

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING
Thursday, January 5, 2012**

**Higher Education Coordinating Board
919 Lakeridge Way SW
Olympia, WA 98502**

MINUTES

HECB staff in attendance:

Don Bennett, HECB Executive Director
Betty Lochner, GET Director
Larry Lee, GET Deputy Director
Susan Martensen, Marketing & Communication
Kim Porter, GET Records & Projects Manager
Jackie Ferrado, GET Outreach Manager
Diana Hurley, GET Customer Service Manager
Betsy Hagen, GET Administrative Manager
Katie Gross, Special Assistant to the GET Director

Guests in attendance:

Nona Snell, State Treasurer's Office
Troy Dempsey, State Actuary's Office
Terry Ryan, AAG
Darren Painter, State Actuary's Office

WELCOME

GET Committee Chair Don Bennett called the meeting to order at 2:03 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. McIntire, Brown, Berendt, and Wong attended via teleconference. All parties introduced themselves. Bennett briefly went over the agenda.

APPROVAL OF THE SEPTEMBER 8, 2011 MEETING MINUTES

Brown moved to adopt the final minutes as presented. Berendt seconded the motion. The motion was approved unanimously. Minutes adopted.

APPROVAL OF THE 2012 MEETING CALENDAR

Treasurer McIntire moved to adopt and approve the 2012 meeting calendar. Brown seconded the motion. The motion was approved unanimously. Meeting calendar approved.

LEGISLATIVE OUTLOOK

Bennett provided an overview of the current legislative events. The next state revenue forecast is due mid-February. Item of interest: the Higher Education Steering Committee has drafted a bill to create an Office of Student Achievement Council. The executive director would be appointed by the Governor. This option would put Student Financial Assistance and GET under the same agency as the Office of Student Achievement. The HECB Executive Director would serve on the GET Committee until a new director was appointed. The new executive director would then serve as the chair of the GET Committee.

DIRECTOR'S REPORT

GET Director, Betty Lochner, went over the GET enrollment statistics. Enrollment year is November 1 to May 31. Statistics as of January 5, 2012:

- New enrollment are up 7% over last year
- 2,168 new enrollments
- Total contracts since inception: 137,122
- New Annual Report will highlight program information and updates for 2011, including distributions, asset management, enrollment growth, and legislative action. The report will be available online, with a link sent to all customers. Printed copies will also be available for customers, interested parties, and stakeholders. McIntire wants to be sure we appropriately portray price setting changes to new enrollees. GET has included additional language in our enrollment materials and Master Agreement that notes the different factors that make up the unit price.

Martensen added that the full legislative report is on the web site and customers were emailed information about the report, directing them to the web site link. The FAQs included in our Program Details also addresses the breakdown of the unit price. Lochner mentioned that we could add this breakdown in the annual report. Bennett wants to make sure there is clarity, though we do not want to confuse our customers. McIntire wants to make sure customers understand that there is a component in that units price that amortizes program shortfalls over time.

The legislative Work Group continues to meet to address looking at differential tuition and what fees can be included or covered by GET.

Active discussion by Committee Members on issues surrounding differential tuition ensued.

Bennett reminded participants that the next meeting is scheduled for February 6, 2012. This meeting will possibly be convened conference call.

Brown motioned to adjourn the meeting. McIntire seconded this motion. Motion passed.

Meeting adjourned at 2:40 p.m.

BYLAWS OF THE GUARANTEED EDUCATION TUITION (GET) COMMITTEE

ORGANIZATION AND DUTIES

1. (1) The Advanced College Tuition Payment Program is established in RCW 28B.95. The Program is governed by the Guaranteed Education Tuition (GET) Committee composed of the Executive Director of the Higher Education Coordinating Board, ~~The~~ the Director of the Office of Financial Management and the State Treasurer (or their designees), and two citizen members. The Governor shall appoint the citizen members. The Committee shall exercise all the powers and perform all the duties with respect to the operation of the GET Program as prescribed by RCW 28B.95.
(2) The administrative office is located at 919 Lakeridge Way SW, Olympia, WA 98502 ~~1603 Cooper Point Road, Olympia, WA 98504~~. The office hours are 8:00 a.m. to 5:00 p.m, Monday through Friday, except state ~~legal~~ holidays. Information ~~concerning~~ about the GET Program and contracts for the purchase of tuition units ~~and contracts are~~ is available at the following address: P.O. Box 43450, Olympia, WA 98504, or by contacting GET at 800.955.2318 or www.get.wa.gov
2. The Executive Director of the Higher Education Coordinating Board shall chair the Committee. The Director of the GET Program shall serve as the secretary for the Committee.
3. A quorum to conduct the business of the Committee consists of at least three members.
4. The Committee shall meet quarterly. ~~at such time as it may fix.~~ Additional meetings may be scheduled as needed. The annual meeting schedule shall be published in the Washington State Register. A special meeting may be called by the chair of the ~~committee~~ Committee or by a majority of the members and announced in accordance with law.
5. All regular and special meetings of the ~~committee~~ Committee shall be held in Olympia, Washington unless scheduled elsewhere, and are open to the general public, except for lawful executive sessions. No official business may be conducted by the Committee except during a regular or special meeting.
6. The Committee may conduct an executive session called by the chairperson or by a majority of the members. No official actions shall be taken at executive sessions without formal action at a regular or special meeting of the Committee. Executive sessions shall deal only with matters authorized by RCW 42.30.110. The Committee will conduct all official business at formal public meetings in accordance with state law.
7. Formal meetings will be conducted in accordance with Robert's Rules of Order.
8. Proceedings shall be recorded by a method determined by the chair of the ~~committee~~ Committee. Formal written minutes are taken during the meeting. The Committee approves

the previous meeting's minutes at each Committee meeting. The Committee will maintain full records of all proceedings by which it makes decisions and shall maintain the records for six years.

BYLAWS OF THE GET COMMITTEE

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9. Anyone other than a Committee member wishing an item placed on the agenda of the Committee meeting must have a written request in the office of the secretary of the Committee no later than twelve o'clock noon five business days before the next scheduled ~~is~~ Committee meeting. The Committee secretary will relay the request to the chair of the Committee. The chair of the Committee will determine whether the item is to be placed on the agenda. The chair ~~of~~ or a designee will notify the individual initiating the request as to whether or not the item will be placed on the agenda.
10. Members of the Committee who are public employees serving as a member in that capacity shall serve without compensation. Citizen members will receive compensation according to RCW 43.03.050. ~~However, travel~~ Travel and related expenses of all members shall be a regular expense of the GET Program.
11. No member of the GET Committee is liable for the negligence, default or failure of any other person or member of the Committee to perform the duties of office and no member shall be considered or held to be an insurer of the funds or assets of the GET Program.
12. The Committee may enter into contracts necessary to carry out its powers and duties.
13. The Higher Education Coordinating Board shall employ a Director in consultation with the Committee. The staff of the Higher Education Coordinating Board shall support the Committee and the Board shall carry out administrative responsibilities otherwise not assigned to the Committee.
14. The Program shall make available to the Committee a valuation report each year. The information will be based on the preceding fiscal year's activity. The GET Director or designee will present the information at a Committee meeting. ~~Beginning December 31, 1999, the Committee shall prepare a report on the preceding fiscal year activity by December 31 of each year. The report shall present the financial status of the GET Program and the number of beneficiaries being served. The director will issue all reports or information concerning the Committee activities or business, unless otherwise delegated.~~
15. GET Staff will provide an updated contract statistical report at each Committee meeting. Statistics will include number of contracts, contracted units, lump sum units, total payments received, future custom monthly payments due, benefits paid, and the number of students who have used benefits. Additional information may also be included.

16. The Director of the GET Program ~~chair of the Committee~~ shall designate the rules coordinator for the program.
17. Each state agency member of the GET Committee may appoint a representative from his or her agency to work with the Director of the GET Program.
18. These bylaws may be amended at any regular or special meeting by a majority vote.

Guaranteed Education Tuition

As of March 31, 2012

	New accounts	Percentage of goal	Units sold	Percentage of goal
2011-12 Enrollment Goals	10,000	39%	1.5 million*	18%
Status to date	3,920		271,857	
Compared to 2010-11	5,221		410,650	
Increase/Decrease	-33%		-51%	

*The State Actuary identified a minimum of 900,000 units should be sold to maintain program solvency.

CONTRACT STATISTICS: Number of Contracts			
Contract Statistics by Plan Year	1998-2010	2011	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	31,756	1,055	32,811
Lump Sum Contracts (LS)	85,234	2,804	88,038
Total # of Active Contracts	116,990	3,859	120,849
# of Inactive Contracts	8,315	52	8,367
# of Depleted Contracts	9,606	9	9,615
Total # of Contracts	134,911	3,920	138,831

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units			
	1998-2010	2011	TOTAL
Contracted Units (Active Accounts)	5,710,712	118,650	5,829,362
Lump Sum Units (Active Accounts)	18,142,373	153,207	18,295,580
Total Active Accounts	23,853,085	271,857	24,124,942
Contracted Units (Inactive Accounts)			495,956
Lump Sum Units (Inactive Accounts)			2,085,833
Grand Total Contracted and LS Units Purchased			26,706,731

Other Unit Facts	
Unpaid Contracted Units (Active Accounts)	2,686,516
Total Paid Out Units Since Inception (Active and Inactive Accounts)	4,464,136

CONTRACT PAYMENTS SINCE INCEPTION			
	1998-2010	2011	TOTAL
Total Payments Received (All Accounts)	\$ 1,719,592,188	\$19,197,089	\$ 1,738,789,277
Total Fee Payments Received (All Accounts)	\$ 7,016,892	\$ 129,850	\$ 7,146,742
Total Contract-Related Payments Received	\$ 1,726,609,080	\$19,326,939	\$ 1,745,936,019

Future Custom Monthly Payments Due (Active Accounts)	\$ 333,989,405	\$30,231,289	\$ 364,220,693
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ITEMS OF INTEREST	
Since Inception	
Number of Students Accounts Used For Benefits	25,179
Benefits Paid	\$ 305,576,057
Refunds Paid	\$ 24,667,093
Total Paid Out In Benefits and Refunds	\$ 330,243,149

Annual Enrollment Period 2012-2013

April 16, 2012

Background

- GET Committee reviews the enrollment period annually.
- Set November 1 – May 31 for current enrollment period.
- Maintained September 15 - March 31 for the prior 9 enrollment periods.

Effects of HB 1795

- Institutions have tuition-setting authority through 2014-15 academic year.
- Historically colleges set their tuition rates during July. With current enrollment period, GET unit price is set to change July 1st. Funds received between July 1st and August 6th, when the GET Committee will likely set a new unit price, will not purchase units until a new price is determined.

Enrollment Period Options

1. Maintain the current November 1 – May 31 enrollment period
2. Revert back to prior September 15 – March 31 enrollment period

Staff Recommendation

- Staff recommends maintaining the current enrollment period for the next enrollment cycle: November 1, 2012 to May 31, 2013.
- The November 1 – May 31 enrollment period:
 - Reduces the amount of major radio and TV marketing during the Legislative session.
 - Allows for a July or August unit price setting, following the setting of tuition by the institutions, and based upon the GET Committee meeting schedule.
 - Provides adequate time for retooling between enrollment periods.
 - Avoids more expensive September – October marketing costs due to election cycle.
 - Allows for holiday sales while still enabling GET to participate in end-of-school-year events, May baby fair promotions, 529 Day, etc.
 - Has been implemented with positive or neutral feedback during the current enrollment year.

GET Price Setting Assumption Review

April 16, 2012

Background

Each year, the GET Committee reviews the assumptions used by the GET program's actuary to prepare unit pricing models and exhibits. These assumptions include expectations for future tuition increases, expected returns on investments, projected new account and unit sales, and the operating budget for the program. Some of the assumptions are based on historical averages, some are provided by program staff, and others are provided by the State Investment Board.

GET's funding status as of June 30, 2011 was about 79.1%. The value of GET investments has increased over the last six months, which has reduced the program's projected long-term actuarial deficit.

Current assumptions and information (2011-2012 enrollment year):

The current \$163 unit price was based on the following assumptions:

New contracts/accounts:	10,000
Unit sales:	1.5 million
Operating budget:	\$4.90 million
Unit price stabilization reserve:	15 percent, or \$18.93 per unit
Prior period amortization (30 Year):	\$18.70 per unit
Tuition increases:	20 percent 2011-12, 18 percent 2012-13, 12 percent 2013-14, 10 percent 2014-15 & 2015-16, 8 percent 2016-17 5.5 percent annually thereafter

The pricing guidelines used in determining the current unit price set a stabilization reserve component based on the funding status of the program as follows:

Unit price stabilization reserve component

Funding Status (< 100 percent)	15 percent
Funding Status (100 – 150 percent)	10 percent
Funding Status (> 150 percent)	5 percent

These guidelines were developed based on a recommendation from the State Actuary's Office that the previous guidelines be modified to "strengthen the program's reserve while making it more responsive to changes in funding status." The guidelines allow for rapid changes in unit pricing while also providing some intergenerational equity. The stabilization reserve helps keep the program actuarially sound by providing a buffer during times of rising tuition increases and declining investment returns.

Staff recommendations for 2012-13 enrollment:

New contracts/accounts:	10,000
Unit sales:	1.0 million
Projected operating budget:	\$5.1 million
Unit price stabilization reserve:	15 percent
Prior period amortization (30 Year):	\$18.70 per unit
Tuition increase:	18 percent 2012-13, 12 percent 2013-14, 10 percent 2014-15 & 2015-16, 8 percent 2016-17 5.5 percent annually thereafter

Update on Differential Tuition

April 16, 2012

Background

Effective August 24, 2011, the Legislature, in passing E2SHB 1795, authorized Washington's institutions of higher education to begin charging students different undergraduate tuition rates. E2SHB 1795 Section 3 (3)(a) authorized the governing boards of the state universities, the regional universities, and the Evergreen State College to reduce or increase full-time tuition fees for all students through the end of the 2014-15 academic year. It stated that the reductions or increases may be made for all or portions of an institution's programs, campuses, courses, or students.

While no higher education institution has yet begun charging differential tuition rates, the University of Washington (UW) has indicated its interest to begin using this flexibility for the 2012-13 academic year. If this were to occur, the financial stability of the GET program could be adversely impacted.

At the request of Senators Murray and Tom, the State Actuary performed a preliminary actuarial analysis on the potential impact on GET if differential tuition were to take effect. The actuary's report, submitted February 6, 2012, demonstrated the impact on GET of one-time tuition increases, resulting from differential tuition, of 20 percent and 50 percent. This analysis projected that the unit price would have to increase from the current \$163 per unit to \$257 and \$521 respectively. It also showed that the expected number of units to be sold under each scenario would fall from 988,244 to 492,987 and 234,041 respectively. GET's funded status, as a result of these changes, was projected to fall to 67 percent and 54 percent respectively.

Based on this information, both Senate and House budgets incorporate language delaying implementation of differential tuition until after the 2011-2013 fiscal biennium. The legislation also requires the GET Legislative Advisory Committee to review the impact of differential tuition on the funded status and future unit price and to report back to the appropriate policy and fiscal committees by January 14, 2013. The Advisory Committee is to make a recommendation on how differential tuition should be addressed in order to maintain the solvency of GET.

Current Information

GET staff have been in contact with Senate and House Ways and Means staff to inquire about the next Advisory Committee meeting, and have provided the dates of the next three GET Committee meetings as a timetable for providing Legislative input before the Committee sets a new unit price. No advisory meeting has yet been set.

Revised 2012 GET Committee Meeting Schedule

April 16, 2012

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 updated regular meeting schedule for the remainder of the 2012 calendar year.

DATE	TIME	PLACE
Monday, April 16, 2012	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000
Monday, June 11, 2012 (cancelled)	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000
Tuesday, July 24, 2012	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000
Monday, August 6, 2012 (cancelled)	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000
Monday, November 5, 2012	2:00 – 4:00 p.m.	Office of the Insurance Commissioner 5000 Capitol Blvd SE Tumwater, WA 98501-4426 (360) 725-7000

This meeting calendar was approved by the Committee members’ assistants and meeting dates were added to the Committee members’ electronic calendars.