



**GUARANTEED EDUCATION TUITION COMMITTEE MEETING**

**Monday, November 5, 2012**

**Office of the Insurance Commissioner**

**5000 Capitol Boulevard**

**Tumwater, WA 98501**

**MINUTES**

**Washington Student Achievement Council staff in attendance:**

Don Bennett, Executive Director, Washington Student Achievement Council

Betty Lochner, GET Director

Larry Lee, GET Associate Director for Policy & Planning

Susan Martensen, GET Associate Director for Marketing and Communications

Betsy Hagen, Associate Director for Administrative Services

Jackie Ferrado, GET Community Relations Manager

Diana Hurley, GET Customer Service Manager

Matthew Freeby, GET Finance Manager

Kim Porter, GET Records and Projects Manager

Luke Minor, GET Marketing and Communications Coordinator

Jane Olsen, GET Financial Accountant

Heather Bertels, GET Finance Coordinator

Katie Gross, Special Assistant to the GET Director

**Guests in attendance:**

Matt Smith, State Actuary

Scott Copeland, State Board for Community and Technical Colleges

Maria Hovde, Senate Ways and Means Staff

Kim Cushing, Senate Higher Education & Workforce Development Staff

Terry Ryan, Assistant Attorney General

Allyson Tucker, State Investment Board

Becca Kenna-Schenk, Senate Democratic Caucus Staff

Cody Eccles, Senate Republican Caucus Staff

David Schumacher, Executive Director of the Council of Presidents

**WELCOME**

Don Bennett, GET Committee Chair, called the meeting to order at 2:07 p.m. Members of the GET Committee in attendance were Don Bennett, Chair, Stan Marshburn, Office of Financial Management, James L. McIntire, State Treasurer, Beth Stecher Berendt, citizen member, and Mooi Lien Wong, citizen member. Wong attended via teleconference.

### **APPROVAL OF THE JULY 24, 2012 MINUTES**

Berendt moved to approve the July 24, 2012 minutes. Marshburn seconded the motion. The minutes were approved unanimously as presented.

### **APPROVAL OF THE 2013 MEETING CALENDAR**

Berendt moved to approve the 2013 meeting calendar. Marshburn seconded the motion. The 2013 meeting calendar was approved unanimously.

### **REPORT FROM THE CHAIR**

The Washington Student Achievement Council was established on July 1, 2012. Bennett listed the new Council members. The Council has met to adopt by-laws, obtain information about all of the programs under the Student Achievement Council, and continues to work on updating and developing the strategic action plan. The Council hopes to have an action plan draft by the end of November. The Executive Director of the Council remains Chair of the GET Committee.

### **DIRECTOR'S REPORT**

Betty Lochner, GET Director, informed the Committee that GET opened its 15<sup>th</sup> enrollment year on November 1. Lochner introduced Luke Minor, GET's new Marketing & Communications Coordinator, and informed the Committee that the program will be doing a soft marketing launch this year. Lochner also informed the Committee that a new online Giftor Epay feature will go live mid-November.

Lochner is the Vice-Chair of the College Savings Plan Network (CSPN). She gave a brief national update of other states' 529 plans and national legislation (HR 529).

### **UPDATE ON LEGISLATIVE ADVISORY COMMITTEE**

Marie Hovde, Senate Ways and Means staff member, provided information about the Legislative Advisory Committee. The Legislative Advisory Committee was established in 2011 and it advises and makes recommendations to the GET Committee. The Legislative Advisory Committee met on October 2 to review current legislation, that allows differential tuition, and to analyze several options for implementation. The Office of the State Actuary and the state schools (primarily University of Washington and Washington State University) played a part in this analysis as well.

McIntire asked how certain options for differential tuition would be carried out; Hovde informed the Committee that options would be looked at in more depth at the next Legislative Advisory Committee meeting on December 11, 2012.

## **GET INVESTMENT UPDATE**

Allyson Tucker, Senior Investment Officer with the State Investment Board, went over GET's third quarterly portfolio report. The program's account value is up to 2.1 billion. For the quarter, distributions exceeded earnings and new contributions by \$18 million. GET investments returned 5.15% for the quarter, and 16.3% for the one-year period. In looking at the ten year returns, GET's investment return of 8.1% exceeded its passive benchmark of 7.98%. The markets continue to be volatile.

## **ACTUARIAL VALUATION REVIEW**

Matt Smith, State Actuary, went over the annual actuarial valuation of the program as of June 30, 2012. He presented the program's funded status and explained how the funded status would shift depending on changes to assumptions made to the program.

Bennett and McIntire thanked Smith and his staff for their continued support and work with the GET Program and on this report.

## **GET PROGRAM HISTORY AND OPTIONS**

Lochner shared that Washington State's 529 plan (GET) ranks twenty-third of 107 nationwide in assets, twenty-ninth in number of accounts overall, and ranks second in terms of assets and accounts in prepaid plans.

Lochner said that in spite of the volatility of recent markets, the program has remained open and has done well nationally. A lot of this has to do with the guarantee and the fact that our state allowed the program to stay open. Legislators, staff, and the Committee, should be proud of what GET has done in the last 15 years.

To aid in their discussion, Larry Lee, GET Associate Director for Program Policy and Planning, presented five options to the Committee in response to options under consideration by the Legislative Advisory Committee:

- Option 1: terminate the program
- Option 2: close GET to new participants
- Option 3: create a new program
- Option 4: continue administering the program without making changes
- Option 5: add a savings plan

Lee went over the pros and cons of each option. Discussion regarding options and liability ensued. The Committee indicated that they are not interested in having program staff research Option 5 at this time.

Hovde will be presenting an update of the work the Legislative Advisory Committee has done at the November 30 House Higher Education & Workforce Development Committee hearing. The

next Legislative Advisory Committee meeting will be held on December 11, 2012. The options may be presented and discussed. McIntire suggested there be testimonials at this meeting.

Marshburn moved to adjourn the meeting. McIntire seconded the motion. Meeting adjourned at 3:43 p.m.

## BYLAWS OF THE GUARANTEED EDUCATION TUITION (GET) COMMITTEE

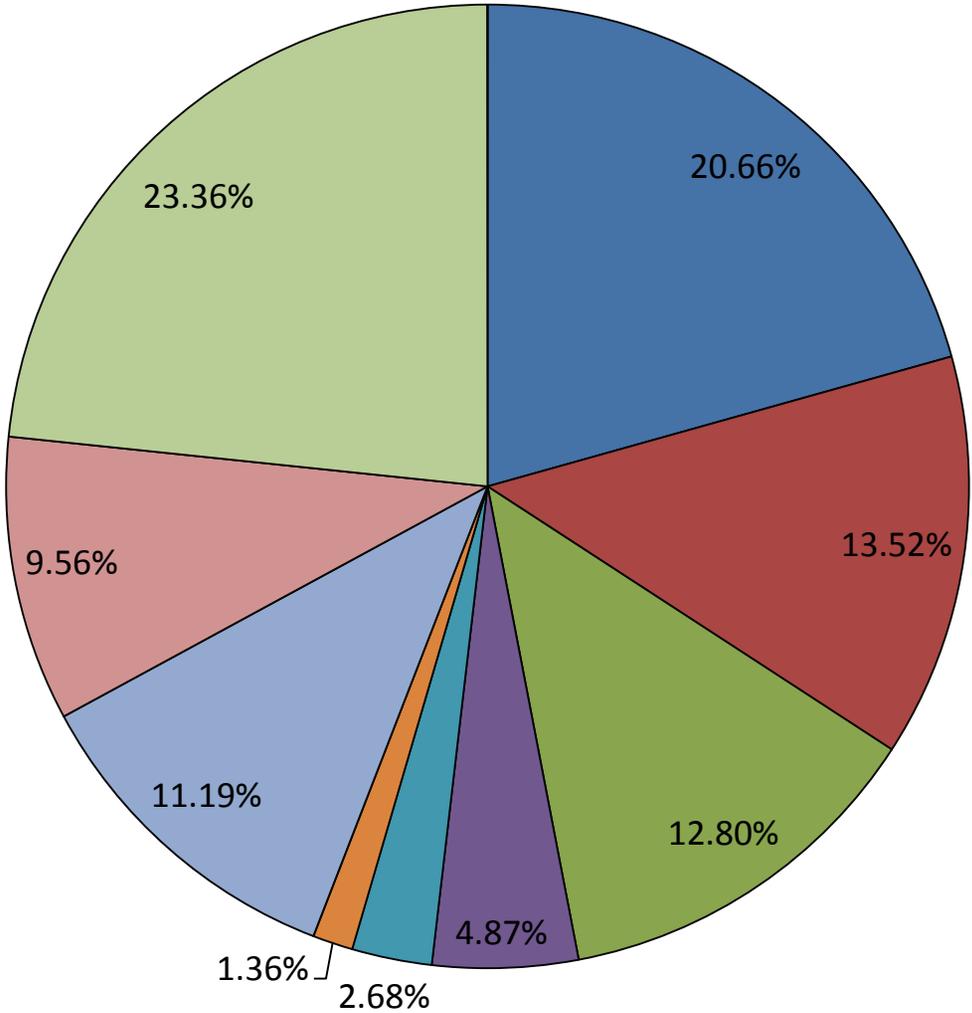
### ORGANIZATION AND DUTIES

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~~ **Washington Student Achievement Council**, 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. The office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday, except state holidays. Information about the GET Program and contracts for the purchase of tuition units 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](http://www.get.wa.gov)
2. The Executive Director of the ~~Higher Education Coordinating Board~~ **Washington Student Achievement Council** 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. 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 or by a majority of the members and announced in accordance with law.
5. All regular and special meetings of the 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. 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.

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 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 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. 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~~ **Washington Student Achievement Council** shall employ a Director in consultation with the Committee. The staff of the ~~Higher Education Coordinating Board~~ **Washington Student Achievement Council** shall support the Committee and the ~~Board~~ **Council** 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.
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 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.

# Where is GET Used? -Fall 2012-2013-



- UW
- WSU
- Western
- Central
- Eastern
- Evergreen
- Comm/Tech Colleges
- In-State Private
- Out-of-State

- Total # of students: 7,749
- 77%: in-state
- 23%: out-of-state

**Since November 1, 2012:**

- Press coverage has been constant, with over 125 articles published about GET already this enrollment year. Except for “enrollment is open” releases and several GET- submitted articles in parenting publications, blogs, etc. , a majority of the coverage has focused on the uncertainty caused by differential tuition and the discussion of a potential close of the program.
- Over 30 interviews on radio and TV have largely been a response to reporters about GET topics under discussion in the Legislature. A few have covered general GET information and our enrollment opening. Five key staff members who are all involved with media received specialized media training in early February.
- GET has participated in over 30 community outreach events so far this enrollment year. Customers are asking questions about this year’s issues, but are still interested in hearing about enrollment.
- Advertising has featured increased print and online ads. Radio ads aired for two weeks at the opening of enrollment. A direct mail campaign to varied constituents is currently distributing over 70,000 GET brochures to schools, libraries, pediatric and OB/GYN clinics, etc. as well as payroll deduction employers. An ongoing partnership with the Department of Health’s CHILD Profile program means approximately 15,000 GET brochures are distributed monthly to all families statewide as children turn either 6 months or two years old. Three mass emails to current customers have been distributed.

**Results as of January 31, 2013:**

- It’s been a challenging year so far. There is a strong, general perception that the Legislature may change or eliminate the GET program, which has negatively affected enrollments. The high unit price and 46% premium are also factors, but the uncertainty surrounding GET appears to be the larger issue.
- There have been 81,652 unique visits to our Web site, an increase of about 4.5% over last year. Almost 58% of those visitors have been new, which is a slight increase. Mobile access to our Web site, compared to last year, has increased 72%.
- Customer Service has responded to nearly 6500 phone calls (down 5%) and 1400 email requests (down 7 %). Both comparisons are to last year as of January 31. The NEWS section on our home page offers a Q & A about current customer concerns which is referred to and accessed regularly by Customer Service.
- Compared to a 5 year average, enrollment numbers have been running minus 5% - 6% most of the year. As of January 31, unit purchases compared to last year were down 23%. Most enrollments and unit purchases come in the final six weeks of the enrollment year, but trends are tracked daily.

**Marketing plans through May 31, 2013:**

- Additional advertising: A new targeted digital campaign runs March 1– May 31 with 10 million impressions. Our major spring broadcast campaign is scheduled to begin with TV ads mid-April (four weeks later than the TV campaign normally begins); extended radio (beginning two weeks earlier) will run throughout May. Mass emails to current customers are planned monthly. Facebook ads begin in April. An increased number of print ads, articles, and outreach events are on the calendar.
- More add-ons: 1) a special email to current customers which specifically encourages the purchase of additional units, 2) a direct mail piece to customers for whom additional unit purchases now are appropriate, 3) Facebook and Twitter posts, 4) on-hold messaging re: purchase of additional units.

## Mission

GET serves Washington families by offering a way to save for college tuition.



# 2012 Annual Report

October 1, 2011 through  
September 30, 2012

## 2012 Highlights\*

**144,492** Total number of GET accounts opened since the program began

**5.9 million** Total number of Custom Monthly units purchased

**18.8 million** Total number of Lump Sum units purchased

**\$1.9 billion** Total amount of contract-related payments received

**27,844** Total number of student accounts that have been used to attend college

**9,611** New accounts opened in the 2011-12 enrollment year

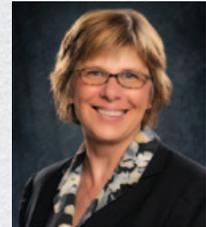
**943,718** New units purchased in the 2011-12 enrollment year



\*As of September 30, 2012 unless otherwise noted. The enrollment year dates were November 1, 2011– May 31, 2012 with newborn enrollments accepted year-round.

# Message from the Director

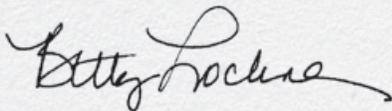
It's our 15th year and how we have grown! I can personally recall GET's early days, with a staff of four and no online enrollments. Today we're the second largest, fastest-growing prepaid plan in the country, both in number of participants and assets under management. We've opened 145,000 accounts, manage a trust fund of \$2.1 billion, and are viewed as a technology leader among 529 plans nationwide. Already, nearly 30,000 of those accounts have been used to help students attend colleges, universities and technical schools in all fifty states and, remarkably, fourteen foreign countries. Washington families clearly believe in the GET program, value this unique opportunity and are committed to saving for their children's education.



This past year was not without challenges. With ongoing budget constraints, our Legislature struggled with how to fund higher education. Differential tuition might help universities meet the higher costs of certain majors, yet matching concerns surfaced over how that higher payout value would affect GET. It's important to remember that the changes being discussed do not affect customers already enrolled in the program. GET is currently guaranteed by state law to cover the highest resident, undergraduate tuition charged at a Washington public university.

This guarantee remains the cornerstone of our GET program. GET's tax-free long-term gains and steady increases in value are what set us apart from other savings options. Although record tuition growth and lower investment returns have taken their toll over the past few years, our unit price is carefully constructed in a way that assures stability for the program.

We're thankful that GET continues to provide a foundation for college savings. It works exceptionally well for families with younger children. As always, I encourage you to set aside whatever you can for your child's or grandchild's higher education. Start as soon as you can. Let them know you believe in them and are saving to support their success.



**Betty Lochner**  
Director, GET Program  
National Vice Chair, College Savings Plan Network

## New enrollment year and marketing

For the first time, GET's enrollment year was scheduled from November 1 to May 31. The change was made to allow enrollment and unit price-setting dates to follow more closely the actual tuition-setting schedules of Washington's top public universities. Television and radio ads ran statewide with the second year of GET's campaign, "Your children are growing fast. College tuition is growing faster." Marketing reached out to a younger demographic by participating in more online and social media than in previous years. A summer photo session with local GET children and their families provided new photographs for print and online publications. Advertising continued in both print and online daily, weekly and parenting publications, enhanced by partnerships with parenting and educational organizations, participation in trade shows and group presentations.



**Your children are growing fast.  
College tuition is growing faster.**

Fortunately there's GET, Washington's Guaranteed Education Tuition college savings program.

**Washington's 529 Prepaid College Tuition Plan**

- ▶ State guarantee
- ▶ Flexible plans
- ▶ Choice of colleges nationwide
- ▶ Tax-free savings and withdrawals

GET is guaranteed to keep up with the rising cost of tuition, and it can be used anywhere in the country. Learn the facts and enroll today at [get.wa.gov](http://get.wa.gov). Because the sooner you enroll, the more you'll save.

**Enroll November 1 – May 31**  
Year-round enrollment for newborns

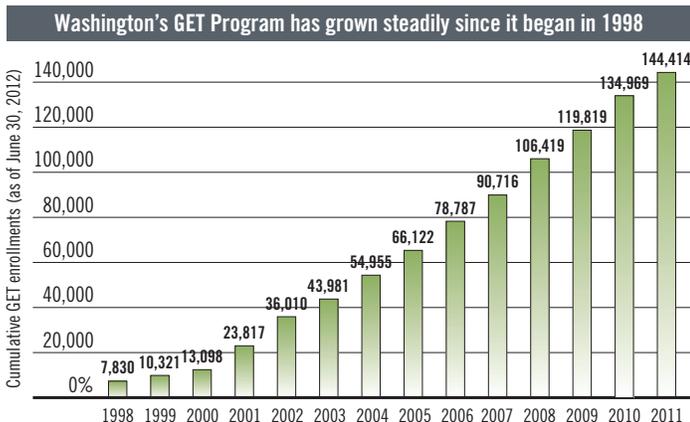
**GET**  
Guaranteed Education Tuition™  
Key tomorrow's college tuition today.

Washington State's 529 Prepaid College Tuition Program

**Get started today. Visit [get.wa.gov](http://get.wa.gov) or call 1.800.955.2318**

## Enrollment growth

The number of new accounts in the 2011-2012 enrollment year reached 9,611. Washington's Guaranteed Education Tuition (GET) Program has grown steadily since it began in 1998.



The account owner today is still typically the parent (80%), but non-parent relatives open 14% of new accounts. The average age of a student beneficiary at account opening was younger this past year (6.8 years) than in all but one enrollment year in the program's history. Demographics show that 67% of account owners have obtained a bachelor's, graduate or doctorate degree; another 14% have an associate's degree, certification or partial college background.

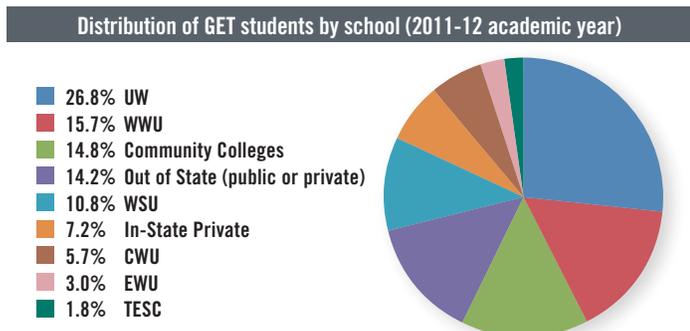
GET's Web site, [www.get.wa.gov](http://www.get.wa.gov), remains the primary point of contact for both new and returning customers. The site had 183,695 unique visitors in the 2011-12 enrollment year, averaging 1232 visits per day. The percentage of new visits increased 11.5% over the previous year. In 2011-12, 93% enrolled in GET online, with just over 40% saying they heard about the program from a friend or relative.

## Contributions in units purchased

During the 2011-2012 enrollment year, 943,718 units were purchased, either in Lump Sum or through a Custom Monthly Plan. This translates to an average of 98 units purchased per new account. The average GET account currently holds less than 200 units. Between July 2011 and June 2012, GET initiated 460 incoming rollover transfers from other college savings plans. Refunds decreased to .27% compared to new revenue, with customers claiming personal financial hardship as the predominant reason.

## Distributions for student enrollment

There have been 27,844 GET accounts used for students attending colleges and universities in all 50 states and fourteen foreign



countries. Since inception, \$358 million has been distributed on behalf of GET student beneficiaries, either directly to colleges and universities, or as reimbursements for qualified expenses.

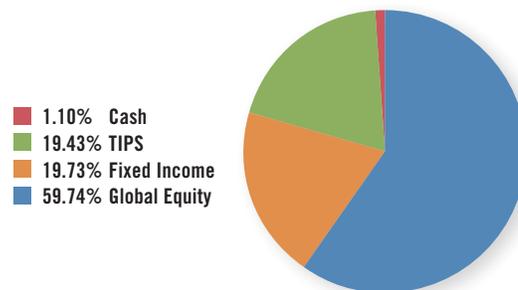
## Asset management

Washington's GET trust fund is managed by the Washington State Investment Board (WSIB). Valued at over \$2.1 billion, the WSIB has invested all GET funds in a diversified portfolio of federal bonds (Treasury Inflation Protection Securities or TIPS) as well as US and international indexed equity funds. In 2011, a new fixed income category was added to the allocation.

The WSIB's current asset allocation model has approximately 20% in federal bonds (TIPS), 20% in fixed income corporate bonds, and 60% in a global equity fund which consists of both international and US equity indexed funds. For cash flow and expenses, a small amount is also kept in cash.

**Portfolio size, allocation and performance as of September 30, 2012**

Cash .....	\$23,332,092
Treasury Inflation Index Note (TIPS).....	\$410,487,846
Fixed Income.....	\$416,853,062
Global Equity.....	\$1,262,173,503
<b>Total.....</b>	<b>\$2,112,846,503</b>



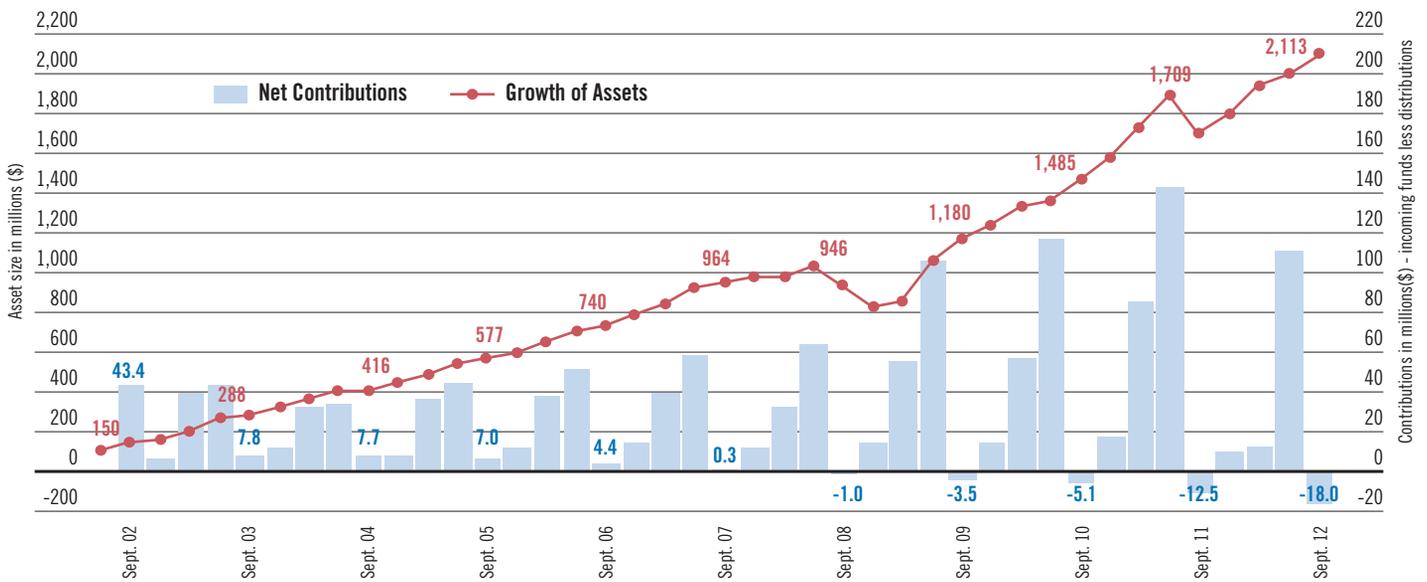
This strategy provides for the greatest amount of diversification at both low risk and low cost. Administrative costs are kept as low as possible and unit prices include an amount to maintain a reserve fund. Proposed tuition increases are monitored closely, as are events related to other plans across the country.

Quarterly investment reports for the GET trust fund may be viewed at <http://www.sib.wa.gov/financial/pdfs/getperformance.pdf>

## Portfolio performance as of September 30, 2012

Investment Returns	1 year	5 year	10 year
TIPS	10.13%	8.54%	7.04%
Fixed Income	8.40%	NA	NA
Global Equity	21.36%	-1.04%	8.58%
<b>TOTAL</b>	<b>16.25%</b>	<b>2.95%</b>	<b>8.09%</b>

## Assets under management



### Unit price and payout value decisions

The payout value established for the 2012-13 academic year is \$117.82/unit. The payout value of each GET unit is always equal to 1/100th of the actual resident, undergraduate tuition and state-mandated fees at Washington’s most expensive public university. The cost to purchase a unit is higher than the current payout value because the state guarantees that GET accounts will always keep pace with tuition whenever the student enters college, regardless of the increase. Tuition is still projected to be significantly higher in future years.

Setting a realistic, thoroughly researched unit price is key to maintaining the financial stability of GET, which is a self-sustaining program. The current unit price is \$172/unit. The GET Committee sets the unit price annually, based on projected tuition costs and investment returns, administrative expenses, and a stabilization reserve. Reduced state support for higher education, plus a change in policy to allow institutional tuition-setting authority, have caused four years of double-digit tuition increases at Washington public universities. GET’s unit price includes an amortization of losses caused by these years of unexpected high tuition growth.

GET Unit Pricing	
Expected tuition cost	\$127.66
Admin. Expenses	\$5.33
Reserve	\$19.95
Amortization	\$19.73
<b>TOTAL UNIT PRICE*</b>	<b>\$172.00</b>

### New Washington Student Achievement Council formed

The Washington Student Achievement Council was created by HB 2483 effective July 1, 2012, eliminating the Higher Education Coordinating Board and transferring most of the former agency’s responsibilities and staff to the new cabinet-level agency. The new council will continue to administer GET and state financial aid programs, and provide planning, analysis and administrative oversight for a wide range of activities related to public and private higher education. The primary goal for the Washington Student Achievement Council is to raise educational

attainment in Washington. The Council will also develop more effective policies to improve student transition to higher education.

### GET and Differential Tuition Policy

In 2012, an amendment was added to RCW 95.15.067, which granted Washington universities the authority to establish different tuition rates for selected majors or programs of study. The amendment (HB 2127) directed GET’s Legislative Advisory Committee to review the potential impact of differential tuition rates on GET’s funded status and future unit pricing. The committee was asked to make a recommendation on how differential tuition should be addressed in order to maintain the program’s ongoing solvency.

While differential tuition may improve revenue for our state universities, the higher rate at our most expensive public university would affect the payout value for all GET accounts and would be difficult to sustain under GET’s current pricing model.

### Paperless

Going “Paperless” helps to keep GET administrative costs low. Some account processes will still need to be notarized, but many are being converted either to online forms, postcards or email notifications. In addition to the savings on postage and letterhead, staff time is greatly reduced. At this time 93% of GET customers participate in paperless communications. The alternative option may be requested online by logging in to your account and selecting “Email Communications Center” or by calling Customer Service.



\*Unit price is always rounded to the whole dollar amount.

# Key Deadlines

Next enrollment year's unit price may not be determined until mid-summer. We will alert Account Owners by email and post the new price on our Web site as soon as it is known, which will likely be after the July 1, 2013 unit purchase deadline. Please plan accordingly, and watch for the deadlines below.

## Buying units

### May 31 • Open a new account

Log in to your account, click on "Online Enrollment" and then "Open a New GET Account." Or download an enrollment form from our Web site. We can also mail one to you upon request.

### Add a Custom Monthly Plan to your existing Lump Sum Plan

Download an Account Change Request form from our Web site, or give us a call for more details.

### July 1 • Buy more units before the price goes up

To add more Lump Sum units to any existing account, just make an electronic payment or mail us a check or money order with your payment coupon. To buy units at the current price of \$172, we must receive your payment by July 1. If we receive your payment after July 1, you'll pay the unit price in effect on July 2.

## Using units

### Early 2013

If your student is expected to attend college in the 2013-14 academic year, we encourage you to complete the Free Application for Federal Student Aid (FAFSA) as soon as possible to be eligible for the most aid.

### August 1

Beginning August 1, you can log in to your account and click on "Using Units" to (1) make a payment directly to your student's school, or (2) request reimbursement for expenses you've already paid.



*Please let us know right away if your address, telephone number, email address or other account-related information changes so we can contact you if necessary. As always, your account safety is a top priority and we never share your personal information with anyone.*



# Save for college with GET

[www.get.wa.gov](http://www.get.wa.gov)

Telephone: 1.800.955.2318 (toll-free) • Email: [GETInfo@wsac.wa.gov](mailto:GETInfo@wsac.wa.gov)

## GET Committee

The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program. The GET Committee is responsible for setting policies and pricing and monitoring investments.

**Don Bennett**, Chair, *Executive Director, Washington Student Achievement Council*

**James L. McIntire**, *State Treasurer*

**David Schumacher**, *Director, Office of Financial Management*

**Beth Stecher Berendt**, *Citizen Representative*

**Mooi Lien Wong**, *Citizen Representative*

## GET Administration

The Washington Student Achievement Council administers the GET Program while the Washington State Investment Board oversees its investments.

**Betty Lochner**, *GET Director*

**Betsy Hagen**, *Associate Director for GET Administrative Services*

**Larry Lee**, *Associate Director for GET Policy & Planning*

**Susan Martensen**, *Associate Director for GET Marketing and Communications*

## Questions? Contact us.

Email: [GETInfo@wsac.wa.gov](mailto:GETInfo@wsac.wa.gov) • Phone: 1.800.955.2318 (toll-free) or 360.753.7803 (Olympia)  
*Weekdays from 8 am to 5 pm, excluding state holidays*

Mailing Addresses:

*For enrollment forms and payments only* • GET Program, PO Box 84824, Seattle, WA 98124-6124

*For correspondence* • GET Program, PO Box 43450, Olympia, WA 98504-3450

Office Location: *In-person visits only – no mail delivery at this address (FedEx/UPS accepted).*  
919 Lakeridge Way SW, Olympia, WA 98502

**Washington Student  
Achievement Council**



Washington State's  
529 Prepaid College  
Tuition Program

The Washington Student Achievement Council administers the GET Program while the Washington State Investment Board oversees its investments. The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program.

©January 2013. All rights reserved. GET, Guaranteed Education Tuition, Buy tomorrow's college tuition today, and the graduate figure are service marks used under license by the State of Washington.



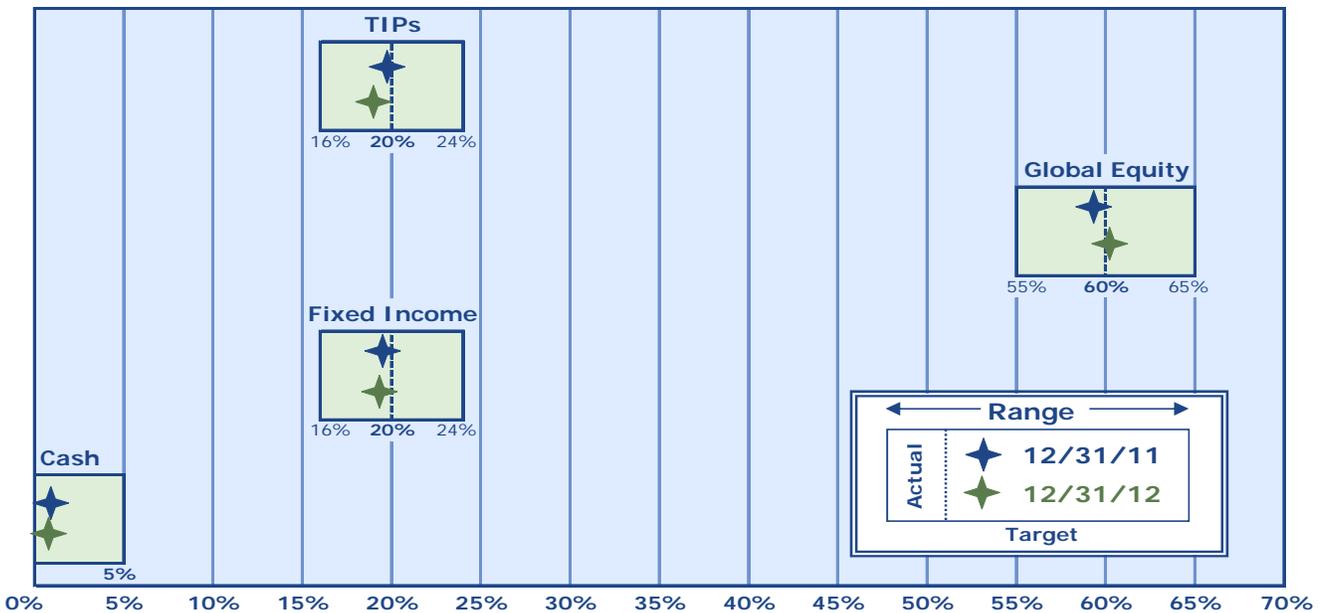
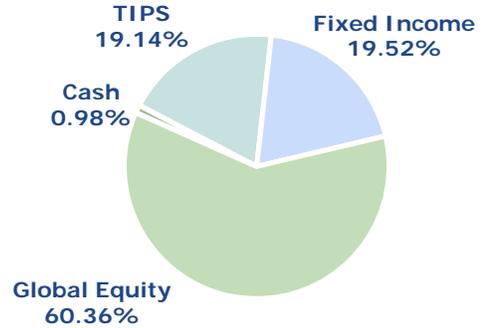
## **GET Prepaid College Tuition Program**

Quarterly Report – December 31, 2012

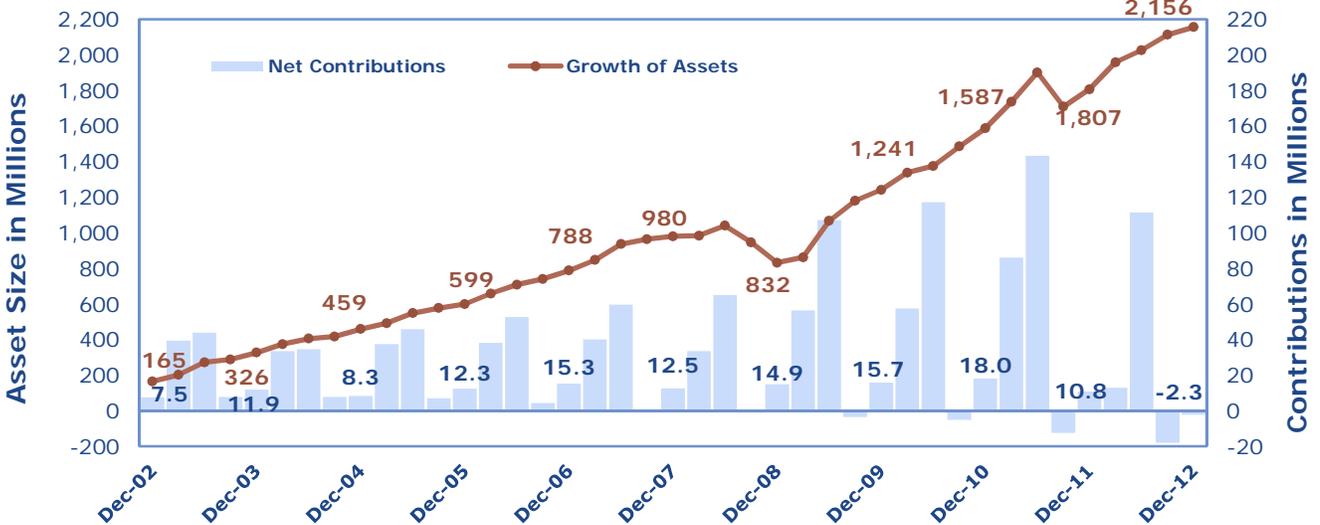
Portfolio Size, Allocation, and Assets Under Management .....	1
Performance .....	2

**Portfolio Size** **Actual Asset Allocation**

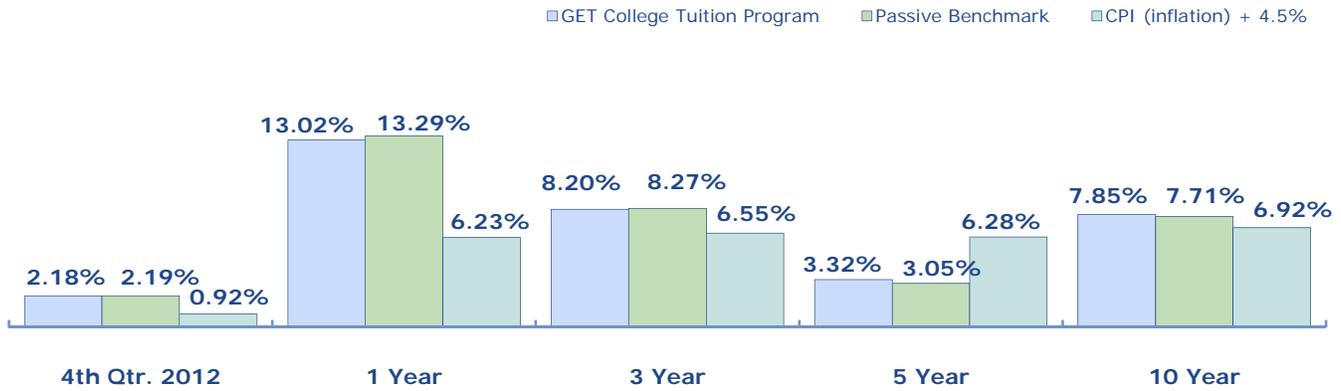
<b>Total</b>	<b>\$2,156,294,267</b>
Cash	\$21,190,911
Treasury Inflation Index Note (TIPs)	\$412,611,047
Fixed Income	\$420,987,928
Equity	\$1,301,504,383



**Assets Under Management**



**Total Return \***



**Return Breakdown**

**Equity Return \***

Benchmark: MSCI ACWI IMI w/U.S. Gross and a historical blended return



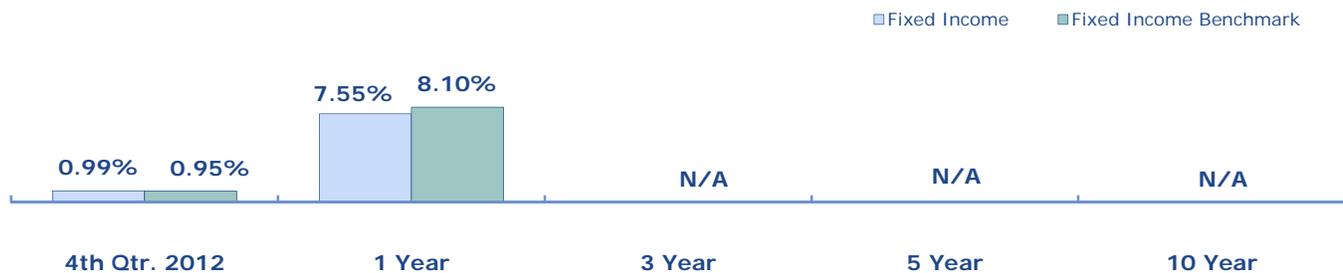
**Treasury Inflation Index Note Return \***

Benchmark: Barclays Capital Custom TIPS Index



**Fixed Income Return \***

Benchmark: Barclays Capital Intermediate Credit



\* 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.



# Office of the State Actuary

*"Securing tomorrow's pensions today."*

January 28, 2013

Senator Ed Murray  
316 Legislative Building  
PO Box 40443  
Olympia, Washington 98504-0443

## **RE: ACTUARIAL ANALYSIS OF ALTERNATE TUITION GROWTH**

At your request, we performed preliminary actuarial analysis on the potential impacts on the Guaranteed Education Tuition (GET) program from alternate tuition growth assumptions that result for hypothetical increases in the percentage of state funding for higher education.

Our most recent analysis of GET assumes the current percentage of state funding for higher education will drop from about 29 percent (for the 2013-14 school year) to 24 percent over the next six years.

The purpose of this analysis is to demonstrate the potential impacts to GET from assuming two alternate tuition growth paths that result from the following hypothetical state funding scenarios.

- ❖ No tuition growth over the next two years, where state funding increases to approximately 40 percent over the two-year period to cover the inflationary costs of higher education.
- ❖ The current percentage of state funding increases to 50 percent over the next six years.

### **This analysis demonstrates potential impacts under two defined scenarios only and does not represent our best-estimate analysis.**

For purposes of this preliminary analysis, we assumed the impacts to the program would occur immediately. However, since one Legislature cannot obligate a future Legislature, future actuarial analysis following the adoption of a policy change to increase long-term state funding would likely not recognize the law changes beyond the then-current Biennium until they are adopted by future Legislatures. For example, the scenario that increases state funding to 50 percent over six years may take six years for the results of the policy change to fully materialize in our future actuarial analysis.

Please see the Actuarial Certification for further considerations on the use and distribution of this information.



Summary of Results			
(Dollars in Millions – Except for GET Unit Price)	Current Assumptions	No Tuition Growth For 2 Years	State Funding Increases to 50% Over 6 Years
Current GET Unit Price	\$172	\$144	\$123
Unfunded Liability	\$631	\$117	(\$162)
Chance of State Contribution over 50 years	1.00%	0.2%	Virtually Zero
Worst Case 50-Year State Contributions	\$1,852	\$777	\$24
Chance of Purchaser Experiencing Negative Return	1.0%*	1.9%	2.6%
Chance of Average Annual Sales Below 750,000 Units	18.30%	12.3%	9.1%
Average Expected Annual Units Sold (Next 20 Years)	936,803	1,035,215	1,127,732

\*Updated since prior actuarial analysis.

Please see the rest of this letter for further details and supporting information.

### Impact on GET Program Status

When we update the current status of the GET program to apply the alternate tuition growth scenarios defined above, the expected cost of every unredeemed GET unit that has already been sold immediately decreases from lower assumed future tuition growth (please see the Appendix for details on how the tuition growth assumptions changed in this analysis). However, the assets collected from past purchasers, plus the associated investment returns, remain unchanged.

The following table displays the impacts on GET's current liability, assets, unfunded liability, and funded status from the scenarios defined above.

Impact on GET Program Status*			
(Dollars in Millions)	Current Assumptions	No Tuition Growth For 2 Years	State Funding Increases to 50% Over 6 Years
Present Value of all GET Contracts	\$2,942	\$2,428	\$2,149
Market Value of Assets	\$2,311	\$2,311	\$2,311
Unfunded Liability	\$631	\$117	(\$162)
Funded Status	79%	95%	108%

\*At June 30, 2012.

### Current GET Price-Setting Guidelines

The GET Committee adopts price-setting guidelines (how we price future units) to manage the risks of the program. The current GET unit price includes the following four components.



- ❖ **Expected Cost** – Covers the expected cost of future tuition and certain administrative expenses.
- ❖ **Expenses** – Covers the GET program’s annual operating expenses.
- ❖ **Reserve** – Covers unexpected future costs such as above-expected tuition growth or below-expected investment returns. The current price-setting guidelines call for a 15 percent reserve. This component can be increased or decreased to alter the probability that a unit will ever create unfunded liability in the future.
- ❖ **Amortization** – An optional component that covers unexpected past costs from significant program or policy changes. In 2011, the committee established a one-time 30-year amortization of the unfunded liability measured at June 30, 2011. It is important to collect amortization payments for the entire planned period. Ending the amortization sooner could effectively result in the use of reserve dollars (dedicated for future unexpected costs) for past unexpected losses.

### Impact On GET Unit Price

When we update the current status of the GET program to apply the alternate tuition growth scenarios defined above and apply the current price-setting guidelines, we observe the following changes to the GET unit price.

Impact on GET Unit Price			
Category	Current Assumptions	No Tuition Growth For 2 Years	State Funding Increases to 50% Over 6 Years
<b>Unit Price</b>			
Expected Cost	\$127.66	\$103.75	\$85.13
Expenses	5.33	5.14	4.80
Reserve	19.95	16.33	13.49
Amortization	19.73	19.73	19.73
<b>Total Unit Price</b>	<b>\$172.00</b>	<b>\$144.00</b>	<b>\$123.00</b>

*Note: Total unit price rounded down.*

The above changes in the GET unit price assume continuation of the current price-setting guidelines. It is unknown if the GET Committee would adopt a decrease in the unit price for a future enrollment period. The GET unit price has never decreased over the life of the program. However, the program has not encountered an increase in state funding to the degree assumed under these scenarios.



The expense component decreases by less than the percent decrease in the expected cost for these scenarios because it is collected over assumed future purchases. As the price premium decreases (total unit price ÷ unit value of \$117.82), we expect more future purchases. Therefore, the price of the expense component decreases to collect the same total dollars over more assumed future purchases. The amortization component does not change in these scenarios because we assume the GET Committee will retain the current amortization component until the end of the 30-year amortization.

### Impact On Program Risk

The program’s future success depends on maintaining a delicate balance between risk and affordability. In this case, “risk” represents the risk of the state needing to make a contribution to the program and “affordability” represents the affordability of future GET units. Improving one risk will typically increase the risk of the other.

The following table summarizes how key risk metrics change under the defined scenarios.

Key Risk Metrics			
Risk Category	Current Assumptions	No Tuition Growth For 2 Years	State Funding Increases to 50% Over 6 Years
Chance of State Contribution over 50 years	1.0%	0.2%	Virtually Zero
Worst Case 50-Year State Contributions ( <i>Dollars in Millions</i> )	\$1,852	\$777	\$24
Chance of Funded Status Under 50% over 50 years	21.7%	7.4%	2.9%
Chance of Purchaser Experiencing Negative Return*	1.0%**	1.9%	2.6%
Chance of Average Annual Sales Below 750,000 Units	18.3%	12.3%	9.1%
Average Expected Annual Units Sold (Next 20 Years)	936,803	1,035,215	1,127,732

*\*The chance of a future purchaser experiencing a negative return increases with lower assumed tuition growth because the amortization component, which does not benefit the purchaser, becomes a larger percentage of the total unit price. \*\*Updated since prior actuarial analysis.*

When we apply the current price-setting guidelines, we expect the tuition growth decreases under the defined scenarios (which lead to lower future unit prices) will increase future unit sales by about 11 and 20 percent respectively. With greater future sales, the GET program collects more future dollars to protect against future adverse experience and to recover from past losses. As a result, the risks to the program generally decrease. With lower assumed future tuition increases, we also expect lower future program payouts. This lowers the chance and amount of state contributions in the future. We observed a decrease in both the chance and amount of state contributions to the program over the next 50 years.



## **Actuarial Certification**

We prepared this preliminary analysis to assist the Legislature in evaluating the potential impacts of alternate tuition growth assumptions on the GET program under two defined state funding scenarios. Please do not use this analysis for other purposes.

The results of our analysis are highly sensitive to assumed future purchaser behavior, tuition growth, inflationary costs of higher education, and future actions of the GET Committee and Legislature. We did not have sufficient time to complete a comprehensive review of how these state funding scenarios may affect our current assumptions.

This analysis involves calculations that require assumptions about future economic and demographic events. Actuarial Standards of Practice (ASOP) for prepaid tuition programs have not been defined within the actuarial profession. We used the ASOPs for pensions where possible to guide our analysis of GET. We believe that the assumptions, methods, and calculations used in this analysis are reasonable and appropriate for the primary purpose as stated above, and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

Since the analysis is based on assumptions about future events, actual results will differ to the extent that future experience differs from those assumptions. Significant differences between the actual and assumed future enrollments will impact the results. This analysis will need to be updated in the future if the Legislature enacts either major reform to current tuition policy or other changes to GET.

The GET Program staff provided the participant, asset, and historical data to us. The Washington State Investment Board (WSIB) also provided recent asset data to us. We checked the data for reasonableness as appropriate based on the purpose of this analysis. An audit of the data was not performed. We relied on all the information provided as complete and accurate. In our opinion, this information is adequate and substantially complete for the purposes of this analysis.

We advise readers of this analysis to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this communication as a whole. Distribution of, or reliance on, only parts of this analysis could result in its misuse and may mislead others.

The analysis in this letter will become outdated very quickly. Please replace this analysis with any future actuarial analysis.

Consistent with the actuarial Code of Professional Conduct, I (Matthew Smith) must disclose any potential conflict of interest. I have purchased units in GET; however, this does not impair my ability to act fairly. I have performed all analysis without bias or influence. The GET Committee contracted with OSA to perform actuarial analysis for the GET Legislative Advisory Committee, and I supervised the actuarial analysis performed.



The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein and are available to provide extra guidance and explanations as needed.

Sincerely,

Matthew M. Smith, FCA, EA, MAAA  
State Actuary

Troy Dempsey, ASA, EA, MAAA  
Actuary

cc: Becca Kenna-Schenk  
Claire Hesselholt



**Appendix – Data, Assumptions and Methods**

***Data We Used***

The data and assets we used are consistent with the data and assets disclosed in the *June 30, 2012, GET Actuarial Valuation Report (GAVR)*.

***Assumptions We Made***

Most of the assumptions we made are consistent with the assumptions disclosed in the GAVR. We made the following assumption changes to complete this analysis:

We assumed the GET Committee would lower the price of a GET unit consistent with the decrease in expected tuition from the alternate tuition growth assumptions. Should the committee decide to hold the current unit price constant, or adopt different price-setting guidelines under these hypothetical scenarios, the results of our analysis would change.

We assumed that the GET Committee would retain the current amortization for the full 30-year period and collect a 15 percent reserve in all years.

For purposes of these scenarios, we changed the tuition growth rates as displayed below.

School Year	Tuition Growth		
	Current Assumptions	No Tuition Growth For 2 Years	State Funding Increases to 50% Over 6 Years
2013-14	12.0%	0.0%	12.0%
2014-15	10.0%	0.0%	0.6%
2015-16	10.0%	10.0%	0.2%
2016-17	8.0%	8.0%	(0.2%)
2017-18	5.5%	5.5%	(2.1%)
2018-19	5.5%	5.5%	(2.7%)
2019-20+	5.5%	5.5%	5.5%

We used the assumption development method described in the GAVR, except we changed the assumed state funding percentage for each scenario as shown below.



Tuition Growth Assumption Structure – No Tuition Growth For 2 Years						
(Dollars in Thousands)		Step 1 – Inflation		Step 2 – State Funding		
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011-12	\$721,922		36.3%	\$318,522	\$403,400	
2012-13	686,000		30.9%	212,000	474,000	17.5%
2013-14	725,510	5.8%	36.5%	264,616	460,894	(2.8%)
2014-15	765,413	5.5%	40.6%	310,980	454,433	(1.4%)
2015-16	807,511	5.5%	39.0%	314,642	492,869	8.5%
2016-17	851,924	5.5%	38.4%	327,088	524,836	6.5%
2017-18	898,780	5.5%	38.4%	345,078	553,702	5.5%
2018-19	948,213	5.5%	38.4%	364,057	584,155	5.5%
2019-20	1,000,364	5.5%	38.4%	384,080	616,284	5.5%
2020-21	1,055,384	5.5%	38.4%	405,205	650,180	5.5%
2021-22	1,113,430	5.5%	38.4%	427,491	685,940	5.5%
2022-23	1,174,669	5.5%	38.4%	451,003	723,666	5.5%
2023-24	1,239,276	5.5%	38.4%	475,808	763,468	5.5%

\*2012 through 2014 data provided by UW.

Tuition Growth Assumption Structure – No Tuition Growth For 2 Years						
Step 3 – Peer Catch Up						
School Year	Peer Funding (per FTE)	Peer Funding Growth	UW Funding (per FTE)	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2011-12	\$28,537	5.50%	\$24,902	7.00%	87%	
2012-13	30,106	5.50%	25,936	4.15%	86%	16.0%
2013-14	31,762	5.50%	28,140	8.50%	89%	0.0%
2014-15	33,509	5.50%	30,110	7.00%	90%	0.0%
2015-16	35,352	5.50%	32,218	7.00%	91%	10.0%
2016-17	37,296	5.50%	34,473	7.00%	92%	8.0%
2017-18						5.5%



Tuition Growth Assumption Structure – State Funding Increases to 50% Over 6 Years						
<i>(Dollars in Thousands)</i>						
		Step 1 – Inflation		Step 2 – State Funding		
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011-12	\$721,922		36.3%	\$318,522	\$403,400	
2012-13	686,000		30.9%	212,000	474,000	17.5%
2013-14	725,510	5.8%	28.9%	209,465	516,045	8.9%
2014-15	765,413	5.5%	33.1%	253,330	512,083	(0.8%)
2015-16	807,511	5.5%	37.3%	301,386	506,125	(1.2%)
2016-17	851,924	5.5%	41.5%	353,962	497,962	(1.6%)
2017-18	898,780	5.5%	45.8%	411,410	487,370	(2.1%)
2018-19	948,213	5.5%	50.0%	474,106	474,106	(2.7%)
2019-20	1,000,364	5.5%	50.0%	500,182	500,182	5.5%
2020-21	1,055,384	5.5%	50.0%	527,692	527,692	5.5%
2021-22	1,113,430	5.5%	50.0%	556,715	556,715	5.5%
2022-23	1,174,669	5.5%	50.0%	587,335	587,335	5.5%
2023-24	1,239,276	5.5%	50.0%	619,638	619,638	5.5%

\*2012 through 2014 data provided by UW.

Tuition Growth Assumption Structure – State Funding Increases to 50% Over 6 Years						
Step 3 – Peer Catch Up						
School Year	Peer Funding (per FTE)	Peer Funding Growth	UW Funding (per FTE)	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2011-12	\$28,537	5.50%	\$24,902	7.00%	87%	
2012-13	30,106	5.50%	25,936	4.15%	86%	16.0%
2013-14	31,762	5.50%	28,140	8.50%	89%	12.0%
2014-15	33,509	5.50%	30,110	7.00%	90%	0.6%
2015-16	35,352	5.50%	32,218	7.00%	91%	0.2%
2016-17	37,296	5.50%	34,473	7.00%	92%	(0.2%)
2017-18						(2.1%)
2018-19						(2.7%)
2019-20						5.5%

### Methods We Used (How We Applied The Assumptions)

The methods we use are consistent with the methods disclosed in the GAVR.

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## Annual Enrollment Period 2013-2014

March 4, 2013

### Background

- GET Committee reviews the enrollment period annually.
- November 1 – May 31 was set for both the current and previous 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 the current enrollment period, GET's unit price is set to change July 2. Funds received between July 2 and August 12, when the GET Committee will likely set a new unit price, will purchase units at the new price once it 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
3. Select a new enrollment period

### Staff Recommendation

- Staff recommends maintaining the current enrollment period for the next enrollment cycle: November 1, 2013 to May 31, 2014.
- The November 1 – May 31 enrollment period:
  - 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.
  - Since being implemented, most feedback has been positive or neutral.

**GET Price Setting Assumption Review**

**March 4, 2013**

**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 and the Office of the State Actuary (OSA).

GET’s funded status as of June 30, 2012 was 78.5%. A number of factors can affect this from year to year:

- **Investment Returns:** Investment returns for the fiscal year have exceeded the annual assumption of 5.98%. If this continues through the end of the fiscal year, it will have a positive impact on the funded status.
- **New Sales:** New sales increase both the assets and the liabilities. Since we collect an amount that exceeds the expected cost of the units (through the reserve and amortization of the unfunded liability), we expect this to have a positive impact on the funded status.
- **Tuition Rates:** Tuition rates below the assumed growth (outlined below) will have a positive impact on funded status whereas tuition rates above the assumed growth will have a negative impact on funded status. No decisions have been made yet on the tuition levels in future years.
- **General Experience:** General experience (such as when contract holders redeem units, when refunds are requested, the age of purchasers, etc.) will alter the funded status from year to year in a variety of ways. We will not know the impact of this until the next annual valuation.

Without a full valuation it is not possible to determine an estimate for the funded status as of the next annual valuation date.

**Current assumptions and information (2012-2013 enrollment year):**

The current \$172 unit price was based on the following assumptions:

New contracts/accounts:	10,000
Unit sales:	845,569
Operating budget:	\$5.13 million
Unit price stabilization reserve:	15 percent, or \$19.95 per unit
Prior period amortization (30 Year):	\$19.73 per unit
Projected tuition increases:	16 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 OSA 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 2013-14 enrollment year:**

New contracts/accounts:	10,000
Unit sales:	869,288
Projected operating budget:	\$5.25 million
Unit price stabilization reserve:	15 percent
Prior period amortization (30 Year):	\$20.82 per unit
Tuition increases (as provided by OSA):	12 percent 2013-14, 10 percent 2014-15 & 2015-16, 8 percent 2016-17 5.5 percent annually thereafter