

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Wednesday, June 1, 2011

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

AGENDA

Call to Order

- | | | |
|---|-------------|-------|
| • Approval of April 26, 2011 minutes | ACTION | Tab 1 |
| • Approval of the 2011 revised calendar | ACTION | Tab 2 |
| • Report from the Chair | INFORMATION | |
| • Director's Report | INFORMATION | |
| • Legislative Update | INFORMATION | Tab 3 |
| • Risk Analysis | INFORMATION | Tab 4 |
| ▪ Matt Smith, State Actuary | | |
| • Program Issues for Consideration | INFORMATION | Tab 5 |
| • FY12 Budget Review | ACTION | Tab 6 |
| • Adjournment | | |

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, April 26, 2011

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

MINUTES

HECB staff in attendance:

Don Bennett, HECB Executive Director
Betty Lochner, GET Director
Susan Martensen, Marketing & Communication
Kim Porter, Records & Projects Manager
Betsy Hagen, Special Assistant to the GET Director
Katie Gross, Administrative Assistant
Larry Lee, GET Deputy Director -
Via phone conferencing

Guests in attendance:

Gary Bruebaker, State Investment Board
Matt Smith, State Actuary
Laura Harper, State Actuary's Office
Marc Webster, Office of Financial Management
Scott Copeland, State Board of Community and
Technical Colleges
Nona Snell, Treasurer's Office

WELCOME

GET Committee Chair Don Bennett called the meeting to order at 2:05 p.m. Members of the GET Committee in attendance were Don Bennett, James L. McIntire, State Treasurer, Beth Stecher Berendt citizen member. Marty Brown, Director, Office of Financial Management and Mooi Lien Wong, citizen member attended via phone conferencing.

APPROVAL OF MARCH 23, 2011 MEETING MINUTES

Committee members reviewed the minutes of the March 23, 2011 meeting. Brown moved to adopt the minutes as presented. Berendt seconded the motion. The motion was approved unanimously as presented. Minutes adopted.

CHAIR REPORT

Bennett provided a brief legislative update with regard to the GET program. He stated the purpose of today's meeting is to have a work session and review the materials provided in the packet. The price setting meeting will take place after the special legislative session has ended.

DIRECTOR'S REPORT

Betty Lochner, GET Director, shared 2010-2011 enrollment statistics:

- 15,280 new enrollments (as of April 18, 2011)
- New enrollments included 329 newborns (year-round newborn enrollment program)
- Target counties all had increased enrollments
- Grandparents opening accounts increased to 11%
- The revised GET website resulted in a 22% increase in Web traffic, with 160,000 unique visitors
- Customer Service responded to over 23,000 phone calls
- Email requests were up 17%
- Introduction of live online chat – this service was added to the site for the first time during certain weeks of both March and April
- Operations cost saving plan – this included all units of GET. Total savings: \$95,000 (5/10-4/11)

Since Inception:

- Total GET accounts opened: 134,876
- Total units purchased: 25.3 million
- Total value of all contracts: \$1.5 billion
- Average age of the Student Beneficiary at the Time of Enrollment: 7.33

Demographic information for all enrollment years was also shared.

Lochner announced that Operations Manager Heidi Auderer has left the agency. She introduced Kim Porter, Records and Projects Manager, who will be assuming most of Heidi's responsibilities.

GET INVESTMENT UPDATE

Gary Bruebaker, Chief Investment Officer for the State Investment Board provided an overview of the March 31, 2011 quarterly report. He also provided the actual asset allocation review as a result of the new asset allocation decision.

WORK SESSION

Bennett reviewed materials for this work session.

Materials included:

- GET Price Setting Assumptions – Review of Timelines
- Modification Options for Consideration
- State Actuary Q&A
- House Bill Report, HB 1795
- House Bill Report, SSB 5479
- Senate Bill Report, SSB 5749
- Senate Bill Report, SB 5915
- GET Program Details
- Chapter 28B.95 RCW

Bennett led the committee through conversation that included: the committee's response to legislative bills, risk tolerance and parameters, goals and successes of the GET program, tuition policy, long-term tuition growth assumptions, funding status, program design, management of contracts, marketing, and pricing, actuarial analysis that keeps the program healthy, pricing mechanisms, pricing appropriately, and providing measurement for a viable program – benchmark, performance, and how it is performing.

Berendt stressed the importance of following previous price-setting guidelines and having the discipline to follow them. She added the significance of having a reserve component in place for every unit sold - this will allow for a fair and healthy reserve.

Two additional meetings will be scheduled - one mid-May to continue the work session and one the first part of June for price setting.

Matt Smith, State Actuary, will provide follow-up information. Program design changes for the fall may also be shared.

ADJOURNMENT

The meeting adjourned at 4:00 p.m.

Respectfully Submitted,

Betsy Hagen, Special Assistant to the GET Director

2011 GET Committee Meeting Revised Calendar

June 1, 2011

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

Guaranteed Education Tuition

As of April 30, 2011

CONTRACT STATISTICS: Number of Contracts			
Contract Statistics by Plan Year	1998-2009	2010	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	28,611	4,433	33,044
Lump Sum Contracts (LS)	76,517	10,579	87,096
Total # of Active Contracts	105,128	15,012	120,140
# of Inactive Contracts	6,988	265	7,253
# of Depleted Contracts	7,549	3	7,552
Total # of Contracts	119,665	15,280	134,945

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units			
	1998-2009	2010	TOTAL
Contracted Units (Active Accounts)	5,272,578	643,250	5,915,828
Lump Sum Units (Active Accounts)	16,986,732	1,303,662	18,290,394
Total Active Accounts	22,259,309	1,946,912	24,206,222
Contracted Units (Inactive Accounts)			407,716
Lump Sum Units (Inactive Accounts)			1,665,793
Grand Total Contracted and LS Units Purchased			26,279,731

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	3,062,919
Total Paid Out Units Since Inception (Active and Inactive Accounts)	3,698,519

CONTRACT PAYMENTS SINCE INCEPTION			
	1998-2009	2010	TOTAL
Total Payments Received (All Accounts)	\$ 1,486,989,467	\$ 152,543,949	\$ 1,639,533,416
Total Fee Payments Received (All Accounts)	\$ 6,253,379	\$ 636,155	\$ 6,889,534
Total Contract-Related Payments Received	\$ 1,493,242,846	\$ 153,180,104	\$ 1,646,422,950

Future Custom Monthly Payments Due (Active Accounts)	\$ 283,971,791	\$ 111,735,430	\$ 395,707,220
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ITEMS OF INTEREST	
Since Inception	
Number of Students Who Have Used Benefits	20,612
Benefits Paid	\$ 228,781,226
Refunds Paid	\$ 19,163,136
Total Paid Out In Benefits and Refunds	\$ 247,944,361

LEGISLATIVE UPDATE

**Washington State
House of Representatives
Office of Program Research**

BILL ANALYSIS

**Ways & Means Committee
ESSB 5749**

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

Sponsors: Senate Committee on Higher Education & Workforce Development (originally sponsored by Senators Brown, Hewitt and Shin).

Brief Summary of Engrossed Substitute Bill

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

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

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

**Washington State
House of Representatives
Office of Program Research**

**BILL ANALYSIS
Ways & Means Committee
E2SSB 5182**

Brief Description: Establishing the office of student financial assistance and the council for higher education by eliminating the higher education coordinating board and transferring its functions to various entities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators White, Tom, Hill, Zarelli, Murray, Ericksen, Prentice, Hobbs and Nelson).

Brief Summary of Engrossed Second Substitute Bill

- Eliminates the Higher Education Coordination Board (HECB).
- Creates the Council for Higher Education to develop goals and performance measures and perform selected functions previously performed by the HECB.
- Creates the Office of Student Financial Aid to administer the financial aid programs previously managed by the HECB.