

GUARANTEED EDUCATION TUITION SPECIAL COMMITTEE MEETING

October 31, 2007

Red Lion Hotel, Capitol Room
2300 Evergreen Park Drive SW
Olympia, Washington
10:00 a.m. – 1:00 p.m.

AGENDA

Call to Order

- Report from the Chair INFORMATION
- Approval of August 7, 2007 minutes ACTION Tab 1
- Director's report INFORMATION
- GET investment update INFORMATION Tab 2
Diana Will, Investment Officer
Washington State Investment Board
- GET Committee retreat summary INFORMATION POSSIBLE ACTION Tab 3
- Working Lunch
Continue discussion and wrap up
- Adjournment

Next Regular GET Committee Meeting
February 13, 2008, 2:00 – 4:00 p.m.
State Investment Board
2100 Evergreen Park Drive SW
Olympia, WA

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, August 07, 2007
State Investment Board
2100 Evergreen Park Drive SW, Suite 100
Olympia, WA 98502

MINUTES

HECB staff in attendance:

Betty Everitt Lochner, GET Director
Larry Lee, GET Deputy Director
Whitney DalBalcon, GET Associate Director for
Marketing and Communications
Heidi Auderer, GET Operations Manager
Heidi Jones, GET Special Projects Manager
Dawn Eychaner, GET Communications Specialist
Betsy Hagen, Special Assistant to the GET Director
Don Bennett, HECB Deputy Director

Guests in attendance:

Diana Will, State Investment Board
Terry Ryan, Office of the Attorney
General
Dan Silver, Facilitator
Shad Pruitt, Office of the State
Treasurer

WELCOME

GET Committee Chair Ann Daley called the meeting to order at 1:10 p.m. Members of the GET Committee in attendance were Ann Daley, Chair; Michael J. Murphy, State Treasurer; Victor Moore, Director of the Office of Financial Management (OFM); Beth Stecher Berendt, citizen member; and Mooi Lien Wong, citizen member.

APPROVAL OF APRIL 2007 MEETING MINUTES

Committee members reviewed the minutes of the April 18, 2007 meeting. Stecher Berendt made a motion to adopt the minutes as presented. Wong seconded the motion. The motion was approved unanimously as presented.

APPROVAL OF PROPOSED 2008 MEETING SCHEDULE

Committee members reviewed the proposed 2008 meeting schedule. Berendt made a motion to adopt the 2008 schedule as presented. Wong seconded the motion. The 2008 schedule was adopted as presented.

REPORT FROM THE CHAIR

Daley thanked committee members for their work so far on establishing price-setting guidelines and asked that they meet again in fall 2007 to complete the work. An additional special meeting date will be scheduled. Notes from the July 27 meeting will be provided to committee members at that time.

DIRECTOR'S REPORT

Betty Everitt Lochner reported that as of July 31, 2007 GET has over 78,000 accounts worth nearly \$1 billion. Lochner gave a brief overview of the national college savings conference she attended in July in New York. GET is leading the nation in implementing on-line processes, setting high standards in customer service, and building

a healthy reserve. The program continues to be the fastest-growing prepaid college tuition program in the country. Lochner reported that she has been elected to the Executive Board of the College Savings Plan Network (CSPN), a national association representing 529 plans.

She shared program statistics through July 31, 2007 with the Committee and presented the following demographic charts:

- Relationship of Student Beneficiary to Account Owner
- Age Range of Account Owner at the Time of Enrollment
- Age of Student Beneficiary at the Time of Enrollment
- Expected Number of New Students Eligible to Use Units
- Household Income of Account Owner at the Time of Enrollment

After active discussion, the Committee asked staff to revise the monthly GET account information sheet to include net sales total to date, accrued sales to date, and refunds to date.

GET INVESTMENT UPDATE

Diana Will, investment officer from the State Investment Board, presented the GET investment update. Total assets have grown to \$935 million. Since the program's inception, 70 percent of the growth is from contributions and 30 percent is income growth. For the fiscal year ending June 30, 2007, GET assets have grown by \$196 million, with \$119 million -- or 60 percent -- coming from contributions.

Forty percent of the program's assets are invested in TIPS or fixed income securities and 60 percent are invested in international and U.S. equities. The program's cash balance is nearly zero.

Will reported that the SIB has had some great years recently. For the quarter ending June 30, 2007, the program's return on investment was 3.45 percent; the investment return for the fiscal year was 14.77 percent, which was above the actuarial assumption. The equity benchmark underperformed slightly due to cash drag. Equities earned 22.71 percent for the year, which is slightly higher than the program's benchmark of 22.67 percent on a passive basis.

Since the program's inception, both the equity return and TIPS return are above the passive benchmark. The total program return is 7.61 percent since inception, which is above expectations.

MARKETING UPDATE

Whitney DalBalcon, Associate Director for Marketing and Communications, presented the GET marketing and communications plan for the 2007-08 enrollment year, including an update on bringing marketing activities in-house.

ANNUAL UNIT PRICE UPDATE

Staff recommended that the Committee hold the unit price at \$74 through April 30, 2008. Active discussion ensued. Daley asked that the final vote take place after the Milliman report.

GET COMMITTEE RETREAT SUMMARY

Dan Silver, facilitator, recapped the July 27, 2007 retreat (see attached notes).

Alan Perry and Bill Reimert of Milliman (the program's actuary) joined the meeting by telephone conferencing. Perry presented pricing models for review.

Silver asked committee members to share their understanding of what the process had accomplished so far and their level of comfort with the concepts. He led a question and answer period regarding information on pricing policies.

Committee members agreed on a target stabilization rate: 8 percent, plus or minus 2 percent, and allowed for adjustments to be made as necessary. They agreed that each new unit sold should include a contribution to the overall program stabilization reserve, and that any price adjustments should be made gradually over multiple enrollment years. They did not establish the amount that should be contributed to the stabilization reserve from each GET unit.

Committee members said they would like to meet one more time to review additional modeling information from Milliman and to finalize the guidelines. Daley asked that the meeting be scheduled in the next few months.

MOTION

Moore moved to accept the staff recommendation to keep the current unit price of \$74 in effect through April 30, 2008. The motion was seconded by Wong. The motion was approved unanimously as presented.

NEXT MEETING

A special meeting of the GET Committee will be scheduled for fall 2007.

The next regular meeting of the GET Committee will be held on Wednesday, February 13, 2008 from 2:00 p.m. to 4:00 p.m. at the State Investment Board, located at 2100 Evergreen Park Drive SW in Olympia.

ADJOURNMENT

The meeting was adjourned at 4:00 p.m.

Respectfully Submitted,

Betsy Hagen
Special Assistant to the GET Director

GUARANTEED EDUCATION TUITION COMMITTEE RETREAT

Friday, July 27, 2007

10:00 a.m. – 1:00 p.m.

Board of Industrial Insurance Appeals

2430 Chandler Court

Olympia, Washington

NOTES

In Attendance:

Ann Daley, Chair

Michael J. Murphy, State Treasurer

Victor Moore, Director of OFM

Beth Stecher Berendt, citizen member

Mooi Lien Wong, citizen member

Betty Everitt Lochner, GET Director

Larry Lee, GET Deputy Director

Whitney DalBalcon, GET Associate Director for

Marketing and Communications

Heidi Jones, GET Special Projects Manager

Betsy Hagen, Special Assistant to the

GET Director

Diana Will, State Investment Board

Terry Ryan, Office of the Attorney General

Shad Pruitt, Office of the State Treasurer

Alan Perry, Actuary, Milliman

Dan Silver, Facilitator

Recap of Retreat

Committee members shared key values regarding GET unit price-setting guidelines:

- Establish a target program stabilization reserve, and a process to adjust the unit price when the actual reserve falls outside a selected range.
- Create a smoothing mechanism for pricing adjustments.
- Create a common framework.
- Create a pricing methodology.
- Ensure program stability.
- Ensure consistency in pricing adjustments.

The Committee agreed to have a follow-up retreat meeting prior to or after the regularly scheduled August committee meeting. The Committee would like to see “real numbers.” Alan Perry of Milliman will provide this information at the August meeting.

For the next meeting, the Committee will:

- Determine the level of comfort on the stabilization reserve range. A modeling presentation from Milliman will be used to assist in this determination.
- Review conceptual numbers.
- Develop the range for the overall program reserve and a mechanism to ensure consistency in adjustments to stabilize the unit price.



GET Prepaid College Tuition Program

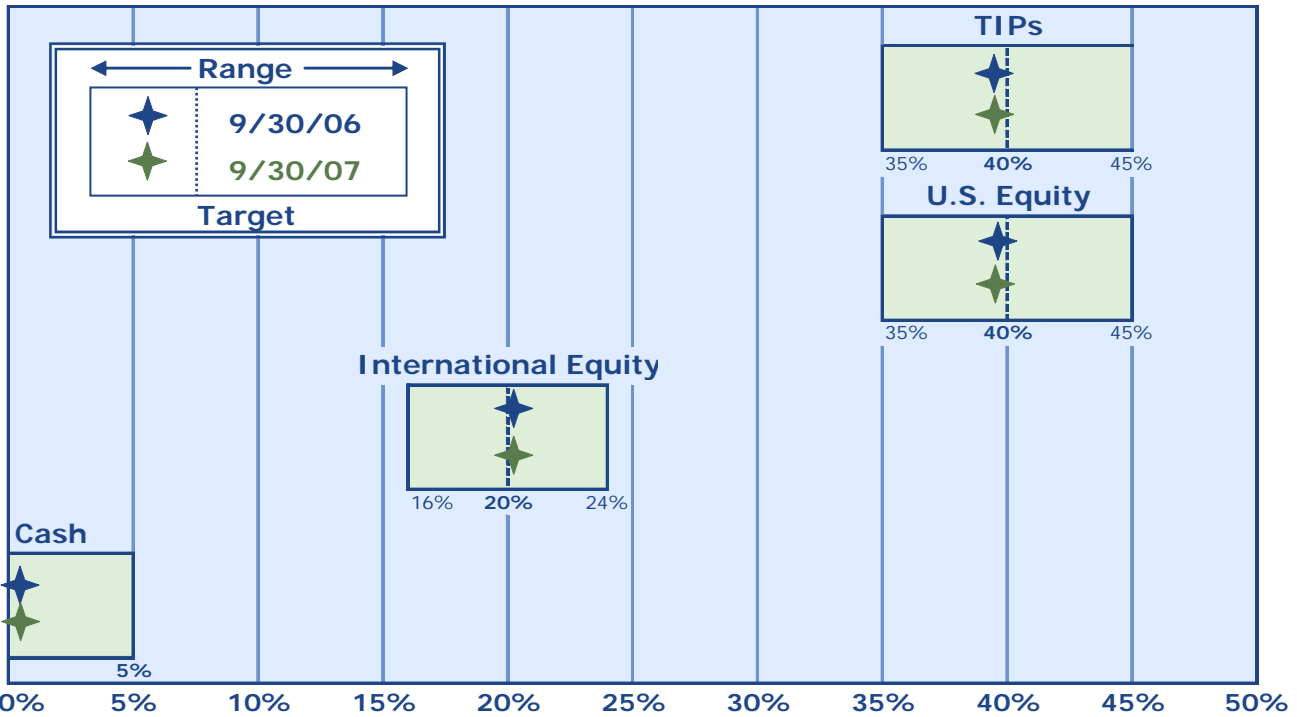
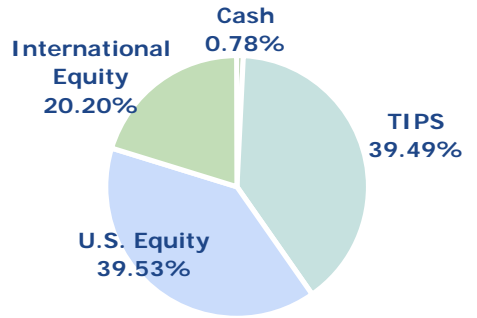
Quarterly Report – September 30, 2007

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

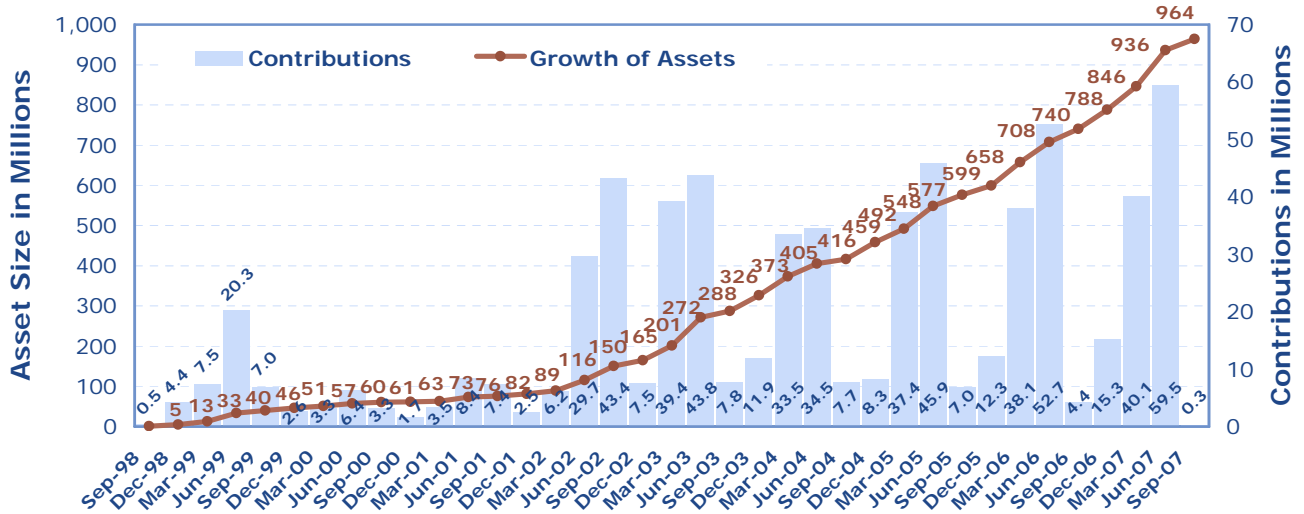
Dated: October 15, 2007

Portfolio Size **Actual Asset Allocation**

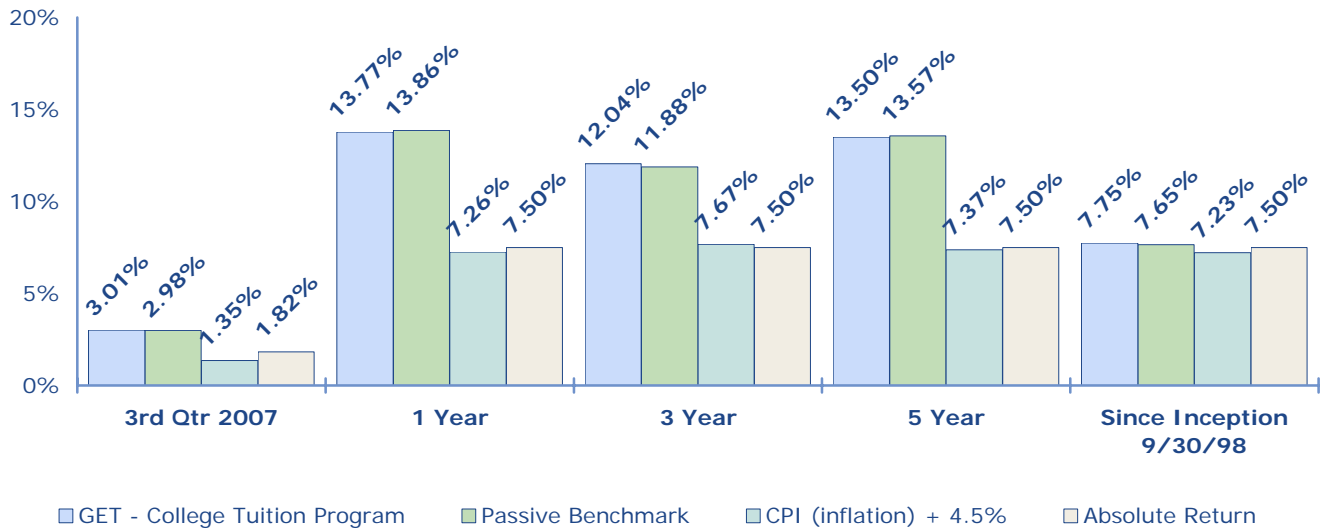
Total	\$964,270,390
Cash	7,528,778
Treasury Inflation Index Note (TIPS)	380,766,193
U.S. Equity	381,195,875
International Equity	194,779,544



Assets Under Management



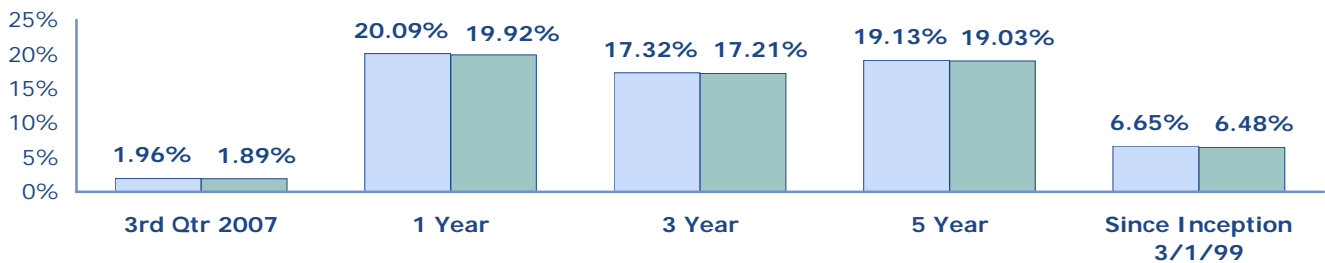
Total Return *



Return Breakdown

Equity Return *

- Equity
- Benchmark - DJ Wilshire 5000 and MSCI EAFE + Canada weighted to the policy's target (currently 66% and 33%)



Treasury Inflation Index Note Return *

- Treasury Inflation Index Note
- Benchmark - Lehman Custom TIPS Index



* 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. Inception date is when the WSIB first invested in the asset class.

**Summary of Agreements for
Price-Setting Guidelines**

October 31, 2007

Background

The GET Committee is committed to providing Washington families with a safe and affordable way to save for college. The Committee is developing guidelines for unit price-setting that ensure the long-term financial sustainability of the program, are equitable over time, and offer long-term value to customers.

By statute, the Committee may set an annual unit price and may adjust it annually, if necessary, to ensure the actuarial soundness of the program. The GET Committee met on July 27 and again on August 7 to develop draft guidelines for setting the GET unit price.

The following agreements were reached as a result of the two previous meetings:

- 1) The overall program stabilization reserve should be 8 percent.
- 2) The range for the overall program stabilization reserve, before adjustments are made, should be plus or minus 2 percent.
- 3) If the overall program stabilization reserve falls outside of the stabilization reserve range, the Committee may increase or decrease the reserve contribution for each new unit sold in order to keep the overall program stabilization reserve within the range (6%-10%).
- 4) Each new unit sold should include a contribution to the overall program stabilization reserve.
- 5) The Committee should make any pricing adjustments gradually over multiple enrollment years.

The following guideline agreement was not finalized:

- The contribution from each new GET unit sold to the overall program stabilization reserve should be _____.