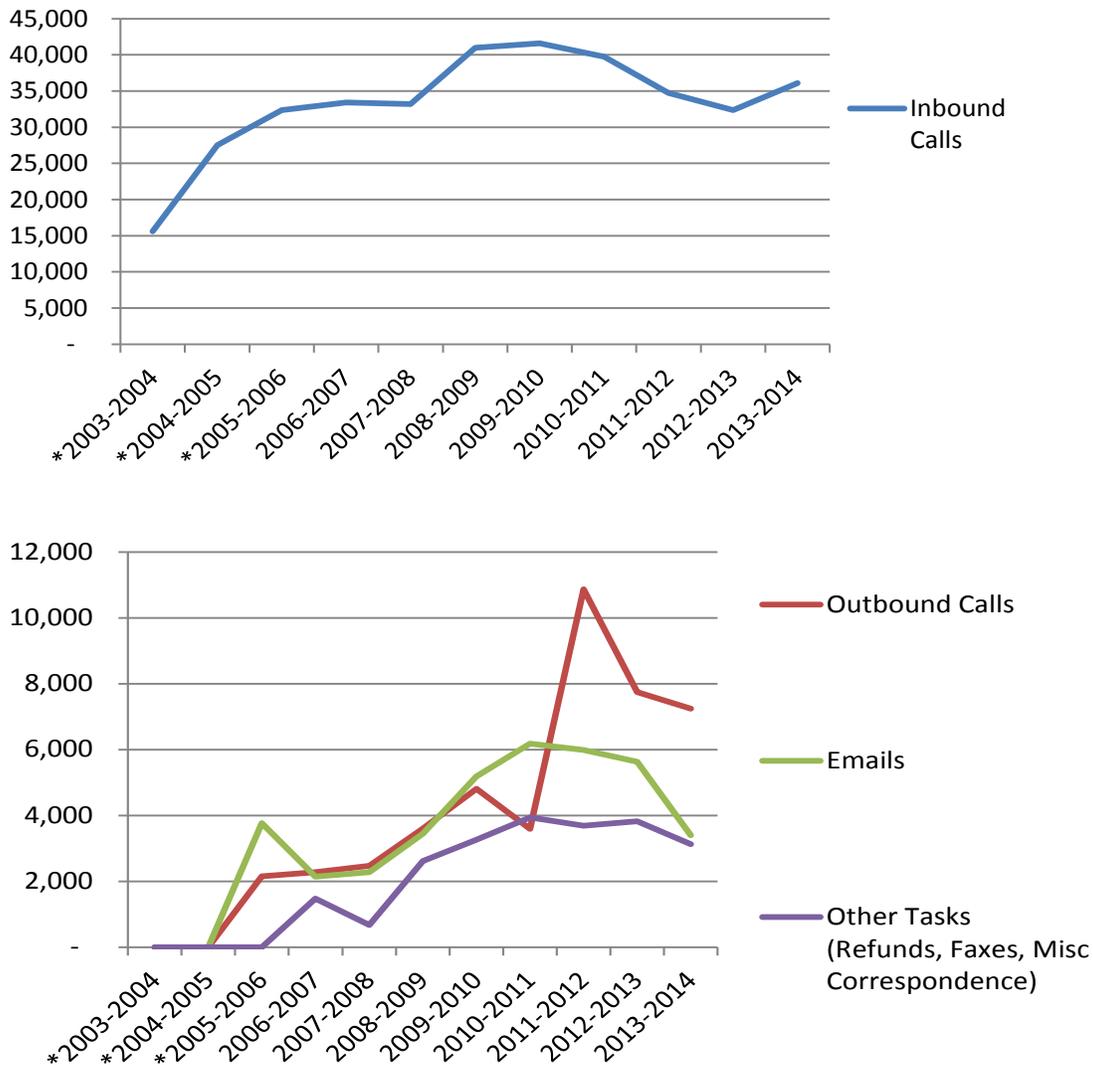
## Contact Center

The Contact Center Unit answers incoming calls and responds to e-mail correspondence, incoming faxes, callbacks and miscellaneous correspondence to assist current account holders and prospective customers with information regarding the program and the management of existing accounts.

Specific Contact Center staff members also process and finalize refunds and workflow sends the information to finance for payout.



### Contact Center Workload by Fiscal Year



\* Numbers for Outbound Calls, Emails, and Other Tasks, weren't calculated during these years  
Other Tasks are manually calculated.



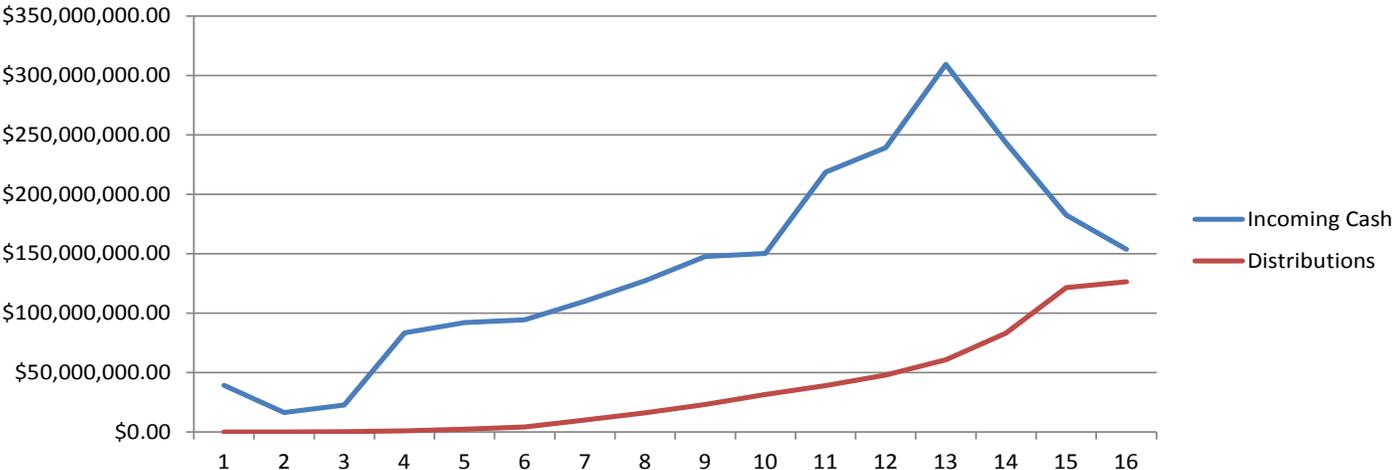
## Finance

The Finance unit processes all incoming payments. These include the daily lockbox, electronic payments (EPAY, BPAY), ACH, payroll deduction, credit cards (for \$50 enrollment fees only), and personal checks that are hand-delivered to the office. Outgoing payments are also processed. These consist of direct payment requests to schools, reimbursements to account owners, and refunds. Additional processes contain account options, downgrades, conversions, transfers, rollovers from other 529 plans, payment returns (NSF), affidavit of lost warrants, and expirations of units.

The Financial Accountant is our liaison between the AFRS and Banner worlds. She processes all accounts payable, completes the monthly incoming cash reconciliation, distribution reconciliation, and monthly gross revenue journal vouchers. She manages contracts, and also works with our budget and allotment process.



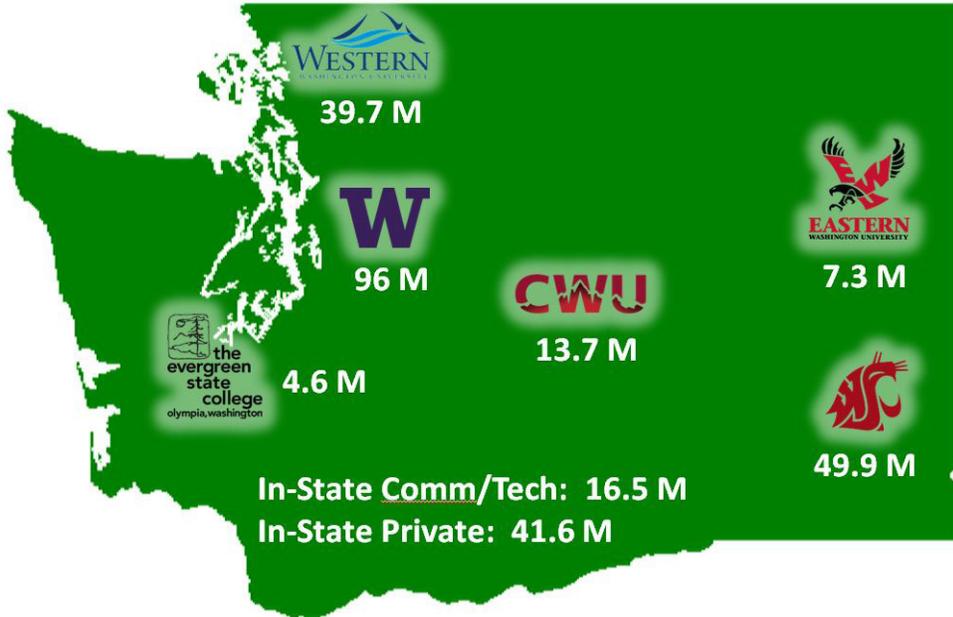
### Incoming Cash and Distributions by Year Since Inception



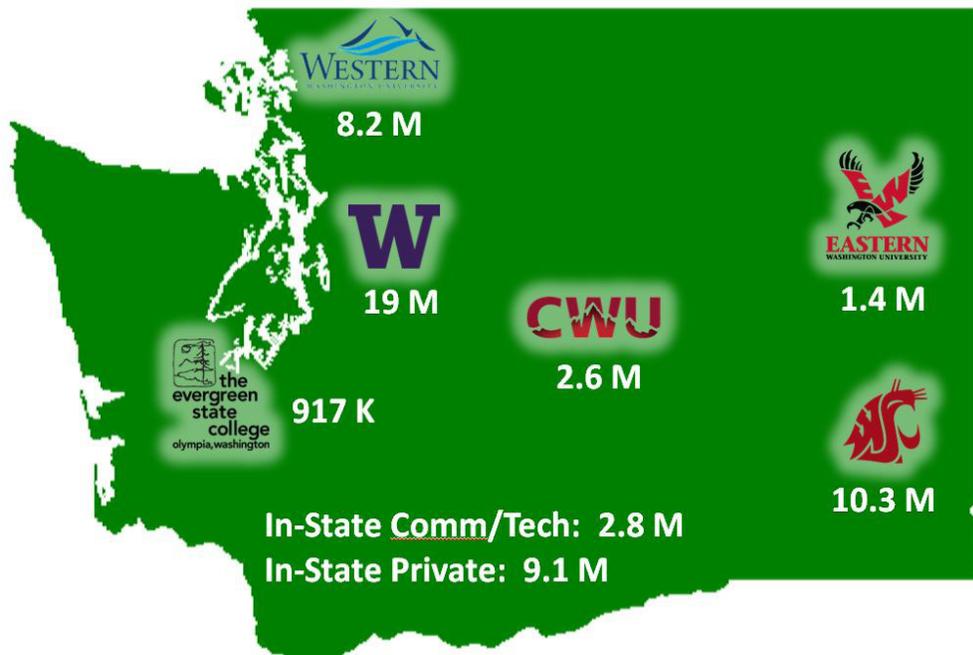


## Distributions to Colleges

### Distributions Over Time (in dollars)



### Distributions for Fiscal Year 2013-14 (in dollars)





## Records

The Records unit creates and manages over 157,000 GET customer accounts, maintains program records by sorting, scanning, indexing and filing correspondence, processes and interprets a variety of legal documents including 1,000+ trusts, power of attorney, subpoenas, and court ordered blocked accounts. Records also provides both internal and external customer service by phone, email, instant message, or in person.

The bank deposit for in-office checks is completed daily. Additional processes include changes to Account Owners, Student Beneficiaries, and other people on accounts, all outgoing correspondence (1,000+ delinquency letters per month), address updates, name changes, residency verification, returned mail, Social Security Number maintenance, records retention/archiving.

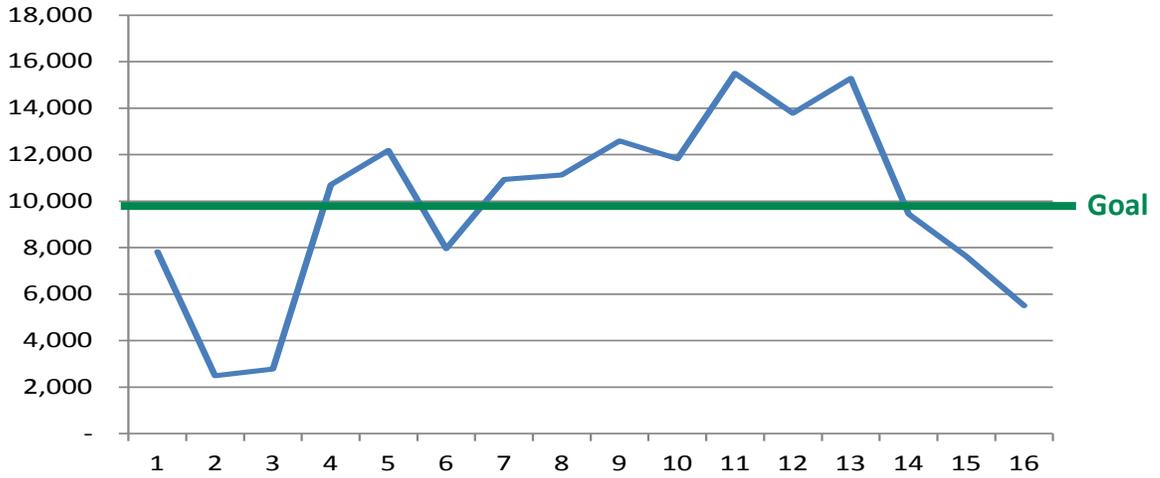
Staff members work closely with the Customer Service and Finance units on a variety of topics as Records receives and distributes all of the incoming and outgoing mail and payment lockboxes, assists them in locating documents, and offers clarification as needed.



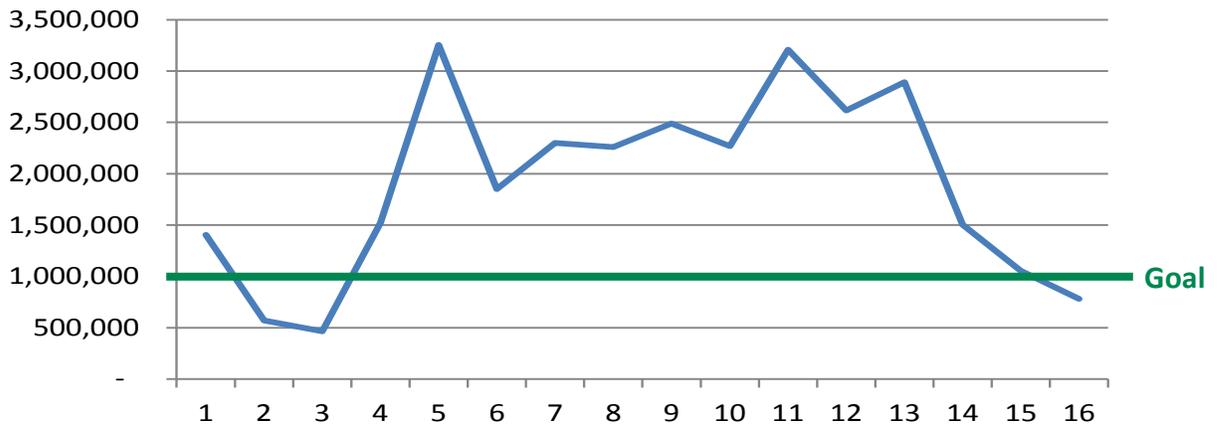
Specific Records staff members also maintain security administration for Banner, US Bank securities, Cyber-source, the GETPortal, Laserfiche, and Workflow, as well as compiling monthly contract statistics and quarterly account statements. They also produce data and clarifying information to the state auditor and actuary to assist them in their yearly evaluations.



## Number of Enrollments Over the Life of the Program



## Units Sold Over the Life of the Program





## Budget

The GET budget is created using the previous year’s actual expenses and collaborating with GET leadership on all future expenditures. Over the years, general purchases, contract values, salaries, and marketing initiatives have all increased. Our budget has increased 28% over the last seven years (less than 5% per year on average).

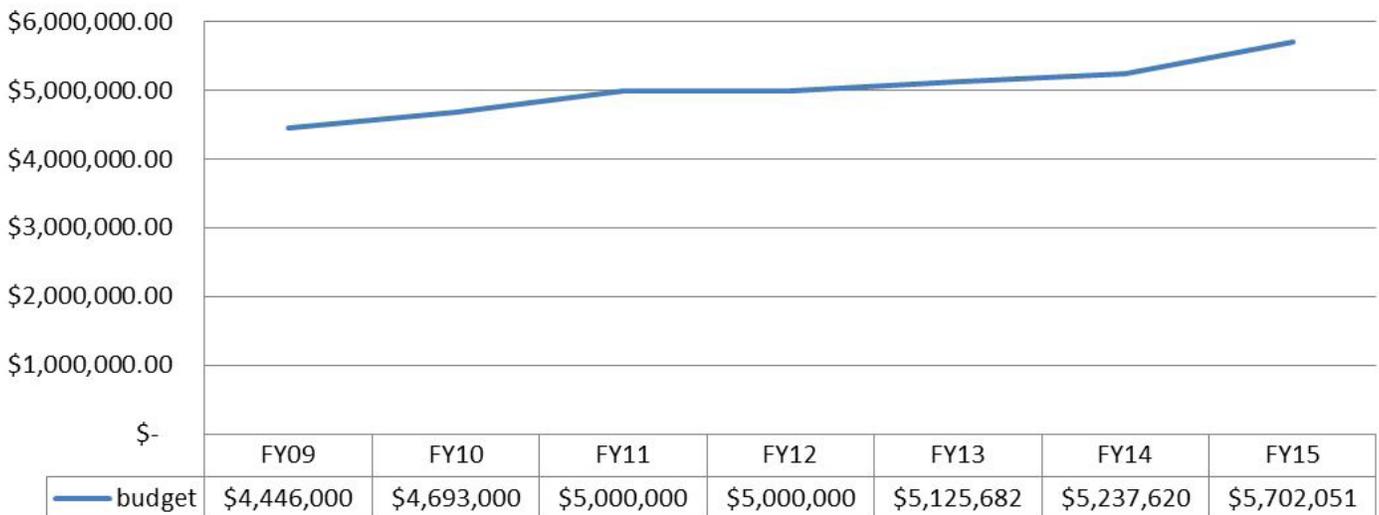


### GET budget framework:

- Salaries & Benefits
- Contracts
- Goods and Services
- Building Lease & Utilities
- Travel
- Capital Outlay
- Work Study
- Indirect

FY15 – recovery budget, \$5,702,051.00 (this includes additional FTE salaries & benefits, contract alignment, \$60,000 actuarial experience study, \$20,000 auditor expenses, IT upgrades, \$60,000 for CSS hours for Banner projects, auditor expenses, furniture replacement/security system for archived documents, additional marketing initiatives, and a marketing storage unit).

### GET Budget





## GET and Lean Methodology

### Building a culture (this has become standard work)

- Mission, vision, values in each cube
- Employee manual
- Internal controls
- Process document
- Process experts
- Performance Development Plans completed on time
  - Updated job description, evaluation, and plan for the following year
- Professional development opportunities, interpersonal and technical
- Desk manuals
- Thinkers...always asking questions (this is really important)
- Always doing the work with the customer in mind
- Pro-active; always looking ahead



- Empowering managers and staff members with decision making
- All-staff meeting involvement
- Celebrations
- Daily absence recap
- Leadership daily tour/visit all divisions
- Positive energy
- Integration of work units
- Respect for all - all staff members are problem solvers
- Communicate/conflict - "shovel while the piles are small"
- Visual management – Kanban boards, etc. customer quote times
- 5S work spaces – sort, straighten, standardize, shine, sustain
- Lean exercises – 5 whys, value stream mapping, fishbone diagram, etc.

- All work is in the PDCA (plan, do, check, act cycle – tweak processes as needed)
- By team
  - Demand – daily view from the customer perspective (phone, warrants, timeliness)
  - Capacity – do we have enough resources, staff?
  - Red flags – how do we address this?
  - What is the expected demand for the day/month/year?



Supervisors become coaches to help get the work done – going to the Gemba (where the work is done). Practice like a sports team – continuously working on skills. Gather baseline understanding – processes – continuous improvement.

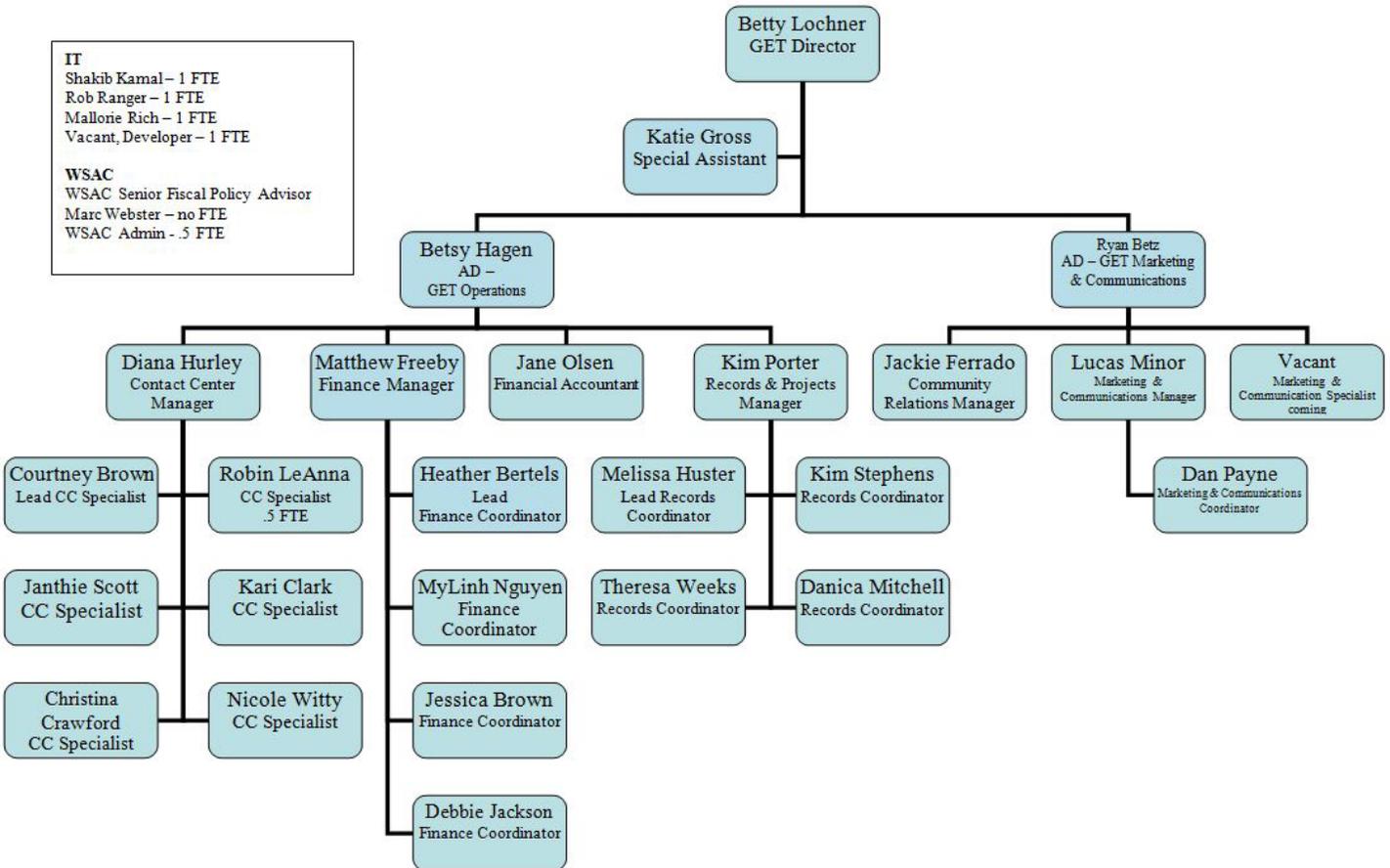
## Success measures:

- Culture cultivation
  - Accountability Structure = Sustainable continuous improvement
- Transparent communication
- Competence and compliance with processes and tasks
- Examples (daily and measured Lean events)
  - Teamwork Incentive Program – nearly \$100,000 savings
  - Lessons learned – marketing, ALW & Expiration - Finance
  - Cancellation of regularly scheduled meetings
    - (#people x hourly wage x # meetings per month x 12)



# Guaranteed Education Tuition Program

October, 2014 (FTE approval: 30)



# GET Marketing Update 2014-15



- State Economy
- Demographics
- Survey Results
- Strategies



# State Economy

## *Shrinking Middle Class*

**For a married couple with two children:**

- Combined cost of child care, housing, health care and savings for college and retirement jumped **32 percent** from 2000 to 2012 .



# State Economy

## *Shrinking Middle Class*

- From TVs, computers and cellphones to clothing and cars, many goods have dropped in price in the past decade.
- Automation and outsourcing are providing for greater efficiencies and reduced labor costs, while competition is also driving down prices.

*“America is a place where the luxuries are cheap and the necessities are expensive.”*

# State Economy

## *Shrinking Middle Class*

- The average **health-care** and **college costs** rocketed more than **80%** from 2000 to 2012. **Child care** costs also increased by **37%**.
- These all require labor that cannot be outsourced and often these are industries that don't compete on price because of the support they receive from the government.

# State & National Economy

## *College Costs Skyrocketing*

- From **1985-2013, college tuition rose 538%** nationally, compared to the Consumer Price Index at just 121% and medical expenses at 286%.
- State funding declining from **31%** of total revenue at public institutions in 2003 to **22%** in 2012; tuition and fees have increased significantly.

# State & National Economy

## *Student Loan Debt Rising*

- The average 2014 college graduate finished school with more than **\$30,000 in student loan debt**.
- Nationally, student loan debt reached the **\$1.2 trillion** mark last year, surpassing mortgage debt as well as credit card and auto loan debt.
- Of the **37 million people** carrying student loan debt, one third are over age 40.
- Almost **2 million** people over the age of 60 are still paying off student loans.

# GET Demographics

*Who are our customers?*



# GET Customer Profile

## *Demographics*

- 70% of customers live on I-5 Corridor between Everett and Olympia.
- 83% parents and 14% grandparents.
- Increased participation of grandparents with wealth transfer from Baby Boomers to their children.



Save today. Secure tomorrow.



# GET Customer Profile

## *Demographics*

- **80% Caucasian**, 9% Asian, 1.6% Multiracial, 1.5% Latino/Hispanic, 1.2% African American, 0.5% Native American, 0.5% Pacific Islander
- **55% female** / 45% male
- **36% Age 45-54**, 24% Age 55-64, 23% Age 35-44, 9% Age 65-755, 5% Age 25-34, and 3% Age 75 Years+

# GET Customer Profile

## *Student Beneficiary*

- Beneficiary age of 5 or younger increased from 64% to 78%.
- In 2010, 48% of families thought you should start saving as an infant. In 2014 that number grew to 71% of families!



# GET Customer Profile

## *Income & Education*

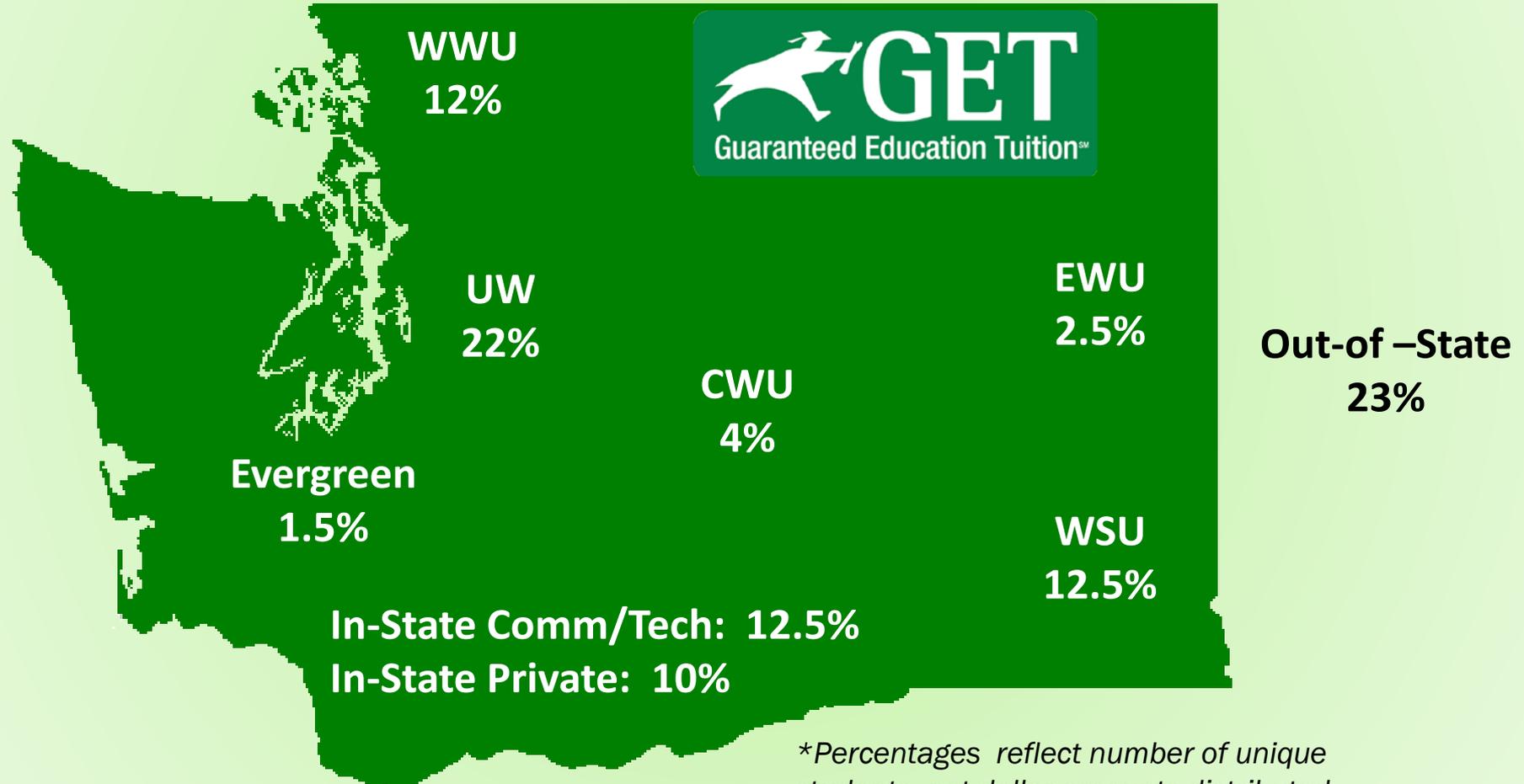
**Overall, income and education attainment levels on the rise.**

- Families earning less than \$75K declined from 22% to 16%.
- Households with \$75-100K declined from 23% to 16%.
- Households with income \$150K+ increased from 23% to 26%.
- Customer's with advanced degrees (masters, PhD, etc.) increased 4%.



# Where is GET Being Used?

2013-2014 Academic Year



*\*Percentages reflect number of unique students, not dollar amounts distributed.*

# GET Distributions

## 2013-2014 Academic Year



**\$19 M**



**\$10.3 M**



**\$8.2 M**



**\$2.6 M**



**\$1.4 M**



**\$917 K**



**\$2.8 M**



**\$9.1 M**



**\$23 M**

**GET Ready for  
Math and Science**

**\$480 K**

# **GET Distribution Statistics**

## **2013-2014 Academic Year**

**Total Distributions:**

**\$122,677,665**

**Total Distributed to Schools:**

**\$77,757,246**

**Total Distributions to Parents & Students:**

**\$44,920,418**

**Total Number of Student Using Units:**

**13,310**

# GET Customer Survey Results

## *7,300 Respondents*



# How Customers Learn About GET

## 1. Word of Mouth

- 73% of customers have referred family and friends

## 2. Website / Internet

## 3. Newspaper & Magazines

## 4. Television

## 5. Radio



- Learning from Financial Advisor grew a bit.
- Learning from employer dropped by 2%.

# Gifting GET

- 52% of customers say they recommend gifting to family and friends.
- This continues to remain an opportunity.
- Holiday promotion emphasis.



Save today. Secure tomorrow.



# Why Haven't Folks Invested in GET?

1. Had not heard about GET. **(36%)**
2. Didn't have money available to purchase. **(32%)**
3. Didn't understand how GET worked. **(15%)**
4. Saving through other means. **(14%)**
5. Didn't live in Washington. **(9%)**



# Why Did You Choose GET?

1. State guarantee.
  2. Can be used at any school nationwide.
  3. To avoid paying higher tuition later.
  4. Growth and withdrawals are tax free.
  5. To prevent need for taking out future loans.
- (Increased by 10%)*



# What's Most Important to You?

- Saving what you can afford for college. **(50%)**
- Earning a positive return on your investment. **(50%)**



**50 / 50**

# Payroll Deduction

- 70% said they were somewhat likely or greater to participate in payroll deduction if it were offered by their employer.



# What if GET Offered a Savings Plan?

**55%** of respondents said they would be interested in investing in a savings plan if GET offered such an option.

- ✓ Diversification
- ✓ Added flexibility
- ✓ Cover expenses beyond tuition
- ✓ Makes private school more affordable



Save today. Secure tomorrow.

# What if GET Offered a Savings Plan?

**45%** of respondents said they would not be interested in investing in a savings plan.

– No guarantee

*(don't want to carry burden of investment risk)*

– May not keep up with inflation

– Happy with what I have, invested in other states

– Don't have extra funds to invest



Save today. Secure tomorrow.

# 2014-15 Marketing Plan

## **New initiatives for the upcoming enrollment period:**

- Payroll Deduction
- Financial Literacy
- New Messaging  
*(Simple & Focused)*
- Year-Round, Consistent Presence
  - New Website

# Print Advertising Example

## Lifestyle & Parenting Publications:

- 425 Magazine
- Seattle Magazine
- Spokane Living
- South Sound Magazine
- North End Metro
- ParentMap
- The Bump
- Vancouver Family Magazine



Life is full of **firsts**.

Take your **first step** in saving for college today.

With GET, enjoy tax-free growth that's guaranteed to keep up with tuition.  
When it's time for school, use it anywhere in the country.

**ENROLL NOW**



Washington State's  
529 Prepaid College  
Tuition Program



**GET**  
Guaranteed Education Tuition™  
Save today. Secure tomorrow.

LEARN MORE:  
[get.wa.gov](http://get.wa.gov)  
800.955.2318

# New GET Website

## *Goes Live November 1, 2014*



1.800.955.2318



SEARCH

HOME ABOUT COLLEGE PLANNING OPEN ACCOUNT MANAGE ACCOUNT CONTACT ORGANIZATIONS



Take Your First Step in Saving for College.



START A GET ACCOUNT



MANAGE YOUR ACCOUNT



LATEST NEWS



UPCOMING EVENTS

GIVE THE GIFT OF A GET ACCOUNT

TELL A FRIEND ABOUT GET

# Business Advertising Example

## Publications:

- Chamber Magazines
- HR Conf. Publications
- Business Publications



**Enhance** your **employee benefits** with Washington's **college savings plan.**

**GET payroll deduction** is easy to set up at **no cost to you.**



Washington State's  
529 Prepaid College  
Tuition Program

 **GET**  
Guaranteed Education Tuition™  
Save today. Secure tomorrow.

LEARN MORE:  
[get.wa.gov](http://get.wa.gov)  
360.753.7875

# Questions?



**Save today. Secure tomorrow.**

# 2013 National Overview: Prepaid Plans



# States With Open Plans

## 12 Plans

State	Guarantee
Alaska	Fund
Florida	Full Faith
Illinois	Legislative
Maryland	Legislative
Massachusetts	Full Faith/Schools
Michigan (2 <sup>nd</sup> plan)	Fund
Mississippi	Full Faith
Nevada	Fund
Pennsylvania	Fund
Texas (2 <sup>nd</sup> plan)	None
Virginia	Statutory
Washington	Full Faith

# States With Closed Prepaid Plans

## 9 Plans

State	Guarantee
Alabama	Funding provided by legislature
Colorado	Fund
Kentucky	Full Faith
Michigan (1 <sup>st</sup> plan)	Fund
Ohio	Full Faith
South Carolina	Fund
Tennessee	Fund
Texas (1 <sup>st</sup> plan)	Full Faith
West Virginia	Fund + Escrow

# States with Full Faith Guarantee

State	Guarantee
Florida	Full Faith
Mississippi	Full Faith
Washington	Full Faith

# What's happening in other States?

## Mississippi & Florida



# Florida

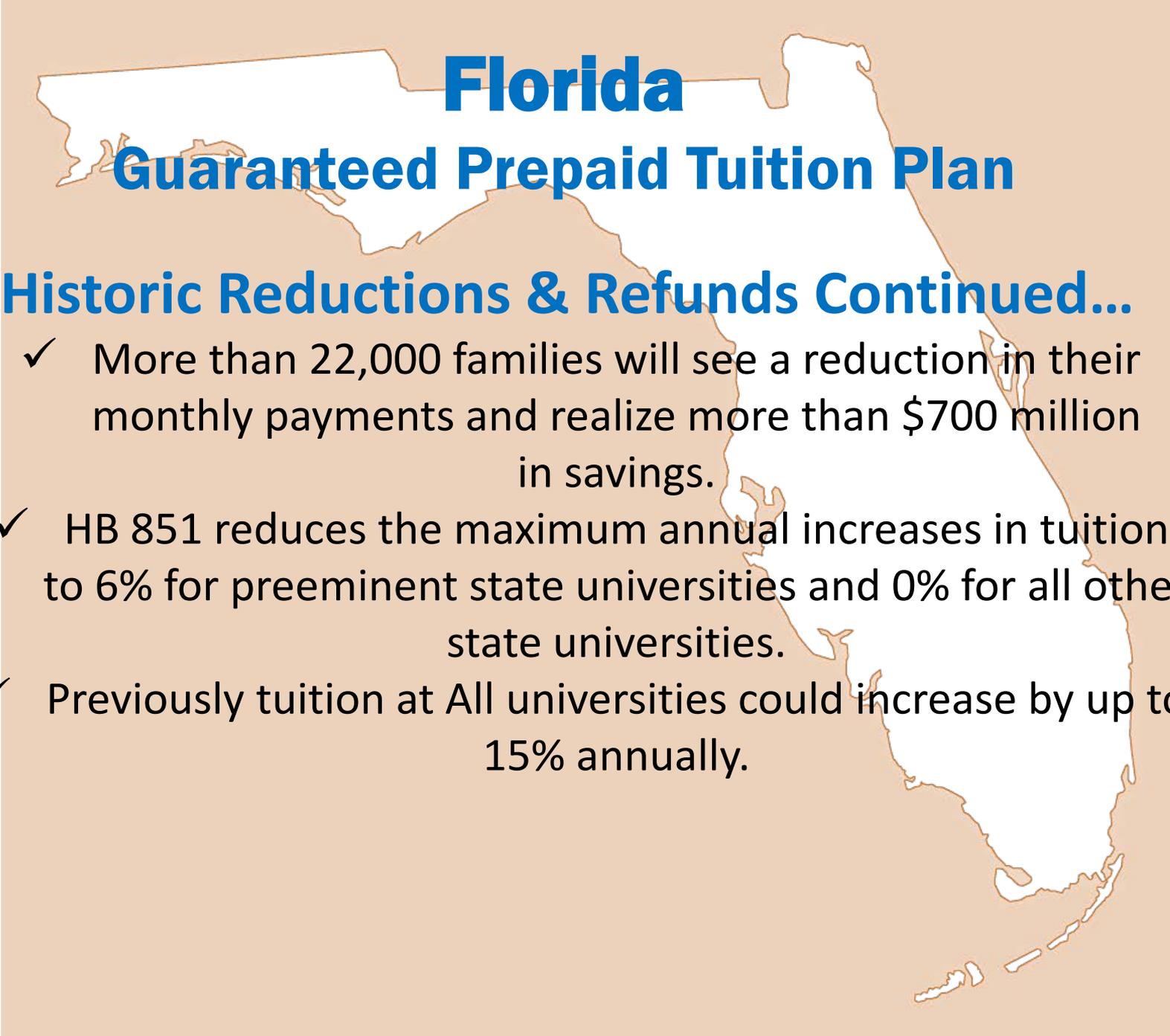
## Guaranteed Prepaid Tuition Plan

- **Nations Largest Prepaid Plan.**

- ✓ Created in 1987.
- ✓ 559,345 active accounts.
- ✓ \$11.8 billion in assets.
- ✓ 350,000 students have used for college.
  - ✓ 108% funded.
  - ✓ Also offer savings plan.

- **Board Approves Historic Price Reductions & Refunds**

- ✓ Result of new state law helps lower future costs at State Universities in Florida.
  - ✓ \$200 Million refunded to 18,000 families.
- ✓ First time to offer one year plan in addition to 2+2 plan, 2 years plan, and 4 year plan.

A light brown map of Florida is shown in the background. The state's outline is white with a thin brown border. The text is overlaid on the map.

# Florida

## Guaranteed Prepaid Tuition Plan

- **Historic Reductions & Refunds Continued...**
  - ✓ More than 22,000 families will see a reduction in their monthly payments and realize more than \$700 million in savings.
  - ✓ HB 851 reduces the maximum annual increases in tuition to 6% for preeminent state universities and 0% for all other state universities.
  - ✓ Previously tuition at All universities could increase by up to 15% annually.

# Mississippi

## Guaranteed Prepaid Tuition Plan

- Closed in 2012 pending results of an actuarial audit.
  - ✓ Originally opened in 1997.
  - ✓ Weighted Average Tuition.
- Reopened October 1, 2014
- Enrollment Period: Oct. – May 31.
  - ✓ Legacy Contracts (Old).
  - ✓ Horizon Contracts (New).



*Lynn Fitch*  
STATE TREASURER

# Mississippi

## Guaranteed Prepaid Tuition Plan

- **Plan facts:**
  - ✓ **37,500 Accounts.**
  - ✓ **\$852 Million.**
  - ✓ **95% Funded.**
  - ✓ **Also offer savings plan.**



*Lynn Fitch*  
STATE TREASURER

# Washington

## How do we measure up?

- Second largest prepaid plan behind Florida.
- Fastest growing prepaid program in the nation.



Save today. Secure tomorrow.

# College Savings Plans of Maryland



**Maryland Prepaid College Trust**

**Maryland College Investment Plan**

**CollegeSavingsMD.org    888.4MD.GRAD (463.4723)**



**COLLEGE SAVINGS**  
**PLANS OF MARYLAND**  
*Save here. Go anywhere.®*

# College Savings Plans of Maryland Overview



The College Savings Plans of Maryland is an independent, non-profit Maryland State Agency that offers two Section 529 college savings plans to help families prepare for the future cost of college and reduce future debt.

## Maryland Prepaid College Trust

Allows you to lock-in tomorrow's college tuition based on today's prices and helps to hedge against future tuition increases

## Maryland College Investment Plan

Managed by T. Rowe Price, offers investors a variety of investment options

**Both plans can be used at nearly any federally accredited college in the country.**

# Why Save for College?



An example of how borrowing \$25,000, instead of investing, can double the out-of-pocket cost of college:

<b>INVEST in a 529 Plan</b>	<b>OR</b>	<b>PAY Student Loan Debt</b>
<p><b>About \$106 per month</b> for 15 years – assuming a 6% annual return but not representative of any particular investment.</p>		<p><b>About \$320 per month</b> for 10 years, with payments starting after accruing interest during four years of college and assuming an 8% annual interest rate, which was used to depict a blend of various interest rates representing various loan types.</p>
<p>This means investing approximately \$19,000 over time to potentially build a \$25,000 investment for college.</p>		<p>This means total loan payments of approximately \$38,000 to repay \$25,000 of student loan debt.</p>

This example was developed by T. Rowe Price and does not consider any investment or loan origination fees. Amounts are adjusted to today's dollars and assume an inflation/discount rate of 3% annualized.

# Who Can Enroll?



	<b>Maryland Prepaid College Trust</b>	<b>Maryland College Investment Plan</b>
<b>Age</b>	Open to 12th graders or younger, including newborns	Invest for children or adults – no age restrictions
<b>Residency</b>	Either the account holder or child must reside in Maryland or DC at the time of enrollment	No Maryland or DC residency requirements
<b>Enrollment Period</b>	2014– 2015 Enrollment Period: <b><i>December 1, 2014 - April 15, 2015</i></b>	Enrollment open year-round

**You may choose either plan – or both!**

# Maryland Prepaid College Trust



- With the Maryland Prepaid College Trust, you commit to fixed payments for a future benefit:
  - When your child goes to college, the Prepaid College Trust will pay the full in-state or in-county tuition and mandatory fees at any Maryland Public College or Community College
  - If your child attends an accredited private or out-of-state college, the Prepaid College Trust will pay up to that year's weighted average tuition of the Maryland Public Colleges or Community Colleges – or a Minimum Benefit – whichever is greater
  - The Prepaid College Trust is also backed by a:

**Maryland Legislative Guarantee – differs from full faith & credit in that the Governor must request funding but Legislature is not required to approve.**

# 2014-2015 Maryland 4-Year Public College Costs



St. Mary' s College of Maryland	\$13,824
University of Maryland, Baltimore County	\$10,384
University of Maryland, College Park	\$9,427
<b><i>Weighted Average Tuition</i></b>	<b>\$9,082</b>
Towson University	\$8,590
Salisbury University	\$8,560
University of Baltimore	\$8,018
Frostburg State University	\$7,982
Morgan State University	\$7,378
Bowie State University	\$7,299
University of Maryland Eastern Shore	\$7,287
Coppin State University	\$6,132

*\*Tuition benefits are paid per semester – A beneficiary attending a private or out-of-state college for the 2014 – 2015 Academic Year receives up to \$4,541 per semester – or the Minimum Benefit - whichever is greater.*

# Affordable – Select a Tuition Plan



University Plan	Community College Plan	Two Plus Two Plan
1 semester or 1, 2, 3, 4 or 5 years at a 4-year college	1 or 2 years at a Community College	2 years at a Community College and 2 years at a 4-year college

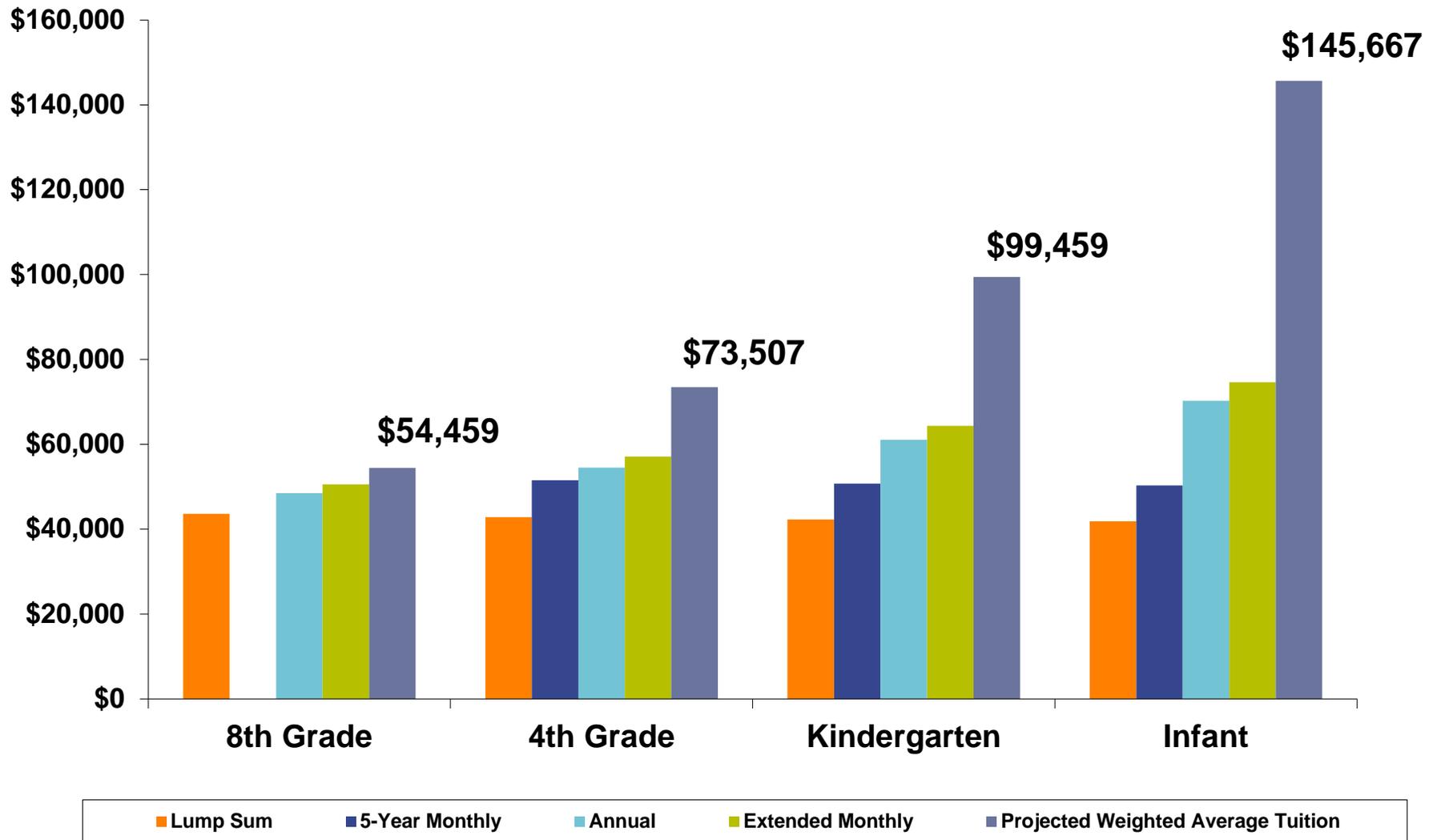
- Existing account holders can add additional semesters or years outside of the enrollment period at current prices
- Other family members can purchase years or semesters too!

# Affordable – Select a Payment Option



<b>Lump Sum</b>	<b>Annual Payment</b>	<b>5-Year Monthly Payment</b>	<b>Extended Monthly Payment</b>	<b>Down Payment</b>
One-time payment for the full amount of the tuition plan selected	Equal yearly payments	60 equal monthly payments	Equal monthly payments through July of the Beneficiary's projected year of high school graduation or year of Initial Eligibility	25%, 40% or 55% of the lump sum price with the remaining amount to be paid monthly or annually

# 4-Year University 2013-2014 Contract Costs vs. Projected Weighted Average Tuition



Projected Weighted Average Tuition Growth is for illustrative purposes only. Actual Weighted Average Tuition growth may be higher or lower than projected and is updated annually.

# Enrollment and Actuarial Status

- 9,764 students are now eligible to use their tuition benefits in Maryland and across the country
- Of the eligible students using their accounts:
  - 58% use them at private and out-of-state colleges; and
  - 42% use them at Maryland public colleges
- As of 6/30/13, the Trust is 125% funded to meet anticipated future tuition payments.



# Maryland College Investment Plan



The Maryland College Investment Plan offers an attractive combination of financial flexibility, affordability, and tax benefits, as well as investment management by T. Rowe Price.

- Maryland College Investment Plan offers various investment options:
  - **Enrollment-Based Portfolios** – managed to become more conservative as the child ages
  - **Fixed Portfolios** – asset allocations are generally constant
  - Or you can use a mix of both
- The account balance can be used at any time to help pay for any eligible college expenses including tuition, fees, room & board, course-specific fees or supplies.

**“Gold” Rating from Morningstar Inc. for the Maryland College Investment Plan – fourth year in a row receiving their highest rating!<sup>1</sup>**

# Starting Early Can Make a Big Difference

- The chart below shows the difference that starting early and saving monthly can make over time.

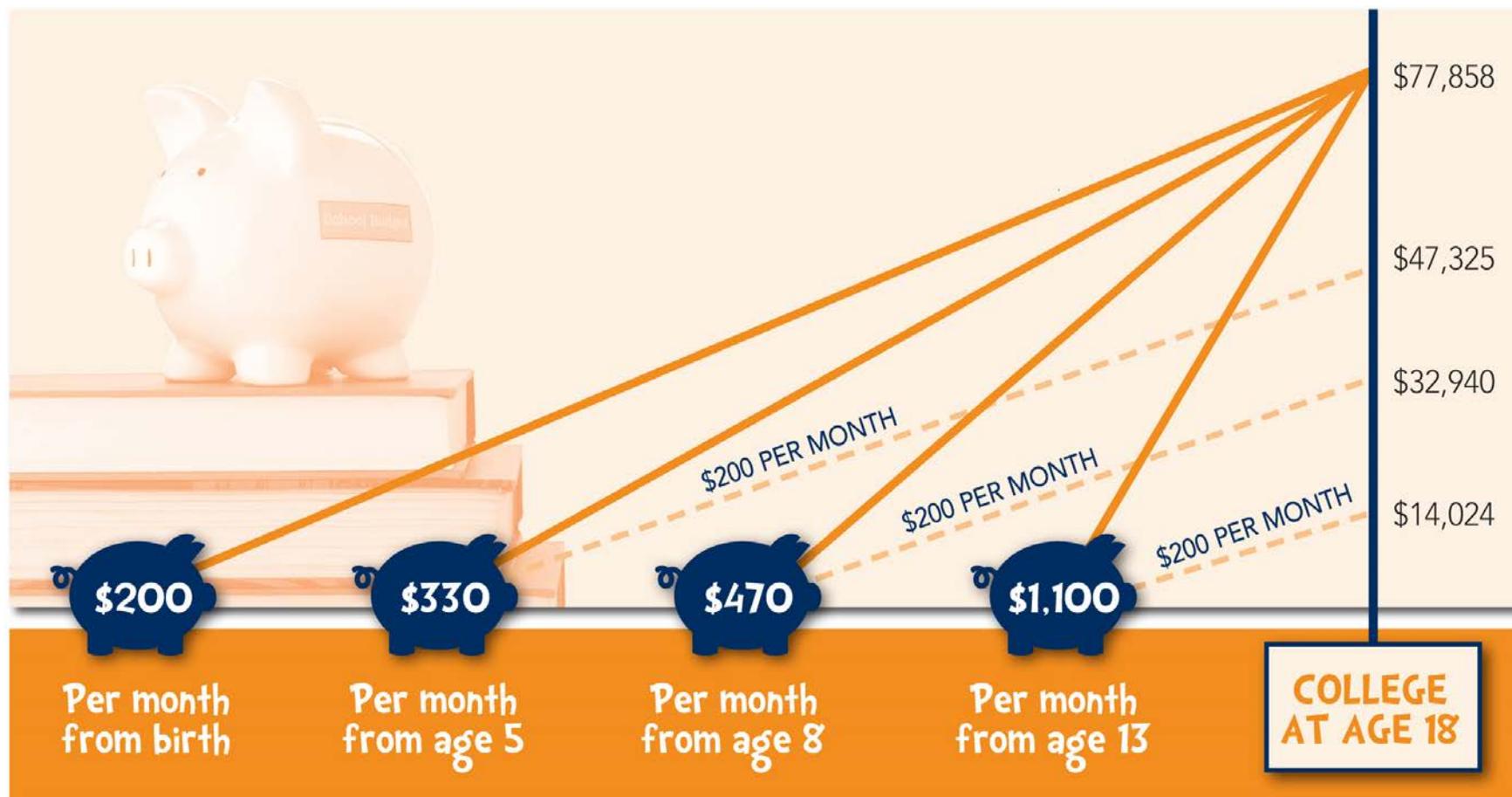


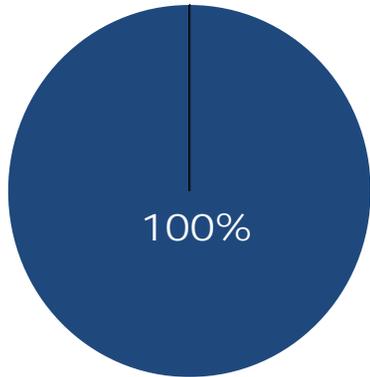
Chart assumes a hypothetical 6% rate of return compounded monthly. This chart is for illustrative purposes and does not represent the return of any specific investment option. Investment returns in a college savings plan will vary and may be higher or lower than this example. Making automatic monthly contributions does not assure a profit or protect against loss during varying market conditions. The depiction does not include fees and any fees assessed by the investment offering could have an impact on returns.

# Enrollment-Based Portfolios

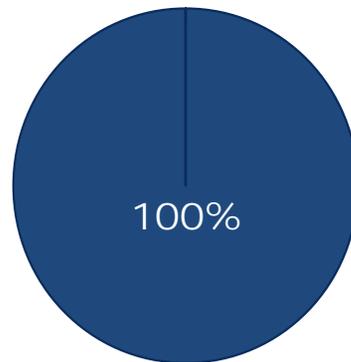
## 74% of Assets



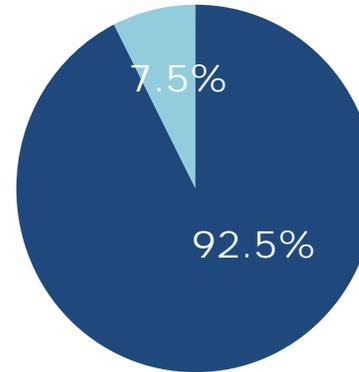
Portfolio 2033



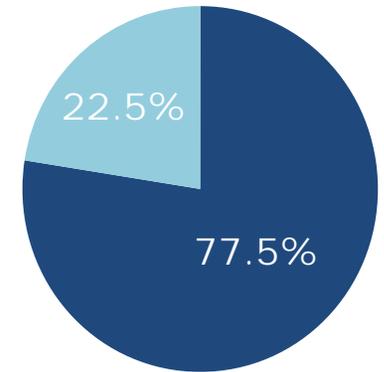
Portfolio 2030



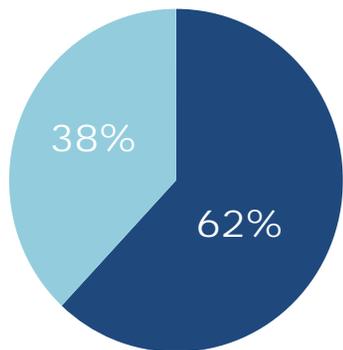
Portfolio 2027



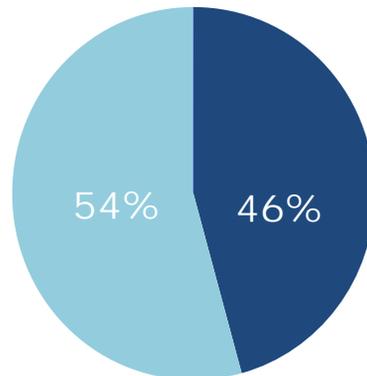
Portfolio 2024



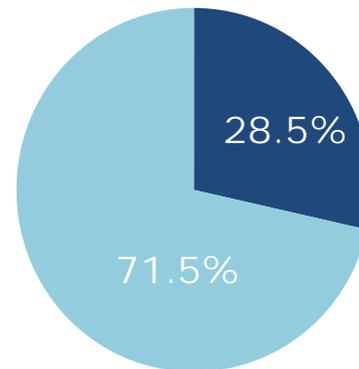
Portfolio 2021



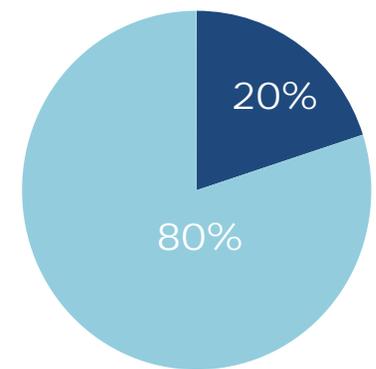
Portfolio 2018



Portfolio 2015



Portfolio for College



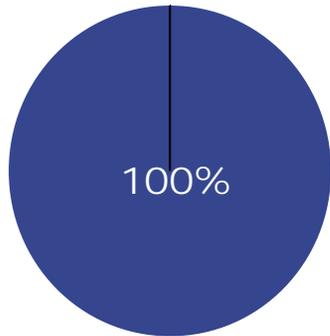
Key



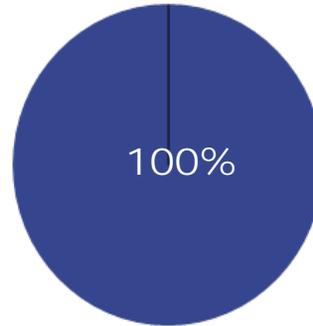
# Fixed Portfolios

## 26% of Assets

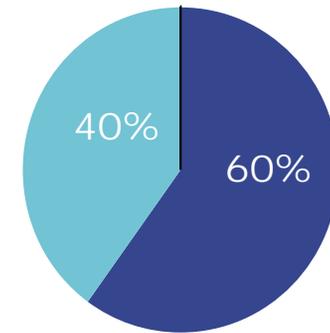
Equity Portfolio



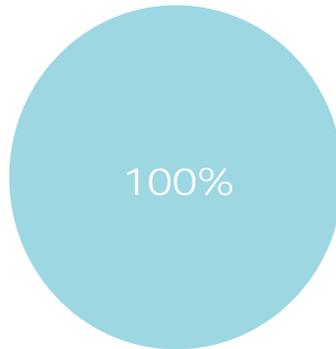
Global Equity Market Index Portfolio



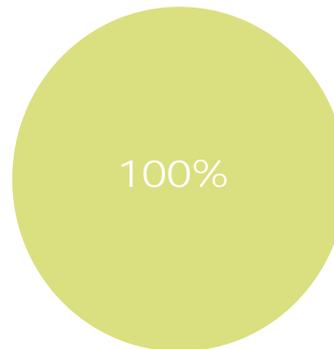
Balanced Portfolio



Bond and Income Portfolio



Inflation Focused Bond Portfolio



U.S. Treasury Money Market Portfolio



**STOCKS**

**BONDS AND INCOME**

**BONDS**

**MONEY MARKET**

- Choose any portfolio you want OR Choose more than 1 portfolio (diversify)
- You can move funds from one portfolio to another once per calendar year
- You can select a new portfolio for each new contribution
- You may invest in a mix of Enrollment-Based and Fixed Portfolios

# Unique Maryland Tax Benefits

**2 AVAILABLE PLANS:**

- Maryland College Investment Plan (MCIP)
- Maryland Prepaid College Trust (MPCT)

Each family member who opens an account is eligible for income deductions.

Contribute to both plans to increase your income deductions.

Deduct up to \$2,500 for each account/beneficiary you hold in each plan. Deductions apply to Maryland taxable income for your contributions in that tax year.

	MOM	DAD	GRANDMA
PLANS	ANNUAL ACCOUNT HOLDER CONTRIBUTIONS		
MCIP	\$2,500	\$2,500	\$2,500
MPCT	\$2,500	\$2,500	\$2,500
DEDUCTIONS	\$5,000	\$5,000	\$5,000

**\$10,000** combined annual income deduction  
Account Holders can deduct contributions regardless of their marital or tax filing status (individual or joint).

## Prepaid College Trust

- Deduct up to \$2,500 from your Maryland adjusted gross income *per account* each year.
- Payments in excess of \$2,500 per account can be carried forward and deducted in future years until the full amount has been deducted.

## College Investment Plan

- Deduct up to \$2,500 from your Maryland adjusted gross income *per beneficiary* each year.
- Contributions in excess of \$2,500 per beneficiary can be carried forward and deducted for up to the next 10 years.

Only the Account Holder is eligible for the Maryland income deduction and only on contributions he or she makes.

# Additional Tax Benefits

- For Both Plans:
  - Any investment growth is tax-deferred at the State and federal level
  - When funds are used for eligible college expenses, earnings are
    - Maryland tax-free
    - Federally tax-free



Please note that state tax benefits are generally only available to residents of that state. Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. The availability of tax or other benefits may be conditioned on meeting certain requirements such as residency, purpose for or timing of distributions, or other factors, as applicable.

# Compare the Plans



	Prepaid College Trust	College Investment Plan
<b>Affordability</b>	Choose a variety of payment and tuition options	<ul style="list-style-type: none"> <li>• Minimum investment:               <ul style="list-style-type: none"> <li>– \$250 by check; or</li> <li>– \$25 a month</li> </ul> </li> </ul>
<b>Flexibility</b>	Change tuition/payment option nearly at any time	Choose from a variety of investment options
<b>Eligible Institutions</b>	<ul style="list-style-type: none"> <li>• 4 yr Colleges/Universities</li> <li>• 2 yr Community Colleges</li> </ul>	<ul style="list-style-type: none"> <li>• 4 yr Colleges/Universities</li> <li>• 2 yr Community Colleges</li> <li>• Trade / Technical Schools</li> </ul>
<b>Benefits Paid/Distributions</b>	Semester by Semester	Any dollar amount available in your account
<b>Eligible Expenses</b>	<ul style="list-style-type: none"> <li>• Tuition and Mandatory Fees at a Maryland public college</li> <li>• Up to the Weighted Average Tuition everywhere else</li> <li>• Room and Board eligible when the beneficiary receives a scholarship</li> </ul>	Any qualified expense defined by IRS Publication 970

# Assets and Accounts as of June 30, 2014



- Prepaid College Trust

- Assets \$910 Million (19% of Total Assets)
- Active Accounts 31,000

- College Investment Plan

- Assets \$3.9 Billion (81% of Total Assets)
- Active Accounts 200,000
  - Average of 1.4 Accounts per Beneficiary

# Advantages of Offering Both a 529 Prepaid and an Investment Plan



- Many families do not understand how either plan works – marketing them together allows them to take action after reviewing one set of information
- Families have different preferences for saving for college – some strongly prefer the prepaid plan and others strongly prefer an investment plan
- Preferences for one plan over the other shift during periods of volatility in either tuition increases or investment market performance
- Adding an investment plan has provided significant additional marketing and outreach funding
- Since our prepaid plan is not unit-based, its relatively high prices are balanced by the \$25/month minimum contribution in the investment plan

# Investing in both plans is appealing to some families



- Investing in both plans can provide diversification
- Administering both plans through the same records administration system allows a family to easily monitor its total savings for college

# Challenges of Offering Both Types of 529 Plans



- Significant focus is needed on the procurement process
- Managing the relationship with the Program Manager requires substantial attention
- Maintaining a consistent “look and feel” to all marketing materials and operational forms, etc. can be a challenge
- Operational procedures across both plans require regular assessment
- The Committee needs to assess the necessary governance structure required to fulfill its fiduciary obligations
- It is important to make rollovers between plans an easy process

# Before Selecting a Program Manager



- Decide on the structure of the plan (direct vs. advisor sold or both)
- Determine how committed you are to using Banner for both savings (direct plan only) and prepaid account records
- Decide whether prepaid and savings plans will be jointly marketed
  - If jointly marketed, what role would you like your Program Manager to have and determine a governance structure
  - Need to determine how a savings plan would be incorporated in your current marketing and community outreach initiatives
  - Need to request and assess marketing budget committed by your Program Manager
  - Current committed marketing spending in MD for FY15 is \$850,000 by our Program Manager, which is 80% of total spending and total assets
- Consider Directors & Officers Insurance (\$55K cost to MD for FY15)

# Before Selecting a Program Manager (cont.)



- Determine internal funding needs to assess Program Manager Contribution
  - Maryland receives 4 basis points on the first \$1 billion in assets plus 6 basis points on all assets above \$1 billion (monthly payments)
  - Determine whether to require a minimum payment to cover your fixed expenses
  - Determine internal staffing need to oversee operational, financial, and marketing aspects the contract and manage the relationship?
- Decide on contract terms
  - Term needs to be long enough to attract competitive pricing but short enough to maintain the Board's negotiating leverage
  - Maryland's Base term = 7 years, with two additional two year extensions available at the Board's discretion

# Ongoing Committee Responsibilities Relative to the College Investment Plan



- Review Key Performance Measures at each Regular Meeting
  - Asset Size – Total Plan and by Investment Option
  - Number of Accounts and Beneficiaries
  - Cash Flow
  - Quarterly Operational Metrics
- Review Investment Performance at least Quarterly
- Retain an Independent Investment Advisor
- Develop and Maintain an Investment Policy
- Consider Independent Audit on an Annual Basis
- Review Marketing Plan at least Annually

# Assessment of the Pros and Cons of Offering a 529 Investment Plan



- For Washington Families
- From a State Fiscal Perspective
- For the GET Staff and Committee



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