

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING
REGULAR MEETING**

**Wednesday, January 23, 2002
2:00 pm - 5:00 pm
State Investment Board
2424 Heritage Ct SW
Olympia, Washington**

AGENDA

1. Call to Order
2. Approval of November 16, 2001 Minutes ACTION Tab 1
Approval of Regular Meeting Dates for 2002
3. Marketing Update INFORMATION
Wendy Dore and Cathy Stevens
The Marketing Partners
4. Investment Update INFORMATION
Gary Bruebaker, Chief Investment Officer
State Investment Board
5. Approval of FY 2003 Operating Budget ACTION Tab 2
5. Tuition Impacts DISCUSSION Tab 3
Bill Reimert, Principal
Milliman USA
6. Policy Review DISCUSSION Tab 4
Refund Policy PUBLIC COMMENT
ACTION
7. College Savings Plan Update DISCUSSION Tab 5
PUBLIC COMMENT
8. Director's Report INFORMATION
Legislative Update
9. Possible Executive Session
May be held for any of the purposes set forth in RCW 42.30.110
10. Action Items, if any, made necessary by Executive Session
11. Adjournment of Regular Meeting

Next Regular Meeting, March 12, 2:00 – 5:00 p.m. (pending approval)
State Investment Board, 2424 Heritage Court SW, Olympia, WA

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Friday, November 16, 2001

State Investment Board

2424 Heritage Court SW

Olympia, WA

MINUTES

CALL TO ORDER

Marc Gaspard, HECB Executive Director and Committee Chair called the meeting to order at 2:00 p.m. Committee members in attendance in addition to the Chair included Michael J. Murphy, State Treasurer, Marty Brown, Director of OFM, Beth Stecher Berendt, Citizen Member and Mooi Lien Wong, Citizen Member.

HECB staff in attendance:

Betty Lochner, GET Director

Larry Lee, GET Operations Manager

Debra Blodgett, Administrative Assistant

Barbara Dunn, HECB Communications Director

Guests in attendance:

Joe Dear, Frank Russell Company

Howard Fischer, Office of the Attorney General

Representative Bill Fromhold

Helen Small, State Investment Board (SIB)

Jim Parker, State Investment Board (SIB)

Diana Will, State Investment Board (SIB)

WELCOME

Marc opened the meeting with introductions of the committee members. Betty Lochner, GET Director, introduced GET staff in attendance. Guests in attendance were asked to introduce themselves.

Betty reported that there were no changes to the agenda, and noted that the final actuarial valuation report was included in the packet. She then directed members to the supplemental packet, which included a draft letter of understanding between the HECB and SIB to be addressed in agenda item #6.

APPROVAL OF MINUTES

It was moved by Mike Murphy with a second by Mooi Lin Wong to approve the September 25, 2001 minutes. Motion carried unanimously.

PROPOSED MEETING SCHEDULE

Betty presented a proposed schedule for regular meetings in 2002. She indicated that the schedule of meetings had been cleared through committee member's support staff, with the

exception of the March 19th meeting. Several committee members noted additional conflicts for dates on the proposed schedule, including the January meeting date. The committee asked that staff reschedule the January meeting and present a revised schedule for meetings in 2002 at the January committee meeting.

INVESTMENT UPDATE

Diana Will from the State Investment Board presented the third quarter 2001 GET investment update to the committee. Diana reported on the asset allocations and how they are broken down. As of September 30th, GET investments showed a loss of \$4.4 million over the last quarter. It is important to keep in mind that performance should return to normal over the long term.

Current GET investment balances as of September 20, 2001 are as follows:

Cash - \$1.8 million; TIP's - \$39.7 million; US Equity - \$25.4 million; Non-U.S. Equity - \$9.7 million. Total invested: \$75.9 million

Marc asked Diana to share with the committee how the Deferred Compensation Program (DCP) portfolio was performing in comparison. Diana indicated that it was down even more. The market as a whole has not been performing well.

Mooi Lin asked for any revised benchmark numbers; Diana responded that the benchmark is still currently 7.5%.

MARKETING UPDATE

Betty introduced Wendy Dore of The Marketing Partners. Wendy gave an update on activities that had taken place since the last meeting. Four focus groups were held; two in Bellevue with parents from the greater Seattle Area and two in Spokane. One group in each location consisted of parents currently saving for college and another group consisted of parents who were not saving for college at all. The majority of parents were committed to providing for college education funding in a variety of ways. Over half expect their children to attend an instate school.

Thirty-six percent of the parents had heard something about GET, though almost none could accurately describe the program. They all believed that GET benefits could only be used at Washington schools. They liked the idea of paying over time and liked the Guarantee. One third used financial advisors. However, the financial advisor in the focus group could not accurately describe GET. Information about what television shows they regularly watched was also gathered. The groups were also presented with three proposed scripts for TV spots for feedback.

Based on the input from the focus groups, Marketing Partners recommended using parent testimonials ads with the GET web address displayed throughout. The messages that need to be included are the ability to use GET benefits out of state; the investment value; peace of mind; the ability to pay over time; and that the money is safe and guaranteed. Running times will be early morning news; late night news, prime access and cable favored programs. The ad schedule will start in February and continue through May 31st. Current GET accounts holders will be used in the ads.

The committee agreed with the recommendations to move forward with the TV marketing plan.

RECOMMENDATION TO CONTRACT FOR ACTUARIAL SERVICES

Betty brought forward the recommendation to enter into a sole source contract with the current actuarial contractor, Milliman USA, based on their expertise in prepaid tuition programs. This would be a contract for two years. At the end of the contract time period a full RFP process would commence. This process is consistent with OFM requirements for contracting.

Beth expressed her concern with sole sourcing any contract and eliminating the potential for new vendors and ideas.

Mike moved to approve a sole source contract with Milliman, USA from January 1, 2002 to December 31, 2003 for up to \$150,000. Motion was seconded by Marty Brown.

Motion carried with four members in favor and one member opposed (Beth Berendt).

COLLEGE SAVINGS PLAN UPDATE

The State Investment Board (SIB) addressed participation in a joint RFP process at their October Board Meeting, which raised many issues. Subsequently, a letter of agreement was drafted between the SIB and the HECB and a copy has been provided to the committee for review. The letter of agreement outlines the partnership between SIB and the HECB and would be used to develop an interagency agreement.

Mike Murphy explained that this is an unusual process for the SIB. He gave some background from the SIB Board Meeting and the discussion that occurred there. Under the agreement, the SIB would provide investment oversight and the GET Committee would contract separately for record keeping and marketing. He noted that there has been excellent cooperation between SIB and GET staff and good support from the attorney general's office. Mike urged support of the letter of understanding from fellow committee members.

Marc expressed his appreciation to all involved in this process.

Betty explained that the goal would be to have a joint RFP ready in late January to go out for all three components, including marketing, records administration, investment management.

Marty moved to accept the letter of understanding Mike seconded the motion.

Motion amended to include delegation to Marc to act on the committee's behalf to develop and approve an interagency agreement between the SIB and the HECB. Motion carried unanimously.

SAVINGS PLAN GUIDELINES

Betty reviewed some proposed program guidelines designed to begin the discussion on what the savings program will look like and how to communicate that in an RFP process. She noted that the committee could change the savings plan guidelines before the RFP process or at any later date. The guidelines presented were based on the work done by the savings plan advisory group

and public comment and included: application fees, minimum contribution and/or minimum monthly deposit, minimum and maximum account balance, age limit, 2 year wait on release of funds, rollovers, and cancellation/refund fees.

There was active discussion regarding account administrative fees. Betty reported that the average application fees for other states is \$90. Since the program must be self-sustaining from the beginning, it is important to have fees meet administrative costs. Mike expressed that he is averse to high fees. He advised exploring no load options where fees are transparent, which would be the most optimum to participants. There was also active discussion regarding the way the program office would answer calls and respond to customers, and how to market the two programs together.

PUBLIC COMMENT

Marc opened the meeting to public comment.

Joe Dear, Frank Russell Company, cautioned that until the records administration piece is decided upon the fees would not be able to be determined. He also expressed that having a partner or multiple firms selling will defray the costs to the state. Kansas used a direct no load fund and are not doing very well and are considering switching to commission based selling. The goal should be to make as many fees transparent as possible, which would be needed to cover administrative costs.

Hearing no further comment, the committee discussed options further and determined that guidelines should be made as flexible as possible, and that potential bidders should be allowed to state what they could provide before fees are determined.

ACTION ITEM FOR COLLEGE SAVINGS PLAN

The action item for this agenda item was tabled. Staff was directed to include flexibility in the RFP process and decisions on guidelines would be made after that process is completed.

ACTION ITEM TO REGISTER PROGRAM NAME

Marc moved to accept the proposed name for the savings program so that staff can begin working to register the name. Motion carried unanimously.

DIRECTOR'S REPORT

Betty reported that we are getting over twice as many enrollment forms over this time last year. As of October 31, 2001, 13,526 GET accounts have been opened, with a total contract value of \$107.4 million. There are 312 students attending colleges fall quarter that are using GET benefits. The final implementation of the conversion is being worked on. Customers will be able to view statements on the web-site by January. Payroll deduction is set up for state agencies and with some in higher education agencies. GET hired a work study student, Kathy Thompson, to help in the front office.

OTHER

Mike noted that a larger budget for program start-up for a savings program would eliminate the need to contract out for records administration. Mike asked if the committee was open to requesting more funding from the legislature to start the program to allow bringing record in-house, rather than contracting out. He would be willing to request legislation if the committee would support that. Howard read the existing statute that limits the funds to be borrowed for program start-up to \$200,000. There was active discussion regarding this issue. Marc suggested members gather information on whether such a bill would be given serious consideration during this legislative session. Mike will begin working on a bill for authority to borrow more money from GET for program start-up. He asked Betty to share projected start-up costs with the committee via email. Betty responded that the savings plan advisory group developed those expected costs and that she will send that information to committee members. Mike will continue to explore this and then draft a bill. Betty asked if the RFP process should continue as planned. The committee concurred that the RFP process should continue as scheduled and any changes to the funding would be addressed after the session.

MEETING ADJOURNMENT

There being no further business, the meeting was adjourned at 4:25 p.m.

NEXT MEETING

The next meeting of the GET Committee is scheduled for January 23, 2002, 2:00 – 5:00 p.m. at the State Investment Board (Board Room).

**Proposal for Regular Meeting Schedule
January 2002 – September 2002**

January 23, 2002

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 a proposed meeting schedule for January 2002-September 2002.

DATE	TIME	PLACE
January 23, 2002 Tuesday	2:00 – 5:00 p.m.	Olympia, State Investment Board (Board Room)
March 12, 2002 Tuesday	2:00 – 5:00 p.m.	Olympia, State Investment Board (Board Room)
July 16, 2002 Tuesday	2:00 – 5:00 p.m.	Olympia, State Investment Board (Board Room)
September 17, 2002 Tuesday	2:00 – 5:00 p.m.	Olympia, State Investment Board (Board Room)

Recommendation

Staff recommends that the proposed regular GET Committee meeting be approved.

Guaranteed Education Tuition Program

Proposed FY 2003 Budget

July 1, 2002 - June 30, 2003

	FY 2002 Approved	FY2003 Proposed
Estimated Contract Sales	3,000	4,000
Anticipated Savings from Prior Year's Budget	\$ 259,055	\$ 46,941
Enrollment Fees Per Contract	150,000	200,000
Administrative Fees in Unit Price	1,920,000	2,560,000
Projected Revenues	2,329,055	2,806,941
Salaries & Benefits - 7.5 FTE (FY 2002) 9.5 FTE (FY 2003)	478,834	594,000
Goods & Services	210,000	250,000
Travel	35,000	40,000
Actuarial Contract	65,000	68,250
Call Center	100,000	140,000
Marketing Contract	600,000	600,000
Records Administration Software Contract (SCT)	553,280	525,000
InTuition Extension (1 month)	40,000	-
Projected Expenses	2,082,114	2,217,250
Projected Revenues less Projected Expenses	246,941	589,691
Potential Loan to Savings Plan	200,000	See Note (1)
Unallocated Revenues	46,941	589,691



Memorandum

To: Betty Lochner, Guaranteed Education Tuition
 From: Alan Perry and Bill Reimert, Milliman USA
 Date: January 9, 2002
 Re: Tuition scenarios for fall 2002

As requested, we have estimated the total amount of tuition benefits expected to be paid on behalf of prepaid tuition contracts sold through December 21, 2001 for four alternative scenarios regarding future tuition increases. The four scenarios are:

Annual Tuition Increases at Most Expensive Public College or University in Washington

<u>Scenario</u>	<u>Fall 2002</u>	<u>2003 - 2026</u>
1	6.10%	6.75%
2	6.75	6.75
3	12.00	6.75
4	18.00	6.75

Scenario 2 is consistent with the current actuarial assumption used in the annual valuation report.

The chart shows that under Scenario 1, we expect future tuition payments to be about \$1.2 million less than under the current actuarial assumption. Scenarios 3 and 4 are expected to produce tuition payments that exceed those under the actuarial assumptions by \$9.4 million and \$20.1 million, respectively.

In a separate analysis we estimated that under scenario 2 there is a 40% chance that the GET program will be unable to pay all of its future obligations and may require financial support from the state. Under scenarios 3 & 4 that chance increases to 49% and 59%, respectively. Under these circumstances, Scenarios 3 and 4 would also be expected to require an additional \$9.4 million and \$20.1 million in state support, respectively, beyond the level required under Scenario 2.

It is important to understand that these results are only illustrative of the range of results that are possible and are dependent on the assumptions utilized.

Washington Guaranteed Education Tuition Program

<u>Scenario</u>	<u>Tuition Increase Assumption*</u>		<u>Estimated Stabilization Reserve at 12/21/2001</u>		<u>Probability of Sufficiency</u>	<u>Average Annual Tuition Increase Over 2003-2026 Necessary for 60% Probability</u>
	Fall 2002	2003-2026	\$Millions	% of Liab		
1	6.10%	random, with mean = 6.75%	6.0	5.9%	63%	7.06%
2	6.75% **	random, with mean = 6.75%	5.6	5.5%	60%	6.75%
3	12.00%	random, with mean = 6.75%	0.5	0.5%	51%	6.30%
4	18.00%	random, with mean = 6.75%	-5.1	-4.5%	41%	5.57%

Valuation Results as of June 30, 2001:

6.75% *	random, with mean = 6.75%	4.5	4.9%	59%	n/a
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* Annual tuition increases at most expensive public college or university in Washington

** Random, with mean = 6.75%

*** Current actuarial assumption

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the four scenarios used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

Washington Guaranteed Education Tuition Program

<u>Scenario</u>	<u>Tuition Increase Assumption*</u>		<u>Estimated Total Future Tuition Payments **</u>	<u>Increase vs. Scenario 2</u>
	Fall 2002	2003-2026	\$Millions	\$Millions
1	6.10%	6.75%	190.9	(1.2)
2***	6.75%	6.75%	192.1	--
3	12.00%	6.75%	201.5	9.4
4	18.00%	6.75%	212.2	20.1

* Annual tuition increases at most expensive public college or university in Washington

** Total amount expected to be paid by GET as tuition benefits on behalf of contracts sold through December 21, 2001.

*** Current actuarial assumption

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the four scenarios used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

Proposed Revisions to GET Cancellation and Refund Policy

January 23, 2002

Background

At the January 23, 2001 GET Committee meeting, the committee adopted a revised Cancellation and Refund Policy for the program. This policy was based on the statutory changes that were made to the program during the 2001 legislative session, and was effective upon the passage of the legislation.

Revisions to the policy are now needed due to new changes in the federal tax law concerning 529 college savings programs.

Federal Tax Law Changes

The new federal tax laws regarding 529 plans, effective January 1, 2002, includes changes in how the IRS penalty is assessed and collected. Prior to 2002, the penalty was collected and kept by the state. After 2002, the IRS requires the penalty to be assessed and collected through the federal tax filing process.

The new tax law also changes the treatment of earnings on 529 accounts from tax-deferred to tax-exempt.

Proposed Changes

The GET program currently assesses an IRS penalty of 10% of the increased value or \$100, whichever is greater, at the time of cancellation. Because the program is no longer required to assess the IRS penalty, it is necessary to either eliminate it, or change the terminology.

Due to the costs associated with account maintenance and processing, it is not feasible to eliminate a cancellation fee collected by the program that offsets these costs. It is also the intent of the statute governing the GET program to discourage refunds.

Therefore, it is proposed to change the name of the penalty from “IRS Penalty” to “Cancellation Penalty” and to clarify that additional taxes or penalties may be assessed by the IRS.

Proposed revision

“Cancellation Penalty – To discourage purchasers from using money set aside for education for other purposes, the GET Program assesses a penalty when funds are removed for purposes other than higher educational expenses. The penalty

amount is 10% of the increased value of the units held at the time of the refund, or \$100, whichever is greater. In addition, funds removed from your GET account may be subject to additional taxes and/or penalties by the Internal Revenue Service. Please talk to your tax advisor before requesting a refund to determine any tax ramifications.

Refund Value – Refunds are subject to a cancellation penalty, a cancellation processing fee, and any other outstanding fees that have been assessed but not yet paid. Refunds are made at either the current value, as determined by the governing body, or at the weighted average tuition, when required by statute”.

The complete proposed revised Cancellation and Refund Policy is attached for your review.

Staff Recommendation

Staff recommends that the GET Committee approve the proposed revised Cancellation and Refund policy as presented, effective January 1, 2002.



GUARANTEED EDUCATION TUITION (GET) CANCELLATION AND REFUND POLICY (*CURRENT*)

Adopted 1-23-01

Cancellations

- A purchaser may cancel his or her GET account within three working days after the GET Program receives the initial payment. The GET Program will return all of the money in the account, *including* the \$50 application fee.
- The purchaser may cancel his or her GET account within six months after the GET Program receives the initial payment. The GET Program will return all of the money in the account, *except* the non-refundable \$50 application fee.
- The purchaser may cancel his or her GET account, if the purchaser has paid \$500 or less into his or her GET account. The GET Program would return all the purchaser's money, *except* the non-refundable \$50 application fee.

Refunds - General

- All refunds will be made according to Washington State statute (RCW 28B.95.110).
- The GET Program Director must approve refunds from accounts older than six months into which the purchaser has paid over \$500.
- Units must have been in a GET account that has been open for two calendar years, determined from the date on which the GET Program receives the application, the application fee, and the initial payment. Exceptions to the two-year wait include refunds for death or disability, financial hardship, or materially misunderstood program.
- If the GET Program Director denies a refund request, the purchaser may submit a letter to the Director within ten days after notification asking for reconsideration. If the Director denies reconsideration, the purchaser may submit a letter to the GET Committee Chair within ten days after notification asking for reconsideration. The GET Committee would then hold a brief adjudicative proceeding during its next scheduled meeting.

Application Fee - The \$50 application fee is non-refundable with the exception of accounts cancelled within 3 days.

IRS Penalty - The Internal Revenue Service requires the GET Program to assess a penalty, as designated in the U.S. Code, Title 26, Section 529, when funds are removed for purposes other than higher educational expenses. The penalty amount is 10% of the increased value of the units held at the time of the refund, or \$100, whichever is greater.

Refund Value – Refunds are subject to an IRS penalty, a cancellation fee, and any outstanding and/or processing fees. Refunds are made at either the current value, as determined by the governing body, or at the weighted average tuition, when required by statute.

How to Request a Refund

- Only the purchaser may request a refund.
- Purchasers provide an initial request in writing with an original signature stating the reason for the request to the GET Director, P.O. Box 43450, Olympia, WA 98504-3450. The purchaser must also complete a Certification Form, which will be provided by the Program and have it notarized and provide supporting documentation.
- Refund checks are sent to the purchaser unless the purchaser specifies in writing that the refund check should be sent to the student.
- When the legislature established the GET program, they placed in state law (RCW 28B.95.110) specific guidelines to be followed when determine whether to allow a refund from a GET account. In addition to these State regulations, the Internal Revenue Service in IRC §529 gives additional direction for refunding tax deferred funds placed in a college prepaid tuition and savings plans. The GET master contract, which

states, “The request for refund must include the information and documentation required by the Program.” was written with these guidelines in mind. Because §529 plans offer tax deferral on all earnings, the IRS is very specific in how State programs must operate.

Eligible Refunds

- **Death** – The purchaser must include the student’s death certificate with the refund request. The GET Program will refund the money within 90 days of receipt of the certification. No IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- **Disability** – The purchaser must include appropriate documentation from a medical professional demonstrating that the disability prevents the student from attending any institution of higher education. The GET Program will refund the money within 90 days. No IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- **Scholarship** – The purchaser must produce documentation including the scholarship-awarding entity, the scholarship amount, and the applicable academic term. The refund amount will be up to 100 units per year. The refund may not exceed the scholarship amount. No IRS penalty will be assessed. The account must have been open for two calendar years. The refund will be made at the current value, as determined by the governing body.
- **Graduation or program completion** – The purchaser must provide documentation that the student has graduated or completed the program they were enrolled in. The refund will be on the unused units in the account at the time of certification. No IRS penalty will be assessed. The account must have been open for two calendar years. The refund will be made at the current value, as determined by the governing body.
- **Non-attendance** – The purchaser must certify that the student is 18 years of age or older, and will not attend an institution of higher education. The GET Program will refund the money no sooner than 90 days after the purchaser submits the certification. An IRS penalty of 10% of the increased value or \$100, whichever is greater, will be assessed. The account must have been open for two calendar years. The refund will be at the weighted average tuition.
- **Incorrect or misleading information** – If the purchaser provides incorrect or misleading information, the GET Program may close the account. The IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- **Materially misunderstood the program** – The purchaser must certify that he or she misunderstood the terms of the GET Program contract. A notarized signature will be required. The IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- **Financial hardship** – The GET Program Director will determine financial hardship refund requests on a case-by-case basis. Financial hardship could include job loss, bankruptcy, eviction, or disconnection of utilities. A notarized signature will be required. The IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- **Other** – The GET Program Director, at his or her discretion, may review and approve refund requests involving exceptional circumstances not addressed in this policy, on a case-by-case basis. A notarized signature may be required. The IRS penalty will be assessed. The refund will be made at the current value, as determined by the governing body.



GUARANTEED EDUCATION TUITION (GET) CANCELLATION AND REFUND POLICY (*PROPOSED*)

Revised 1-23-02

Cancellations

- A purchaser may cancel his or her GET account within three working days after the GET Program receives the initial payment. The GET Program will return all of the contributions to the account, *including* the \$50 enrollment fee.
- The purchaser may cancel his or her GET account within six months after the GET Program receives the initial payment. The GET Program will return all of the contributions to the account, *except* the non-refundable \$50 enrollment fee.
- The purchaser may cancel his or her GET account, if the purchaser has paid \$500 or less into his or her GET account. The GET Program would return all of the contributions to the account, *except* the non-refundable \$50 enrollment fee.

Refunds - General

- All refunds will be made according to Washington State statute (RCW 28B.95.110).
- The GET Program Director must approve refunds from accounts older than six months into which the purchaser has paid over \$500.
- Units must have been in a GET account that has been open for two calendar years, determined from the date on which the GET Program receives the enrollment form, the enrollment fee, and the initial payment. Exceptions to the two-year wait may include refunds for death or disability, financial hardship, or misunderstanding of the program.
- If the GET Program Director denies a refund request, the purchaser may submit a letter to the Director within ten days after notification asking for reconsideration. If the Director denies reconsideration, the purchaser may submit a letter to the GET Committee Chair within ten days after notification asking for reconsideration. The GET Committee would then hold a brief adjudicative proceeding during its next scheduled meeting.

Enrollment Fee - The \$50 enrollment fee is non-refundable with the exception of accounts cancelled within 3 days.

IRS Cancellation Penalty — To discourage purchasers from using money set aside for education for other purposes, The Internal Revenue Service requires the GET Program to assess a penalty, as designated in the U.S. Code, Title 26, Section 529, when funds are removed for purposes other than higher educational expenses. The penalty amount is 10% of the increased value of the units held at the time of the refund, or \$100, whichever is greater. In addition, funds removed from your GET account may be subject to additional taxes and/or penalties by the Internal Revenue Service. Please talk to you tax advisor before requesting a refund to determine any tax ramifications.

Refund Value – Refunds are subject to an IRS-cancellation penalty, a cancellation processing fee, and any other outstanding and/or processing fees that have been assessed but not yet paid. Refunds are made at either the current value, as determined by the governing body, or at the weighted average tuition, when required by statute.

How to Request a Refund

- Only the purchaser may request a refund.
- Purchasers provide an initial request in writing with an original signature stating the reason for the request to the GET Director, P.O. Box 43450, Olympia, WA 98504-3450. The purchaser must also complete a Certification Form, which will be provided by the Program and have it notarized and provide supporting documentation.
- Refund checks are sent to the purchaser unless the purchaser specifies in writing that the refund check should be sent to the student.

- When the legislature established the GET program, they placed in state law (RCW 28B.95.110) specific guidelines to be followed when determining whether to allow a refund from a GET account. In addition to these State regulations, the Internal Revenue Service in IRC §529 gives additional direction for refunding tax deferred funds placed in college prepaid tuition and savings plans. The GET master contract, which states, “The request for refund must include the information and documentation required by the Program.” was written with these guidelines in mind. Because §529 plans offer tax ~~deferral~~exemption on all earnings used for educational expenses, the IRS is very specific in how State programs must operate.

Eligible Refunds

- Death – The purchaser must include the student’s death certificate with the refund request. The GET Program will refund the money within 90 days of receipt of the certification. No cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- Disability – The purchaser must include appropriate documentation from a medical professional demonstrating that the disability prevents the student from attending any institution of higher education. The GET Program will refund the money within 90 days of receipt of certification. No cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- Scholarship – The purchaser must produce documentation including the scholarship-awarding entity, the scholarship amount, and the applicable academic term. The refund amount will be up to 100 units per year. The refund may not exceed the scholarship amount. No cancellation penalty will be assessed. The account must have been open for two calendar years. The refund will be made at the current value, as determined by the governing body.
- Graduation or program completion – The purchaser must provide documentation that the student has graduated or completed the program they were enrolled in. The refund will be on the unused units in the account at the time of certification. No cancellation penalty will be assessed. The account must have been open for two calendar years. The refund will be made at the current value, as determined by the governing body.
- Non-attendance – The purchaser must certify that the student is 18 years of age or older, and will not attend an institution of higher education. The GET Program will refund the money no sooner than 90 days after the purchaser submits the certification. A cancellation penalty of 10% of the increased value or \$100, whichever is greater, will be assessed. The account must have been open for two calendar years. The refund will be at the weighted average tuition.
- Incorrect or misleading information – If the purchaser provides incorrect or misleading information, the GET Program may close the account. The cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- Materially misunderstood the program – The purchaser must certify that he or she misunderstood the terms of the GET Program contract. A notarized signature will be required. The cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- Financial hardship – The GET Program Director will determine financial hardship refund requests on a case-by-case basis. Financial hardship could include job loss, bankruptcy, eviction, or disconnection of utilities. A notarized signature will be required. The cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.
- Other – The GET Program Director, at his or her discretion, may review and approve refund requests involving exceptional circumstances not addressed in this policy, on a case-by-case basis. A notarized

signature may be required. The cancellation penalty will be assessed. The refund will be made at the current value, as determined by the governing body.