

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

February 10, 2004
State Investment Board
2100 Evergreen Park Drive SW
Suite 100
Olympia, Washington
2:00 pm – 5:00 pm

AGENDA

Call to Order - James E. Sulton, Jr., Ph.D., Committee Chair

- Approval of November 3, 2003 minutes ACTION Tab 1
- Director's report INFORMATION Tab 2
 GET legislative update
- GET investment update INFORMATION Tab 3
 Diana Will, Investment Officer
 Washington State Investment Board
- GET marketing update INFORMATION
 Wendy Dore
 The Marketing Partners
- Possible executive session
 May be held for any of the purposes set forth in RCW 42.30.110
- Action items, if any, made necessary by executive session
- Adjournment of regular meeting

Next Regular GET Committee Meeting, April 20, 2004, 2:00 – 5:00 p.m.
State Investment Board, 2100 Evergreen Park Drive SW, Olympia, WA

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Monday, November 3, 2003

State Investment Board

2100 Evergreen Park Drive

Olympia, WA

MINUTES

HECB staff in attendance:

Betty Lochner, GET Director

Larry Lee, GET Operations Manager

Debra Blodgett, Office Manager

Heidi Arneson, Benefits and Finance Manager

Guests in attendance:

Gary Bruebaker, State Investment Board

Diana Will, State Investment Board

Wendy Dore, The Marketing Partners

WELCOME

Ruta Fanning, Interim Executive Director for the Higher Education Coordinating Board called the meeting to order and began with introductions of the GET Committee members. Members in attendance in addition to the chair included Elaine Emans, Deputy Treasurer, (designated representative for Michael J. Murphy, State Treasurer); Beth Stecher Berendt, citizen member; and Marty Brown, Director of the Office of Financial Management (via telephone). Mooi Lien Wong, citizen member, was also to participate via phone, but was unable to due to technical difficulties.

APPROVAL OF MINUTES

The minutes from the August 1, 2003 GET Committee Meeting were reviewed. A motion was made to adopt the minutes by Berendt and seconded by Emans. The minutes were approved and carried unanimously.

APPROVAL OF 2004 MEETING CALENDAR

The revised 2004 GET Committee Regular Meeting Schedule for the 2004 calendar year was presented. Regular meetings include February 10, April 20, and August 4, 2004. Brown moved to approve the calendar, which was seconded by Emans. The motion was approved and carried unanimously.

APPROVAL OF WEIGHTED AVERAGE TUITION

Lochner briefed the Committee on the process in which the weighted average tuition is calculated and set each year, as required by statute. Staff recommended approving the weighted average tuition for the 2003-04 academic year, calculated by using methodology previously approved by the committee. The calculated weighted average tuition is \$42.93 per unit.

MOTION

A motion was made by Berendt to adopt the staff recommended weighted average tuition as presented at \$42.93 per unit. The motion was seconded by Brown. The motion was approved and carried unanimously.

DIRECTOR'S REPORT

Lochner reviewed program statistics. As of September 30, 2003, there are 36,795 participants in the GET Program. The total value of accounts is \$369 million (including expected future payments on monthly contracts). New enrollments for the 2003-04 enrollment period are at 943, as of today, which is over double where we were at this time last year. On-line enrollments are increasing, which is more cost effective than processing paper applications. Another sign of

growth is the amount of media interviews requested this year, we have done 16 compared to 5 interviews last year. Personnel updates include promoting Heidi Arneson from Students Benefits Coordinator to Benefits and Finance Manager. Vickey Mauerman has been hired as financial accountant and Elizabeth St. George has been hired as a records assistant. Lochner directed the Committee to review the additional statistical data regarding what schools students using GET benefits are attending this fall.

Lochner asked the Committee to review proposed revisions to the FY 04 GET administrative budget. A brief overview was given on the existing budget that was approved by the Committee last April based on expected revenue from 5,000 new contracts. The budget included \$400,200 in unallocated funds that were considered contingency funds, to be authorized for allocation later if needed, or rolled over into next year's budget, if not used. Since the budget was approved, costs associated with program growth have been rising faster than expected. These costs include the need for more printed materials, space remodeling, additional staff to receive and process enrollments and increased administrative overhead costs. Staff recommends that the additional \$400,200 be approved for use during the current (FY 04) budget year. It increases the total FTE from 17.5 to 19.5. This does not change the revenue projections or expected contracts. Brown asked Lochner to remind the Committee of the number of new enrollments received last year. Lochner indicated that there were over 12,000 new enrollments for 2002-2003.

MOTION

There was a motion by Brown to adopt the revised FY 04 GET Budget as presented. The motion was seconded by Emans. The motion was approved and carried unanimously.

2004 LEGISLATIVE ISSUES

Lochner explained that there are a few technical changes that need to be made to the GET statute (RCW 28B.95), to address some issues that were not consistent throughout the statute. It appears that this may be a good year to present some changes as well as share some of GET's success stories with the legislature. After the final version is drafted through the Code Reviser, it would be routed back to the Committee for approval. If there is a need for further discussion or to consider additional changes, a special meeting would be called. The following are the sections that would be addressed:

DEFINITION OF "ACADEMIC YEAR":

Currently the statute states, by definition, that the academic year is July 1 through June 30th. The proposal is to change the academic year to August 1 and July 31. This will more accurately align with academic calendars used by most colleges.

RESIDENCY:

Change the residency requirement from student beneficiary only to include an eligible purchaser. This would allow parents and grandparents, who reside in Washington, and who have children living out of state to enroll in the GET Program.

CHANGE TO WEIGHTED AVERAGE TUITION (WAT) TO CURRENT VALUE FOR ALL PAYOUTS:

The proposal would remove weighted average tuition from Definitions [RCW 28B95.020(15)]; administration of program [RCW 28B.05.030], which eliminates the

requirement of calculating the WAT; calculation of refunds for discontinuation of the program [RCW 28B95.090(2) and (3)]; and calculations of refunds for non-attendance [RCW 28B95.110 (10)(a)]. After consultation with counsel for the program, it was clear that these items needed to be changed due to the inconsistency throughout the statute.

NON-BANKRUPTCY:

New Section: Some protection needs to be added to ensure that the funds for the beneficiary are protected from being considered personal assets of the purchaser as part of a bankruptcy filing. This would apply to funds used to purchase units more than two years prior to the date of the bankruptcy filing.

Berendt expressed some concern with the residency change and wanted to ensure that the intent of the program was being followed. Larry Lee, GET Operations Manager commented on how changing the policy would remedy cases of custodial situations with parents and grandparents living in the state with children living out of state unable to enroll under current residency requirements.

MOTION

There was a motion made by Emans to approve taking the proposed statutory changes forward during the 2004 legislative session and to have the final draft bill reviewed and approved by the Committee, as well as any changes or updates. The motion was seconded by Brown. The motion was approved and carried unanimously.

GET VENDOR SELECTION RECOMMENDATION

Lochner gave a brief overview of the current contracting status for actuarial services. Staff were directed to issue a Request for Proposal (RFP) to select a vendor for actuary services (the current contract with Milliman USA ends December 31, 2003). The RFP was issued on August 4, 2003. A pre-proposal teleconference was held on August 20, 2003; final proposals were received by September 24th. There were two proposals received, one from Milliman USA and the other from Richard M. Kaye and Associates. The proposal review committee consisted of Lochner, Lee, Joann Wismann from the HECB and Elaine Emans from the Treasurer's Office. After a complete review of the proposals, information from the teleconference and reference checks, the committee determined that it is in the best interest of the program to accept the proposal of Milliman USA.

Emans recused herself from voting on the recommendation based on her involvement on the review committee. Brown asked Emans for her opinion regarding the recommendation. Emans stated that a thorough RFP process was completed and that she fully supported the staff recommendation.

MOTION

Fanning called for a motion to accept the staff recommendation to offer Milliman USA a two-year contract with the possibility of two 2-year extensions, to provide actuary services. A motion was made by Berendt and seconded by Brown. The motion was approved and carried unanimously.

GET MARKETING UPDATE

Lochner introduced Wendy Dore of The Marketing Partners to give a brief update on marketing activities for the program. The fall kick-off began with press releases and radio commercials. Dore showed the Committee the latest GET Television ad that was filmed using GET Program participants. The commercial will begin running January 17th and will run through the end of the enrollment period with a countdown at the end.

GET INVESTMENT UPDATE

Lochner introduced Gary Bruebaker, Chief Investment Officer for the State Investment Board. Bruebaker indicated that for the quarter ending September 3, 2003, the GET portfolio size is at \$287.8 million with growth of \$16.3 million since last quarter. There was \$8.5 million earned from market returns and \$7.8 million from purchaser contributions. The equity return for the quarter was 5.14%, which was slightly below the benchmark. TIPS were also slightly below the benchmark.

GET ACTUARIAL VALUATION REPORT

Lochner introduced Bill Reimert from Milliman USA, participating via telephone, to give the actuarial valuation report, as of June 30, 2003, to the Committee. Reimert summarized the highlights of the valuation. He began by explaining changes that had been made in the assumptions used to determine the valuation. The expected long-term rate of return for assets has been reduced from 7.25% to 7.00%. This change increased the deficit by \$9 million. The data tables used to determine the number of contract holders that cease to make their installment payments, but do not request a refund, were adjusted based on Program experience and a new assumption to account for the number of contract holders requesting refunds was added. These changes decreased the deficit by approximately \$3 million. The long-term deficit of \$21.6 million that was reported as of June 2002 has been reduced to \$5.8 million. This is due in part to market gains as well as more contracts sold than were expected during the year.

NEXT MEETING

The next meeting of the GET Committee is scheduled for February 10, 2004 2:00 p.m. to 5:00 p.m. at the State Investment Board (2100 Evergreen Park Drive SW, Olympia, WA 98502).

ADJOURNMENT

There being no other business, the meeting was adjourned at 3:55 p.m.

GET Account Information As of 01/31/04

Contract Statistics by Plan Year

	<u>1998-2002</u>	<u>2003</u>	<u>TOTAL</u>
# of Active Contracts			
Custom Monthly Contracts (CM)	9,209	562	9,771
Lump Sum Contracts (LS)	25,993	1,669	27,662
Subtotal # of Active Contracts	35,202	2,231	37,433
# of Inactive Contracts	957	20	977
# of Depleted Contracts	146	0	146
# of Incomplete Applications	0	13	13
Total # of Contracts	36,305	2,264	38,569

Unit Statistics (active contracts only)

Total # of Contracted Units (CM)	2,074,172	112,520	2,186,692
Total # of Lump Sum Units Purchased (LS)	5,465,926	221,262	5,687,188
Total # of Units - Both Plans	7,540,098	333,782	7,873,880

Account Value Statistics (active contracts only)

Payments Received (CM)	\$ 28,968,190	\$ 104,956	\$ 29,073,146
Payments Received (LS)	\$ 239,385,294	\$ 12,286,388	\$ 251,671,682
Total Payments Received (CM and LS)	\$ 268,353,484	\$ 12,391,344	\$ 280,744,828
Total Contract Value (CM)	\$ 128,172,312	\$ 9,448,092	\$ 137,620,404
Less Payments Received (CM) from above	\$ (33,515,825)	\$ (104,956)	\$ (33,620,781)
Future Payments Due (CM)	\$ 94,656,487	\$ 9,343,136	\$ 103,999,623
Total Payments Received and Future Payments Due	\$ 363,009,971	\$ 21,734,480	\$ 384,744,451
Fees Paid	\$ 1,653,314	\$ 96,930	\$ 1,750,244
Grand Total			\$ 386,494,695

Benefit Statistics

Total amount paid out on contracts \$6,220,277

College Savings Plans Network

Program Statistics

Reporting date: September 30, 2003

State or other territory	Value of Actual Funds	Number of Unduplicated Beneficiaries	Total Number of Accounts	Total Distributions	Beneficiaries / Accounts with Distributions
Florida Prepaid	\$3,981,346,713	642,053	895,787	\$425,000,000	113,844
Texas Prepaid	\$1,148,683,286	151,184	158,426	\$74,274,820	11,696
Michigan Prepaid	\$955,180,963	68,339	71,585	\$420,421,608	12,439
Ohio Guaranteed Fund	\$784,499,405	126,520	130,946	\$154,001,370	25,435
PA Guaranteed Savings Plan	\$742,000,000	90,664	91,611	\$72,800,000	18,682
Virginia Prepaid	\$680,312,387	55,670	67,712	\$7,313,548	4,861
Alabama Prepaid	\$559,042,818	58,824	69,326	\$127,920,257	15,169
Illinois Prepaid	\$360,224,252	34,348	36,350	\$2,756,891	507
Washington	\$269,052,134	34,581	36,795	\$4,561,707	925
Maryland Prepaid	\$197,530,202	17,759	18,675	\$3,621,362	1,103
Mississippi Prepaid	\$110,712,393	17,321	17,786	\$8,774,849	1,480
Massachusetts Prepaid	\$100,000,000	30,000	36,000	\$18,000,000	6,000
West Virginia Prepaid	\$71,305,595	8,164	9,736	\$2,485,658	413
South Carolina Prepaid	\$69,794,638	5,856	5,912	\$723,714	133
Kentucky Prepaid	\$51,363,020	6,871	7,044
Nevada Prepaid	\$50,701,179	8,831	10,085	\$182,556	134
Tennessee Prepaid	\$45,236,040	7,987	8,054	\$25,981,534	624
Colorado Prepaid	\$39,294,000	4,961	14,490	\$55,926,060	1,099
Colorado Stable Value	\$14,400,000	1,735	1,760	\$388,257	99
New Mexico Prepaid	\$333,841	84	84	\$27,431	7
Total Prepaid Plans	\$10,231,012,866	1,371,752	1,688,164	\$1,405,161,622	214,650



Planning on using your GET Benefits for this next academic year?

GET is now offering four regional workshops that will include information on how to use your GET benefits and how to understand your financial aid package. Attendance is not required for using your benefits, however, we recommend you plan to attend in order to make the process of using your benefits as easy as possible!

You can choose from one of the four locations below:

Date	Time	City	Location
May 15, 2004	10:00 am	Spokane	Spokane Community College
May 15, 2004	3:30 pm	Moses Lake	Big Bend Community College
May 22, 2004	10:00 am	Edmonds	Edmonds Community College
May 22, 2004	3:00 pm	Olympia	The Evergreen State College

Please log on to our Web site at www.get.wa.gov and click on the link titled “*Benefits Workshops*” to register. Call our Customer Service at 1-800-955-2318 with any questions. We hope to see you there!

January 26, 2004

The Guaranteed Education Tuition (GET) Program, a 529 Prepaid Tuition Plan administered by the Higher Education Coordinating Board, would like your assistance in reaching out to your constituents this year.

Over the next 18 years, the cost of a college education is expected to more than *triple*. Today, thousands of Washington families are taking steps to ensure that their children will be able to pay for college in the future – no matter how much tuition may increase in that time – by investing in the GET pre-paid tuition program.

Approved by the 1997 Legislature, the GET Program is the only tuition plan in the state that is guaranteed to keep up with the cost of college tuition. With GET, families are able to lock in the cost of college tuition based on today's unit price, and the units can be used to pay for college up to 18 years in the future.

Right now, one GET unit of tuition costs \$57, and 100 units will pay for one year's worth of resident undergraduate tuition and fees at the most expensive public university in Washington.

GET is a Qualified State Tuition Program under Section 529 of the Internal Revenue Code. Currently, Washington families from all 39 counties have opened over 38,000 accounts. This year's enrollment period ends on March 31.

Included in this information packet are a few more details about the program, along with a copy of a draft article that we will be sending to caucus staff for possible use in your constituent newsletters.

Thank you for your assistance in distributing information about this great state program to your constituents. More information about GET can be found on our Web site at www.get.wa.gov, or by calling toll-free statewide at 1-877-438-8848. If you have any questions or would like information in an electronic format, you can also e-mail us at GETInfo@hecb.wa.gov.

Sincerely,

Betty Lochner
Director

Enclosures: 2003 fact sheet
Program overview
Recent news release
Suggested copy for constituent newsletter

**GUARANTEED EDUCATION TUITION PROGRAM
2003 FACT SHEET
As of December 31, 2003**

Accounts Opened Since Inception:	38,043
Tuition Units Sold	7,772,862
Total Payments Received	\$ 275,507,756
Future Payments Due	\$ 103,756,879
Investment Returns	\$ 37,001,006
Current Asset Value excluding Future Payments	\$ 326,223,416
Number of Students Using Benefits 2003-2004	1,380
Benefits Paid Out on Contracts	\$ 6,012,770
Percentage of Counties with GET Participants	100%
Benefit Usage Distribution Demographic: (# of Students Attending as of Dec. 31 2003)	
University of Washington	277
Western Washington University	175
Washington State University	141
Central Washington University	48
Eastern Washington University	32
The Evergreen State College	17
In-State Community Colleges	171
In-State Private Institutions	64
Out-of-State Institutions	150
Eligible Units for Year Exhausted	305
Total	<u>1380</u>

NEWS RELEASE

FOR IMMEDIATE RELEASE
JANUARY 14, 2003

For Further Information: Betty Lochner (360) 753-7871
or Kris Betker (360) 753-7817

GUARANTEED EDUCATION TUITION (GET) PROGRAM ANNOUNCES RECORD ENROLLMENT

OLYMPIA, WA: The Guaranteed Education Tuition (GET) Program announced that enrollment in the program reached a record level as of the end of the year. New enrollments for the 2003-2004 enrollment period reached 1,736 through December 31, 2003. That is a nearly 7% increase over the same period last year.

As of December 31, 2003, there were a total of 38,043 GET accounts, representing 7.77 million units and a total of \$275.5 million already received by the state. Counting future payments committed in GET contracts, Washington families have invested \$381 million for their children's future college tuition expenses.

The **Guaranteed Education Tuition (GET)** Program allows Washington families to purchase college tuition units in advance for use up to 18 years in the future. GET helps families save for college by permitting them to purchase tuition units today, at today's unit price, locking in the cost of college tuition.

"We are pleased that so many families are taking advantage of this program," said Betty Lochner, Director of the GET Program. "GET can be an important part of planning for the future college expenses of a family. The enrollment deadline at this year's unit price is March 31. As tuition continues to rise, the GET Program offers Washington families an excellent way to save for future tuition costs.

And it is guaranteed to keep pace with tuition increases."

GET accounts are 100 percent guaranteed by the state, offer families flexible purchase plans, can be transferred among family members and the increased value of the accounts is tax-exempt when used for eligible education expenses. This means if a family purchases one year's worth of tuition units today, they will have one year's worth of tuition when the student begins college, no matter how much tuition increases. One hundred units equal one year's resident undergraduate tuition and state-mandated fees at the most expensive public university in Washington.

Students may use GET account proceeds at almost *any* accredited college, university, technical or trade school in the country, and even some outside of the U.S. If the student attends a private college or out of state school, he/she is simply responsible for the difference between the GET account value and the school's costs.

The enrollment period at this year's unit price of \$57 ends on March 31, 2004. The GET Program is open only to residents of Washington state. Any age student may be enrolled.

Families can purchase as little as one unit, or up to 500 units per beneficiary. Purchases can be made in a lump sum or through a custom monthly payment plan set up according to the family's needs. Enrollment forms are available by calling **1-877-GET-TUIT (1-877-438-8848)**, or online at www.get.wa.gov. Businesses may help their employees through payroll deduction plans or by establishing scholarships using GET units.

"All children deserve the opportunity to go to college," said Governor Gary Locke. "The GET program gives Washington families a simple, safe and affordable way to save for their children's college education."

Today, the cost of four years' tuition, room, board and books at a Washington public college or university is approximately \$69,000; in 18 years, The Higher Education Coordinating Board (HECB) estimates costs could rise to more than \$147,000.

"With the guarantee of the state behind it, families have the confidence of knowing their investment is secure and not subject to changes in the financial markets," noted Lochner.

Anyone may contribute to a GET account, including parents, grandparents, aunts, uncles, friends and even students themselves. GET tuition units make excellent gifts that will last a lifetime.

The GET Program is administered by the Higher Education Coordinating Board.

Investing in GET accounts is easy. Families can request enrollment packages by calling toll-free: 1-877-GET-TUIT (1-877-438-8848), or by visiting the Web site: www.get.wa.gov.

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WASHINGTON STATE
INVESTMENT BOARD

GET

Prepaid College Tuition Program Quarterly Investment Report December 31, 2003

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Dated: January 20, 2004

Diana Will
Investment Officer - Asset Allocation

Gary Bruebaker
Chief Investment Officer

GET - Prepaid College Tuition Program

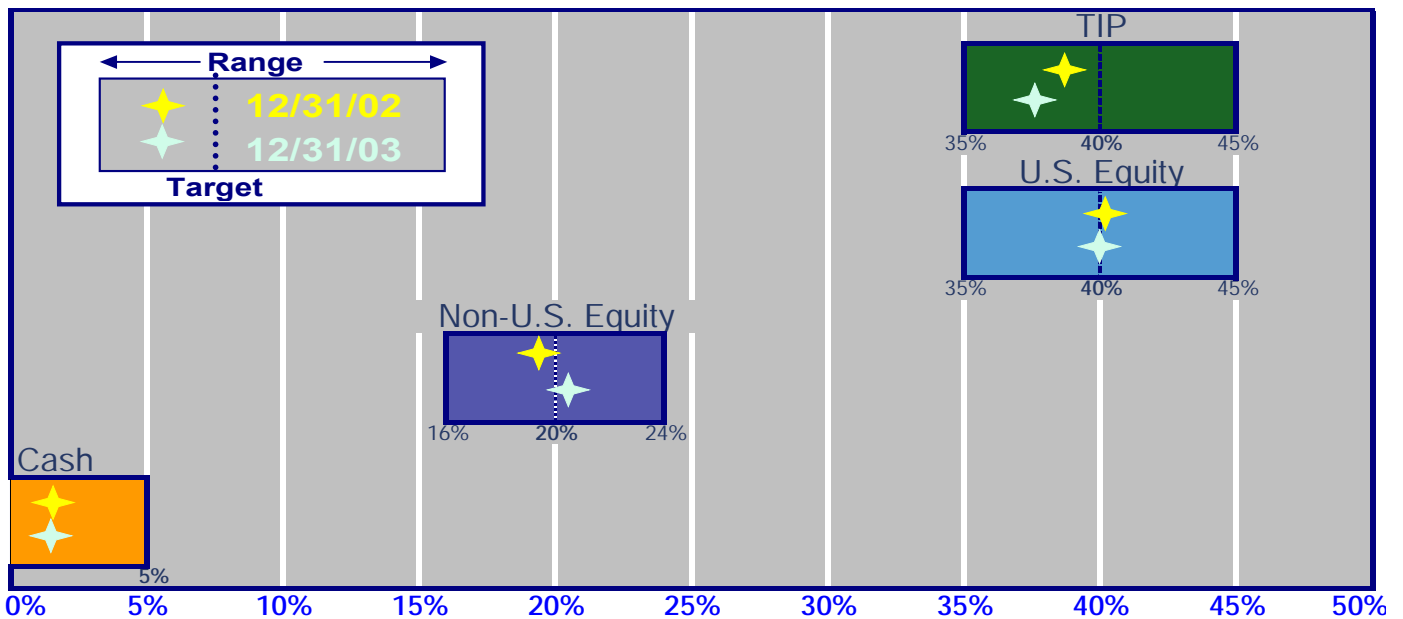
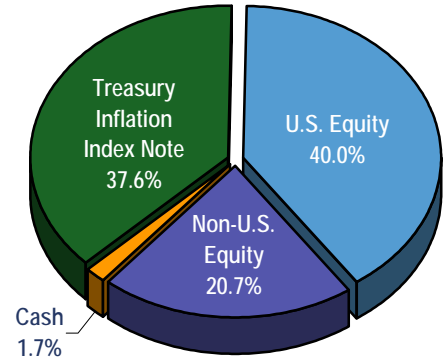
December 31, 2003

Portfolio Size

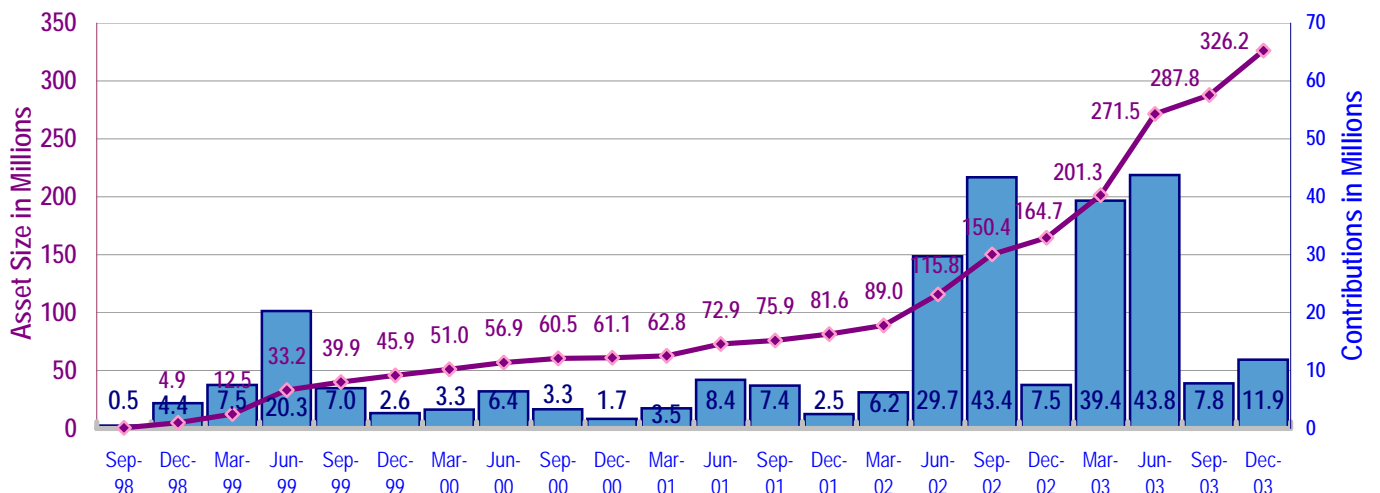
Total **\$326,223,416**

Cash	5,533,064
Treasury Inflation Index Note (TIP)	122,581,772
U.S. Equity	130,522,801
Non-U.S. Equity	67,585,778

Actual Asset Allocation



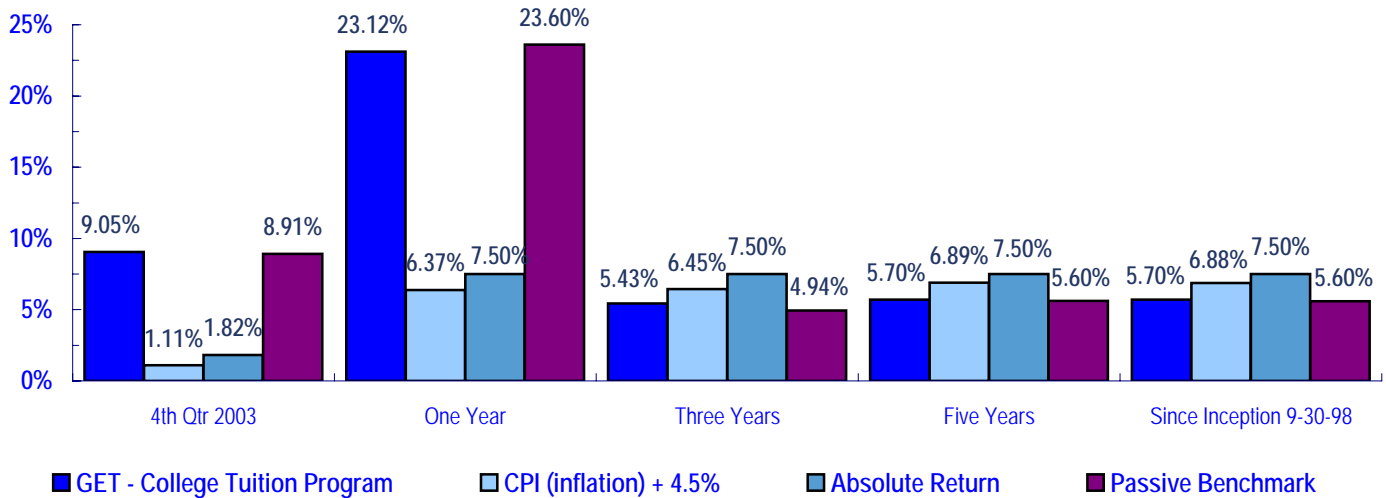
Assets Under Management



GET - Prepaid College Tuition Program Performance

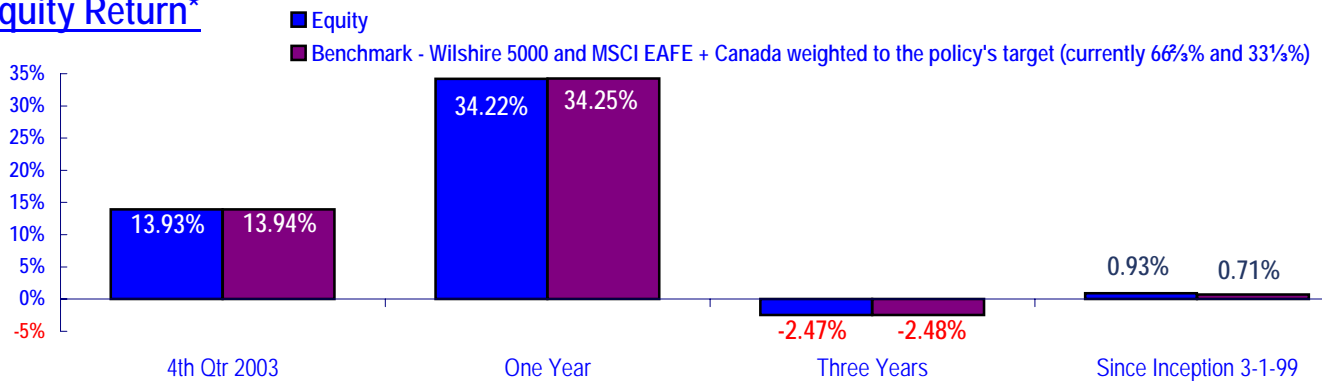
December 31, 2003

Total Return*

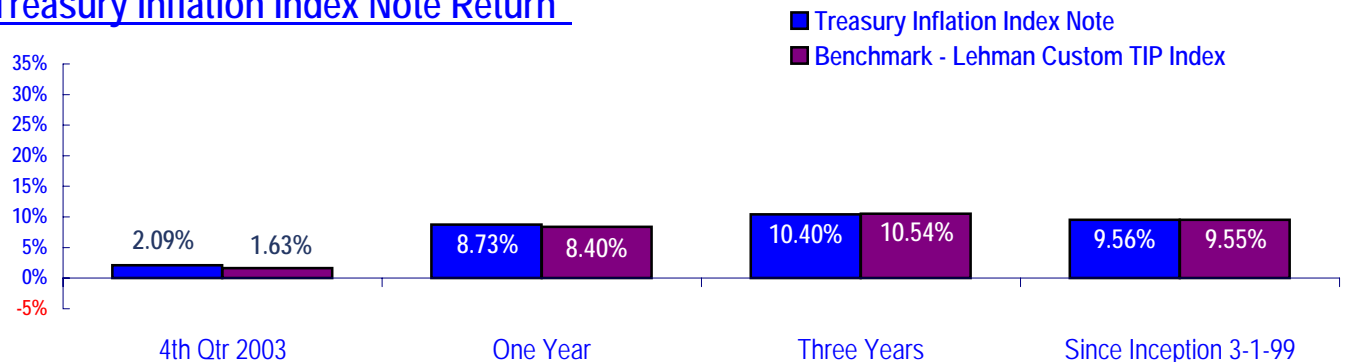


Return Breakdown

Equity Return*



Treasury Inflation Index Note Return*



Inception date is when the Board first invested in the asset class.

* 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.