

# **GUARANTEED EDUCATION TUITION COMMITTEE MEETING**

**Monday, September 9, 2013**

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

## **AGENDA**

Call to Order

- |   |                        |       |
|---|------------------------|-------|
| • Welcome and Introductions<br>Approval of May 20, 2013 Minutes<br>Revision of GET Committee Meeting Calendar | ACTION                 | TAB 1 |
| • Approval of FY 14 Budget<br>Betsy Hagen, GET Program  | ACTION                 | TAB 2 |
| • Report from the Chair<br>Washington Student Achievement Council Update<br>Legislative Update                | INFORMATION            | TAB 3 |
| • Director's Report<br>Overview of Program Statistics<br>Master Agreement Updates                             | INFORMATION/<br>ACTION | TAB 4 |
| • GET Investment Update<br>Allyson Tucker, Senior Investment Officer<br>Washington State Investment Board     | INFORMATION            | TAB 5 |
| • Actuarial Analysis<br>Matt Smith, State Actuary<br>2013 Unit Price Setting                                  | INFORMATION/<br>ACTION | TAB 6 |
| • Adjournment   |                        |       |

**Next meeting:**  
Tuesday, November 5, 2013  
2:00 p.m. – 4:00 p.m.  
Office of the Insurance Commissioner

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING**  
**Monday, May 20, 2013**

**Washington Student Achievement Council**  
**Conference Call – GET Office**  
**919 Lakeridge Way SW**  
**Olympia, WA 98502**

**MINUTES**

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

Don Bennett, Executive Director, Washington Student Achievement Council  
Betty Lochner, GET Director  
Susan Martensen, Associate Director for GET Marketing & Communications  
Larry Lee, Associate Director for GET Policy & Planning  
Betsy Hagen, Associate Director for GET Administrative Services  
Kim Porter, GET Records and Projects Manager  
Matthew Freeby, GET Finance Manager  
Katie Gross, Special Assistant to the GET Director

**Guests in attendance:**

Allyson Tucker, State Investment Board  
Terry Ryan, Office of the Attorney General  
Darren Painter, Office of the State Actuary  
Troy Dempsey, Office of the State Actuary  
Catrina Lucero, House of Representatives  
Maria Hovde, Senate Ways and Means  
Marc Webster, Office of Financial Management

**WELCOME**

Don Bennett, GET Committee Chair, called the meeting to order at 2:08 p.m. This meeting was held via conference call at the GET office. Participating GET Committee members were Don Bennett, Chair, James L. McIntire, State Treasurer, Mooi Lien Wong, citizen member, and Marc Webster, Office of Financial Management, sitting in for David Schumacher.

**APPROVAL OF THE MARCH 4, 2013 MINUTES**

McIntire moved to approve the March 4, 2013 minutes. Bennett seconded the motion. The minutes were approved unanimously as presented.

**REPORT FROM THE CHAIR**

Governor Inslee has appointed Gene Sharratt as the new Executive Director for the Washington Student Achievement Council, and Chair of the GET Committee starting June 1. Sharratt will be meeting with Treasurer McIntire in the near future regarding the GET Committee's duties and

responsibilities included in governing the program. Bennett will be named Deputy Director of the Washington Student Achievement Council on June 1. Four additional Council members were appointed by Governor Inslee as well.

## **DIRECTOR'S REPORT**

Lochner reported that as of May 20, 2013 there have been 4,400 new GET accounts opened during the 2012-2013 enrollment year. As of May 20, 526,379 units have been purchased and the program is on target to meet its goal of 845,569 units sold during this enrollment period. The program's recent marketing efforts have included radio and TV interviews, published articles and blogs, multiple outreach events, radio & TV advertising, and several mass emails encouraging families to save for college.

A staff report was sent to the Committee regarding a possible extension of the enrollment period. Due to the extended legislative session that delayed advertising, program staff asked the Committee to allow the flexibility to extend the enrollment period if deemed necessary. Bennett noted that if enrollment were to be extended the option should be presented with confidence that the program plans to hit its goals.

Webster agreed that having this option is a good idea but also noted his reluctance to set such a precedent. Webster asked if enrollment had ever been extended and Lochner stated it had not. One concern is how the media may view the extension option.

Wong asked if extending the enrollment period creates more of a funding liability. Bennett stated that yes, the liability would increase, but the new units sold are the main factor when looking at funded liability, not the number of new accounts opened. McIntire noted that he does not see a problem with extending the enrollment period. McIntire stated that if program staff is worried about the public's perception, staff can simply make a statement noting their anticipation of meeting the projected goals for the year and that the enrollment period has been extended.

Bennett stated he is confident that unit sales will allow the program to hit its goal. Lochner noted that 300,000 units were purchased in June 2012 and noted that the program is on target to meet its goal given the current pace. Webster asked if high tuition has discouraged people from purchasing units. Lochner speculated that customers may be uncertain about purchasing GET units due to recent articles about minimal tuition increases. GET will be promoting the purchase of units in early June through a direct mail campaign to current customers.

Bennett asked the Committee to vote on giving program staff the authority to extend the 2012-2013 enrollment period for up to two weeks if necessary. Webster moved to approve this recommendation. McIntire seconded this motion. This recommendation was approved unanimously.

Webster provided an update on differential tuition stating that details are dependent on budget negotiations. Webster is fairly certain that there are no active plans to expand or authorize differential tuition at this time. Hovde agreed but stated that budget negotiations are still underway. McIntire noted that neither bill regarding this topic passed and Hovde clarified that House and Senate members know that the issue still needs to be discussed and have the option to include it in the budget. McIntire suggested the Committee express its concern to the Governor and legislative leadership stating the need to have differential tuition resolved this year in either the budget or in statute. Bennett suggested a letter from the Committee should be drafted stating the above concerns. McIntire moved to adopt Bennett's suggestion and Webster seconded this motion. The recommendation was approved unanimously. Bennett asked Lochner and Lee to draft the letter.

### **GET INVESTMENT UPDATE**

Allyson Tucker, Senior Investment Officer with the Washington State Investment Board (WSIB) informed the Committee that in terms of asset allocation studies, WSIB has the ability to perform an asset allocation study during any year for their stakeholders. The GET policy currently states that the asset allocations mix will be reviewed every three years or sooner, if needed. WSIB thinks this is too frequent and is asking that the policy state every four years or every three to five years. The last asset allocation study was conducted in February 2011 and the next study would be conducted in 2015 if the language is changed. Tucker believes this would be beneficial considering the changes in prices over the last few years. This change allows WSIB to gather additional data about the behavioral changes taking place.

No comments or questions from the Committee.

No motion needed. Tucker will take this policy change option to WSIB, and if approved, the policy change will state that in collaboration with the GET Committee, asset allocations will be reviewed every three to five years. The next study would take place in 2015.

Tucker reviewed the GET Investment Report that included data thru March 2013. Tucker informed the Committee that due to strong equity performance, the April investments for the GET accounts increased by 2.1%

No comments or questions from the Committee.

Tucker informed the Committee that WSIB adopted the 2013 Capital Market Assumptions (CMAs) in April. These CMAs include risk/return forecasts and are provided to the Office of the State Actuary for their risk assessments. The program's TIPS assumption increased from 2.5% to 2.7%, fixed income return assumption stayed at 3.5%, the risk forecast remained unchanged

from last year, and the global equity return assumption declined from 9% to 8.7%. Looking at the long-term horizon of 15 years, these changes have resulted in a modest decline in GET's median return assumption (6% to 5.98%).

No questions or comments from the Committee.

### **ACTUARY UPDATE**

Troy Dempsey, State Actuary's office (OSA), noted that the CMA information presented by Tucker does in fact affect the valuation and the price setting. Dempsey stated that a lower investment return results in a higher liability.

Dempsey reminded the Committee that the unit sales plan in place is a long-term plan. The program has exceeded goals in years past and if the unit sales are under the goal this year, the program will still have sufficient funds. Dempsey is fairly certain that the investment returns will be good this year. The program sold close to 100,000 units above the 2011-2012 forecasted plan (November thru June, 2012) so being even 100,000 units under goal this year would not be detrimental.

Dempsey stated that OSA will run price setting scenarios based on different tuition paths and will present those at the next GET Committee meeting. At the last meeting, the Committee mentioned two different approaches for running these scenarios, both of which use the actual tuition prices as the starting point. One scenario includes tuition increase assumptions of 10%, 8%, and 5.5%, and the second scenario looks at the plan if tuition is lower than our current assumptions. OSA is planning to present both of these scenarios at the next meeting.

Dempsey stated that the current tuition assumption for 2013-2014 is 12% and the assumption for 2014-2015 is 10%. Bennett asked if OSA will carry the unspent funds over to future years if tuition only increases 7% and 5% in the next two years. Dempsey stated this was correct as this would keep the funded status healthy.

McIntire recalled that tuition assumptions have been based on the fact that the four-year schools have four years to designate tuition. The universities are most likely planning to raise tuition to what they see as their market level. McIntire advised the Committee to continue the assumption that tuition will increase, approaching market levels, and price accordingly.

Bennett asked the Committee what range of assumptions they would like to request from OSA. McIntire noted his concern that until there is a long term change in the behavior of pricing, the program should stay ahead of the market price.

Dempsey confirmed that the Committee was leaning towards the second scenario and asked if anyone was interested in seeing the scenario that would include gains seen over the next couple of years. Webster stated that he would like those numbers to be calculated and presented.

### **BUDGET REVIEW**

Betsy Hagen, Associate Director for GET Administrative Services, stated that the program's FY 14 budget is set at 5.25 million which was presented and discussed at the March meeting. Program staff would like to propose and approve the FY 14 budget at the August 12 meeting. Bennett reiterated that the budget figures are the closest the program staff can estimate since neither the legislative session nor the enrollment period is over.

Lochner reminded the Committee that the next meeting is scheduled for Monday, August 12, and the new unit price is scheduled to be at this meeting.

Wong moved to adjourn the meeting. Webster seconded this motion. The meeting adjourned at 2:56 p.m.

**2013 GET Committee Meeting Schedule - Proposed**

As outlined in RCW 28B.95.030, WAC 14-104-010, the GET Committee shall hold regular meetings as needed. Additional special meetings may be scheduled if needed. The following is the proposed meeting schedule for the 2013 calendar year.

| DATE                                | TIME                        | PLACE   |
|-------------------------------------|-----------------------------|---|
| Tuesday, January 15, 2013           | 2:00 – 4:00 p.m.            | Office of the Insurance Commissioner<br>5000 Capitol Blvd SE<br>Tumwater, WA 98501-4426<br>(360) 725-7000               |
| Monday, March 4, 2013               | 2:00 – 4:00 p.m.            | Office of the Insurance Commissioner<br>5000 Capitol Blvd SE<br>Tumwater, WA 98501-4426<br>(360) 725-7000               |
| Monday, May 20, 2013                | 2:00 – 4:00 p.m.            | Office of the Insurance Commissioner<br>5000 Capitol Blvd SE<br>Tumwater, WA 98501-4426<br>(360) 725-7000               |
| Monday, September 9, 2013           | 2:00 – 4:00 p.m.            | Office of the Insurance Commissioner<br>5000 Capitol Blvd SE<br>Tumwater, WA 98501-4426<br>(360) 725-7000               |
| <del>Monday, October 14, 2013</del> | <del>2:00 – 4:00 p.m.</del> | <del>Office of the Insurance Commissioner<br/>5000 Capitol Blvd SE<br/>Tumwater, WA 98501-4426<br/>(360) 725-7000</del> |
| Tuesday, November 5, 2013           | 2:00 – 4:00 p.m.            | Office of the Insurance Commissioner<br>5000 Capitol Blvd SE<br>Tumwater, WA 98501-4426<br>(360) 725-7000               |
| <del>Monday, December 9, 2013</del> | <del>2:00 – 4:00 p.m.</del> | <del>Office of the Insurance Commissioner<br/>5000 Capitol Blvd SE<br/>Tumwater, WA 98501-4426<br/>(360) 725-7000</del> |



# WASHINGTON STUDENT ACHIEVEMENT COUNCIL

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EDUCATION › OPPORTUNITY › RESULTS

**Gene Sharratt, Ph.D.**

Executive Director



Our mission is to  
**strengthen partnerships**  
in the pursuit of an  
**accessible and aligned educational system,**  
supportive of  
**lifelong learning**  
and responsive to  
**workforce demand.**



Creativity &  
Imagination

Innovation &  
Ingenuity

Technology  
& Invention

Diversity &  
Attainment

Standards &  
Alignment

Investments &  
Accountability

Strategic Planning  
& Bold Actions

Sept. 9, 2013

Washington Student Achievement Council

*We can make no better  
**investment in our future** than education.*

# Council overview

# Challenges

# The Council

2012 House Bill (ESSHB) 2483

**Five  
Governor appointed citizen members**

**Four  
Education sector members**

**WSAC Agency  
Executive Director**

# Council Members

## Governor Appointees



Jeff Charbonneau

2013 National Teacher of the Year  
Chemistry, Physics, Engineering



Maud Daudon, Chair

President & CEO of Seattle  
Metropolitan Chamber of Commerce



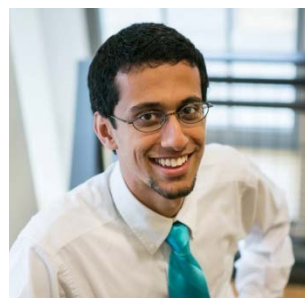
Karen Lee, Vice Chair

CEO of Pioneer Human Services,  
Western WA University Trustee



Dr. Susana Reyes

Assistant Superintendent,  
Mead School District



Rai Nauman Mumtaz

Premed Student,  
University of Washington Tacoma

# Council Members

## Education Sector Representatives



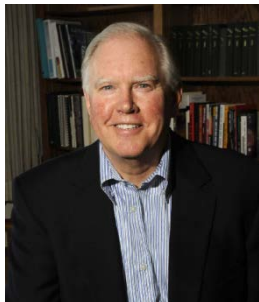
**Marty Brown**  
Executive Director of SBCTC

Two year public colleges



**Paul Francis**  
Executive Director of Council of Presidents

Four year public  
institutions



**Ray Lawton, Secretary**  
Rumpeltes & Lawton, LLC

Independent Colleges of  
Washington



**Scott Brittain**  
Assistant Superintendent, Ferndale School District

K-12 education system

# Education • Opportunity • Results



# 5 Challenge Areas

**Readiness**

**Affordability**

**Capacity & Success**

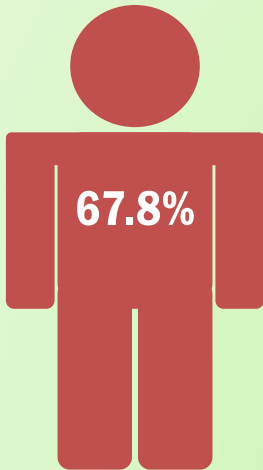
**Technology**

**Accountable Investments**

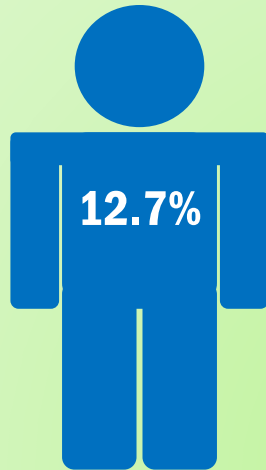




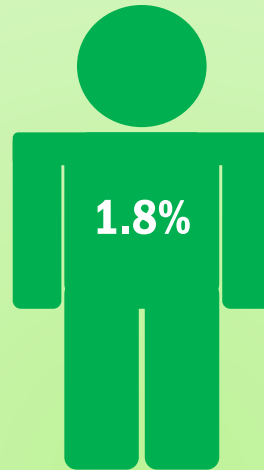
# Purchaser Ethnicity



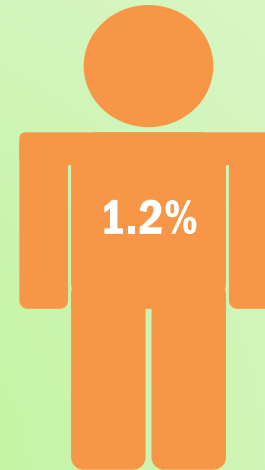
**Caucasian**



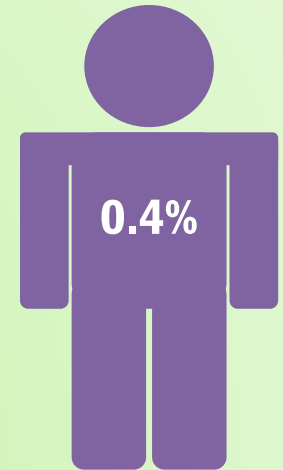
**Asian**



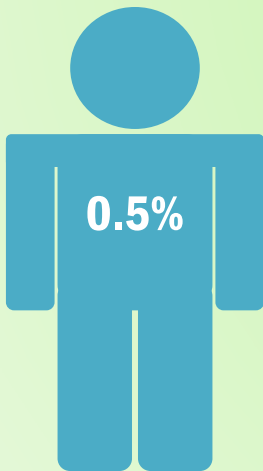
**Hispanic/Latino**



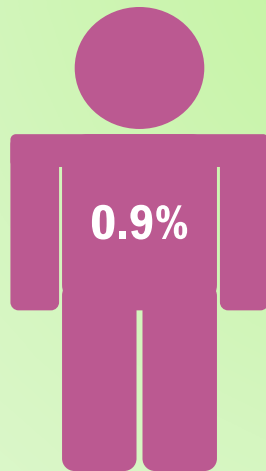
**African American**



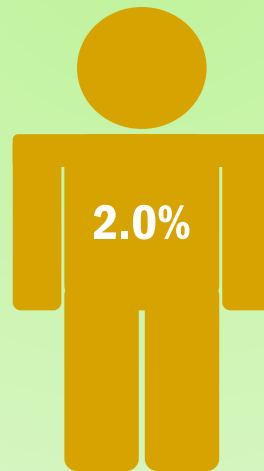
**Pacific Island/  
Hawaiian Native**



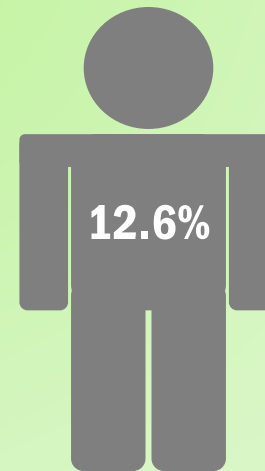
**Native American/  
Alaskan Native**



**Multiracial**



**Other**

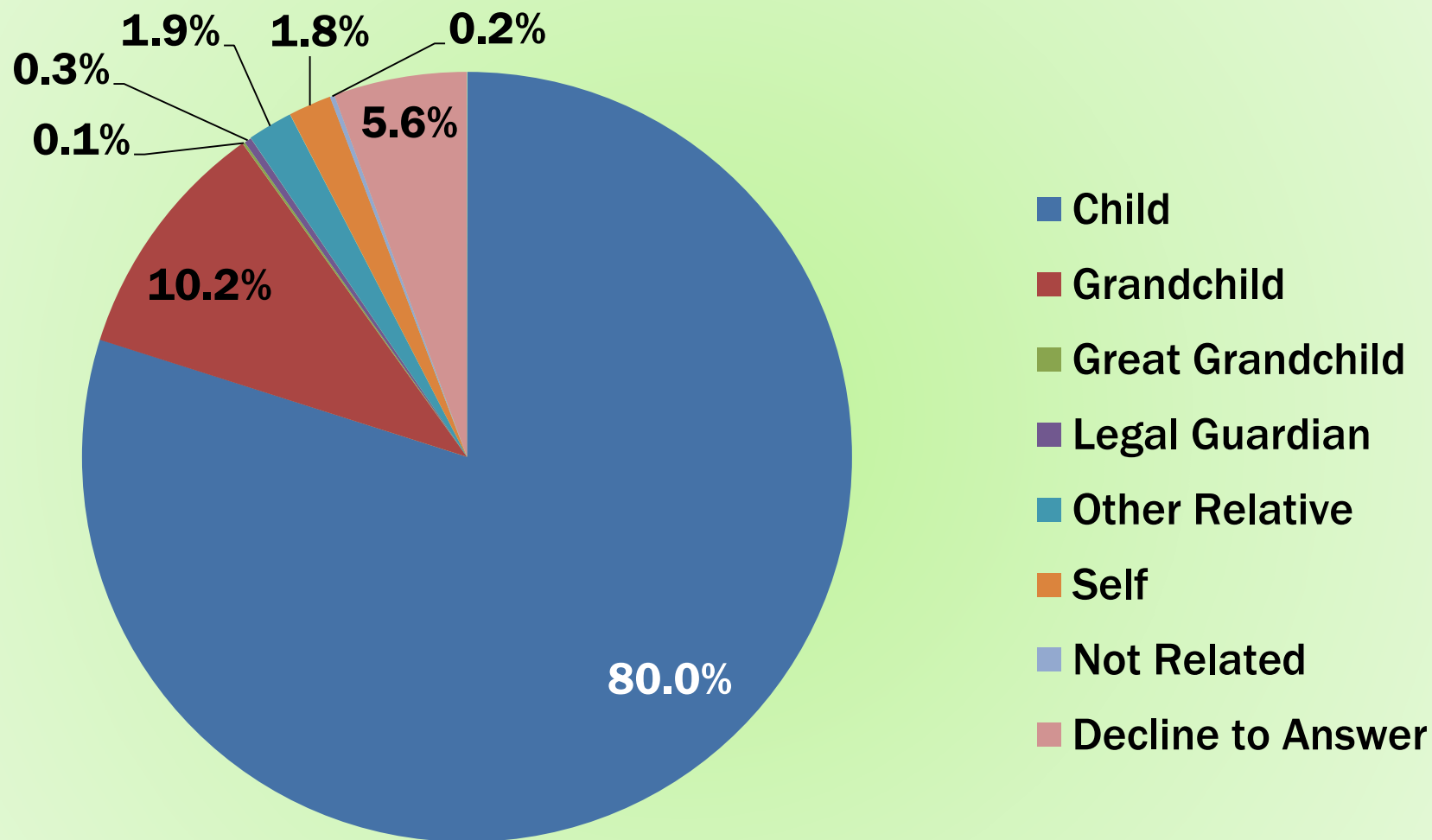


**Decline to  
Answer**

## Key Finding:

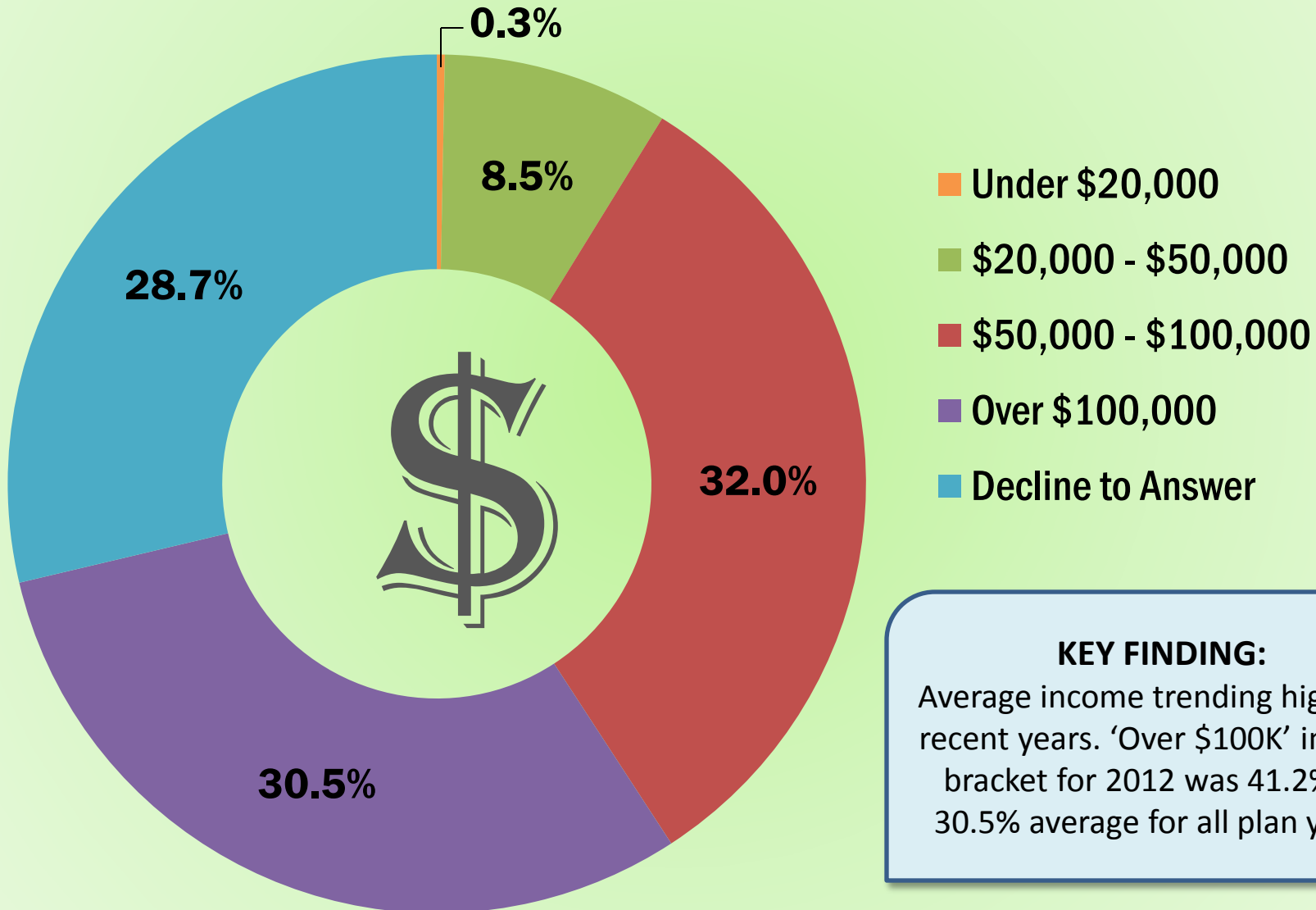
Asian  
Purchasers  
increased in  
recent years:  
18.5% in 2012  
vs. 12.7% for all  
plan years  
(+5.8%)

# Relationship of Student to Purchaser



**KEY FINDING:** Low variance year-to-year. Greatest change for 2012 seen in grandchildren: +1% v.s. prior year, and +2% vs. average for all plan years.

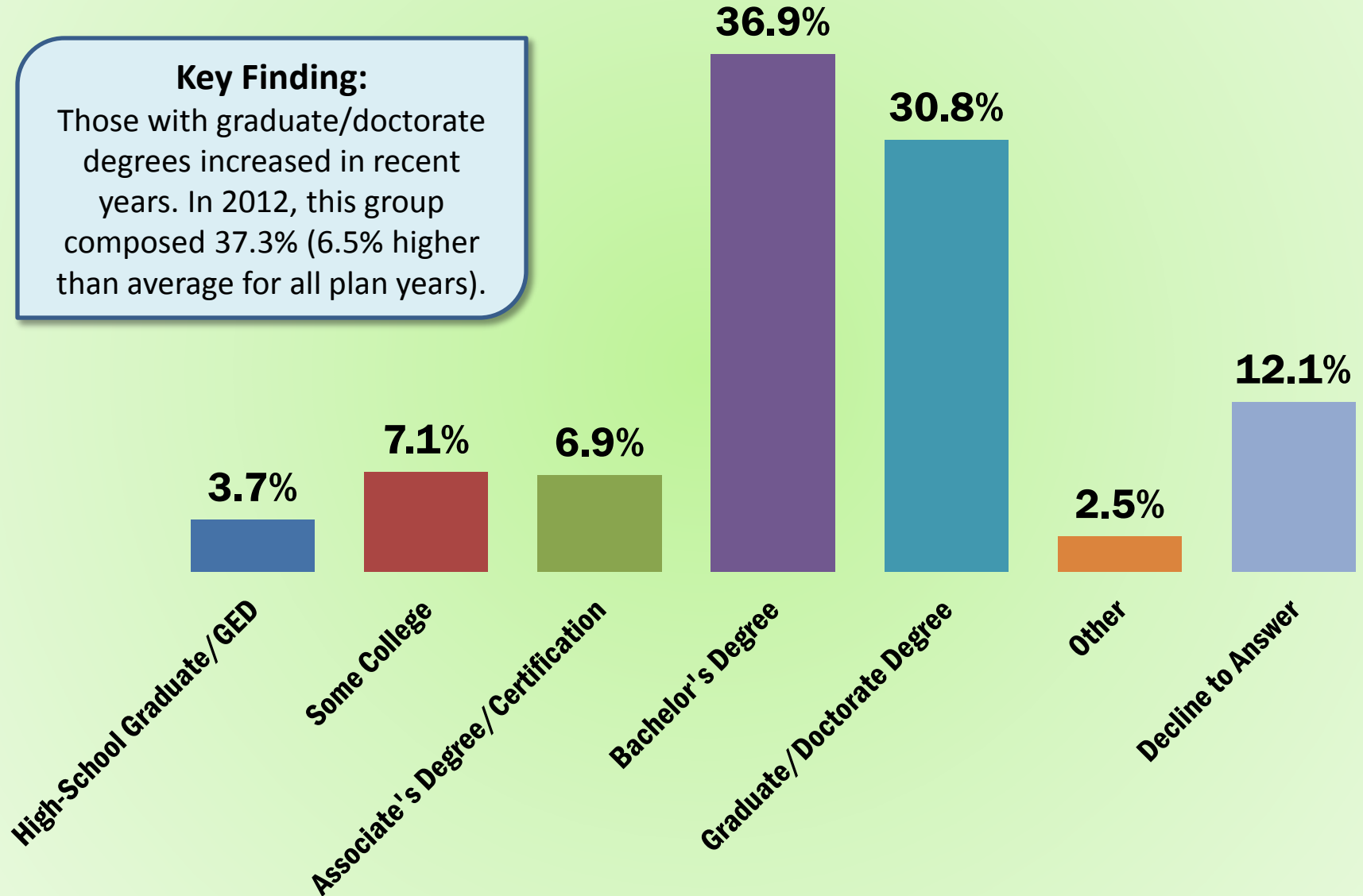
# Income of Purchaser



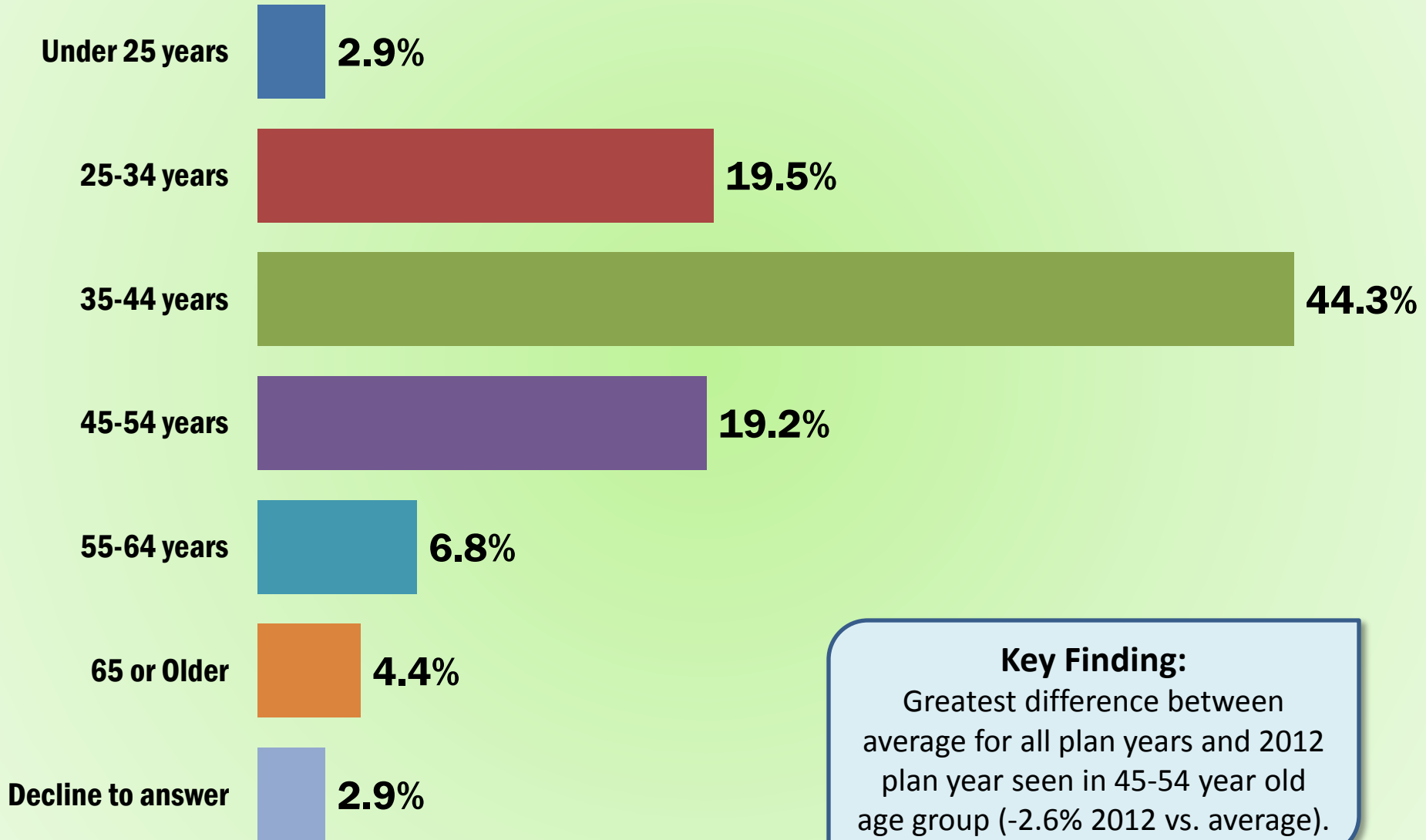
# Education of Purchaser

## Key Finding:

Those with graduate/doctorate degrees increased in recent years. In 2012, this group composed 37.3% (6.5% higher than average for all plan years).



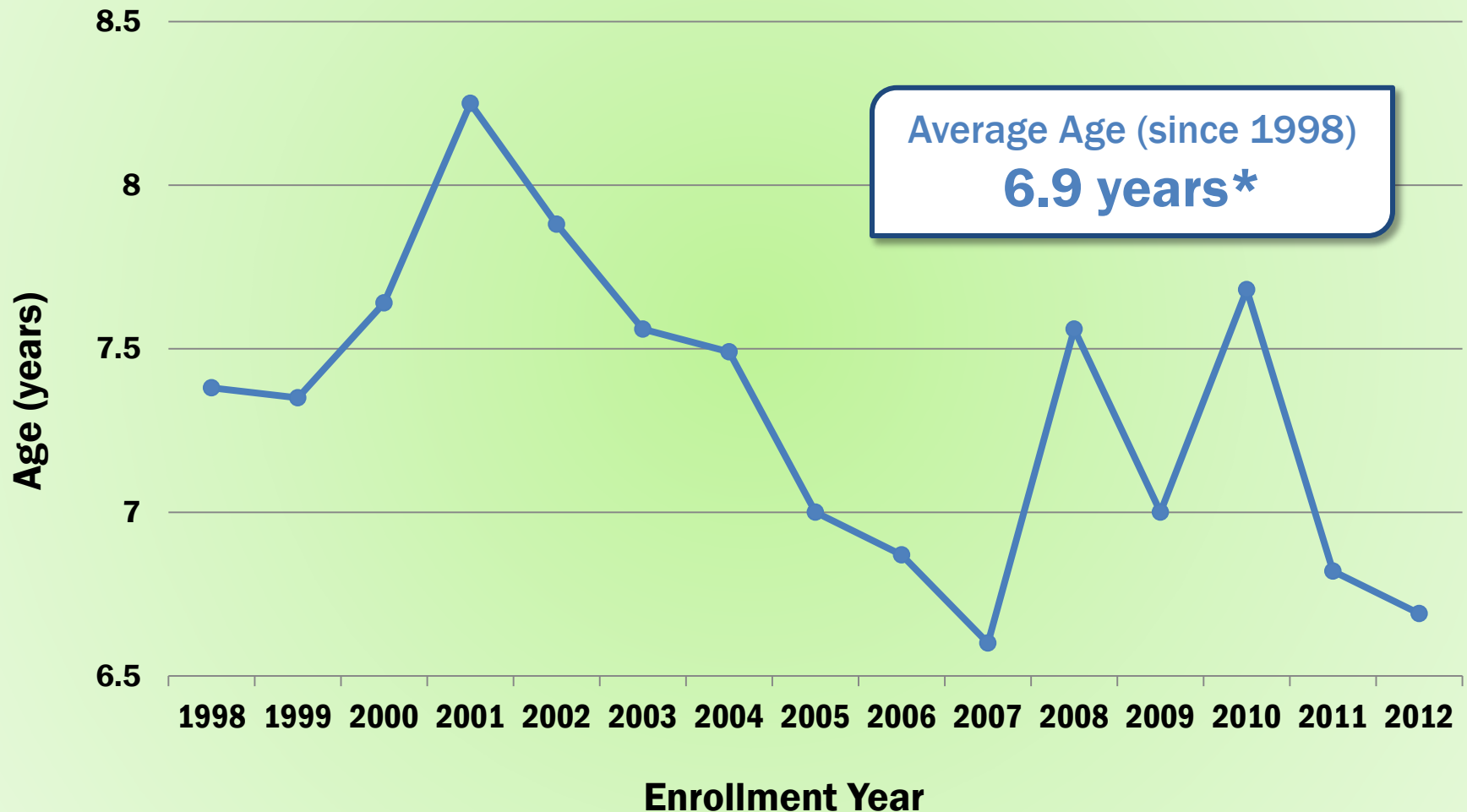
# Age of Purchaser



## Key Finding:

Greatest difference between average for all plan years and 2012 plan year seen in 45-54 year old age group (-2.6% 2012 vs. average).

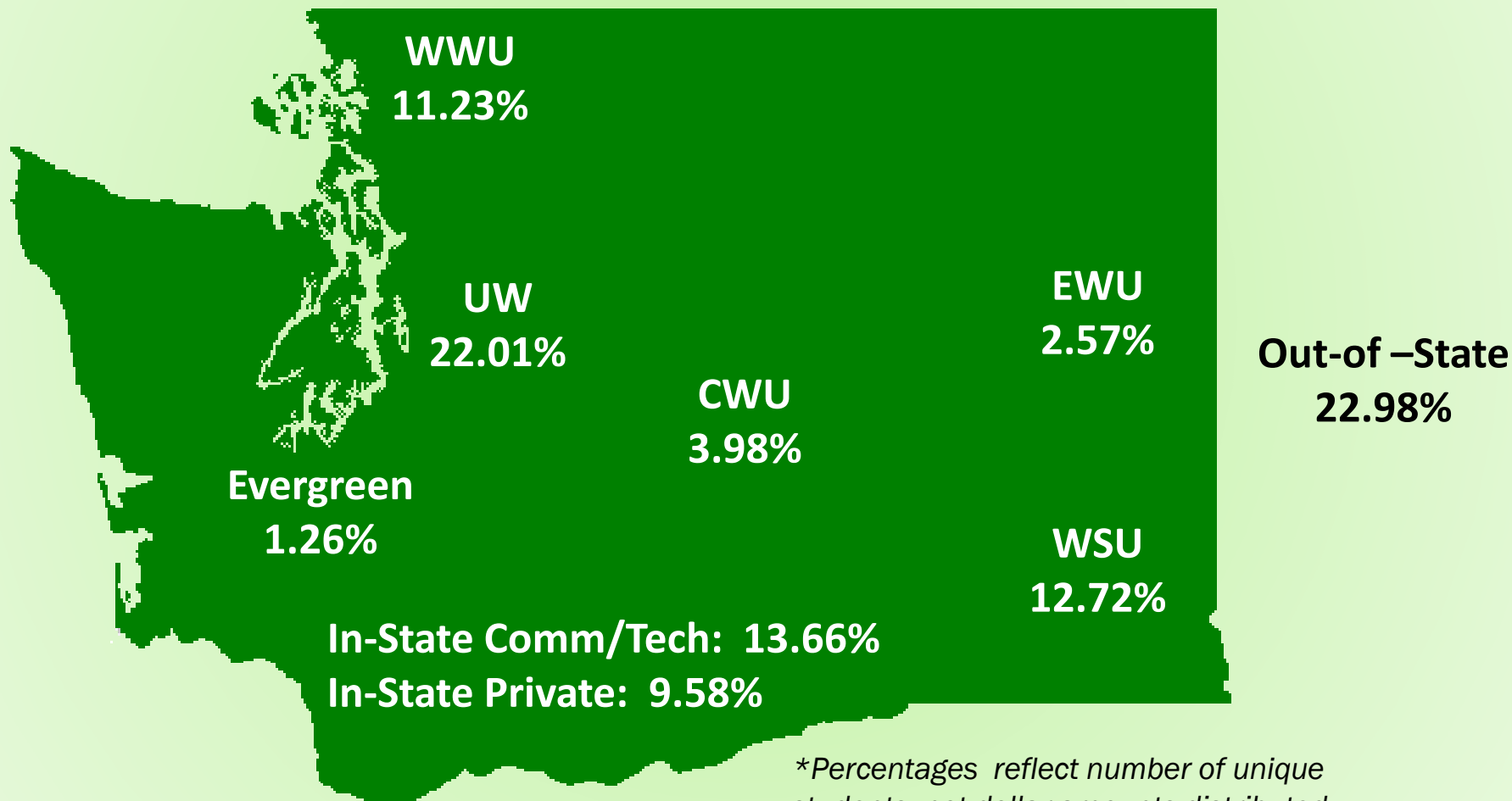
# Average Age of Student at Time of Enrollment



*\* Figures do not include the newborn enrollment period (which began to be offered in 2010 plan year).*

# Where is GET Being Used?

2012-2013 – Fall, Winter, Spring Summer\*



*\*Percentages reflect number of unique students, not dollar amounts distributed.*



# Distributions for 2012-2013

## Academic Year



**\$17.1 M**



**\$9.3 M**



**\$7.0 M**



**\$12.1 M**



**\$2.5 M**



**\$1.3 M**



**\$735 K**



**\$2.9 M**



**\$8.1 M**



**\$19.2 M**

**GET Ready for  
Math and Science**

**\$1.1 M**

# Other Distribution Statistics for 2012-2013 Academic Year

In 2012-2013, **\$121.4 Million** in out-going  
distributions were made on behalf of **11,778** students.

Of that, **\$81.4 Million** was distributed to schools, and  
**\$40 Million** was reimbursed to students and parents.

# New Campaign for 2013-2014

## Theme – “Firsts”



Life is full of **firsts**

Take your **first step** in  
saving for college today.

The first day of college will be here before you know it. Save today to secure tomorrow with

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

- ▶ **Guaranteed to keep up with rising tuition costs**
- ▶ **Choice of colleges nationwide**
- ▶ **Tax-free savings & withdrawals**
- ▶ **Flexible plans**

**Enroll November 1 – May 31**



Washington State's  
529 Prepaid College  
Tuition Program

Visit [www.get.wa.gov](http://www.get.wa.gov) or call 1.800.955.2318



## GET Prepaid College Tuition Program

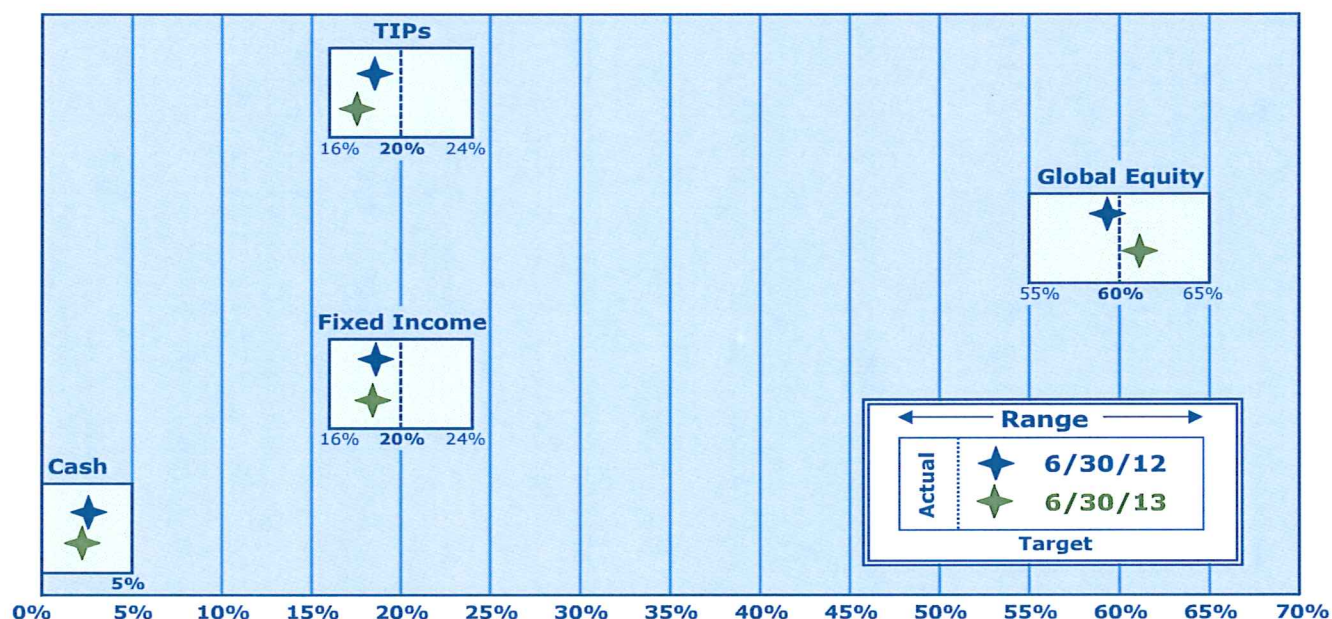
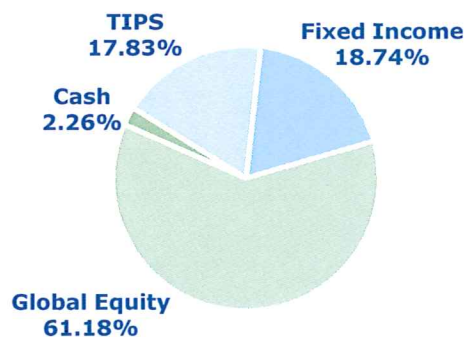
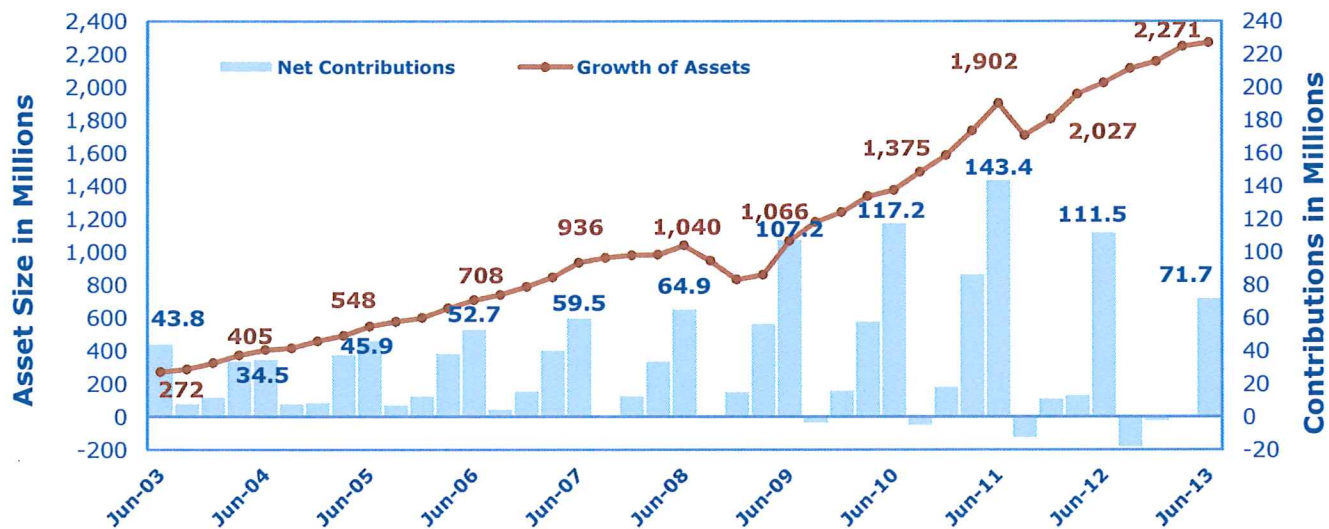
Quarterly Report – June 30, 2013

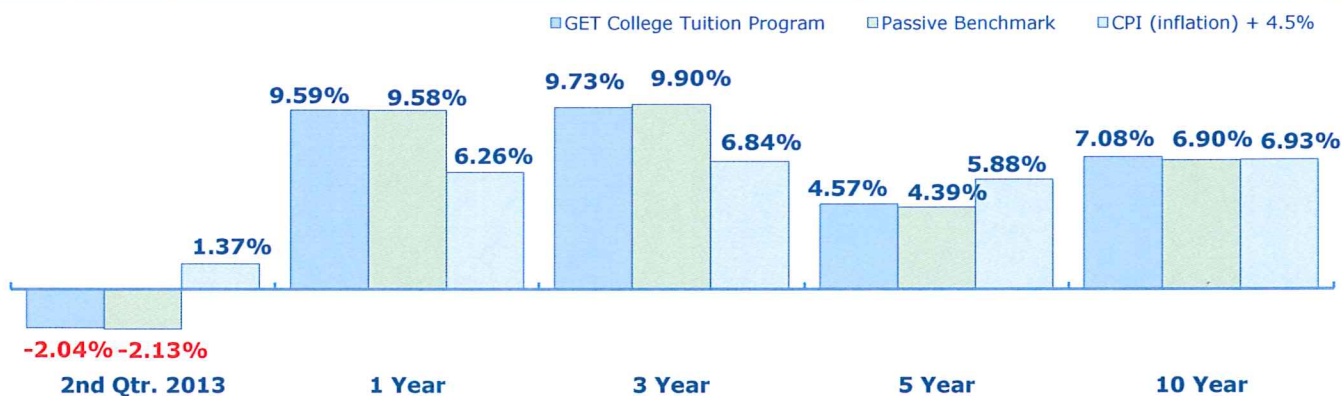
|   |   |
|---|---|
| Portfolio Size, Allocation, and Assets Under Management ..... | 1 |
| Performance .....   | 2 |



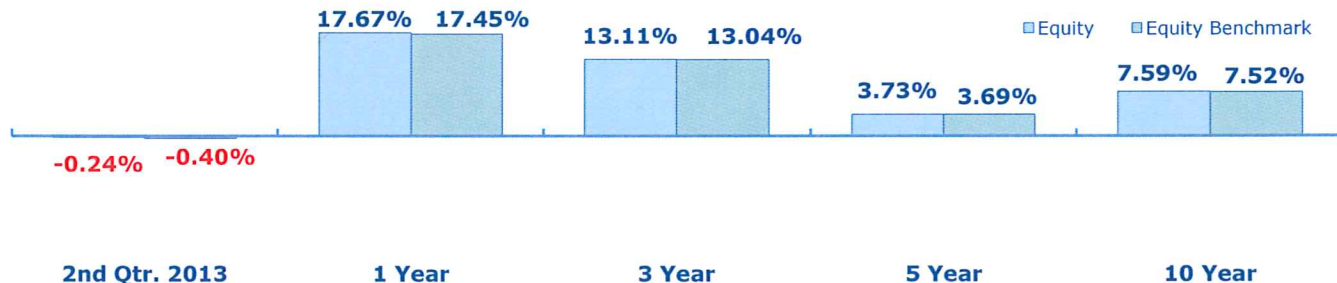
**Portfolio Size**

|                                      |                        |
|--------------------------------------|------------------------|
| <b>Total</b>                         | <b>\$2,270,537,990</b> |
| Cash                                 | \$51,264,067           |
| Treasury Inflation Index Note (TIPs) | \$404,738,746          |
| Fixed Income                         | \$425,462,589          |
| Equity                               | \$1,389,072,588        |

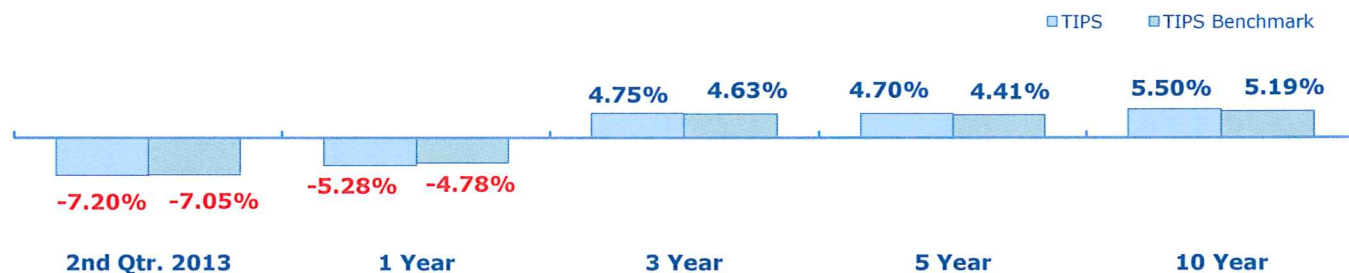
**Actual Asset Allocation**

**Assets Under Management**


**Total Return \***

**Return Breakdown**
**Equity Return \***

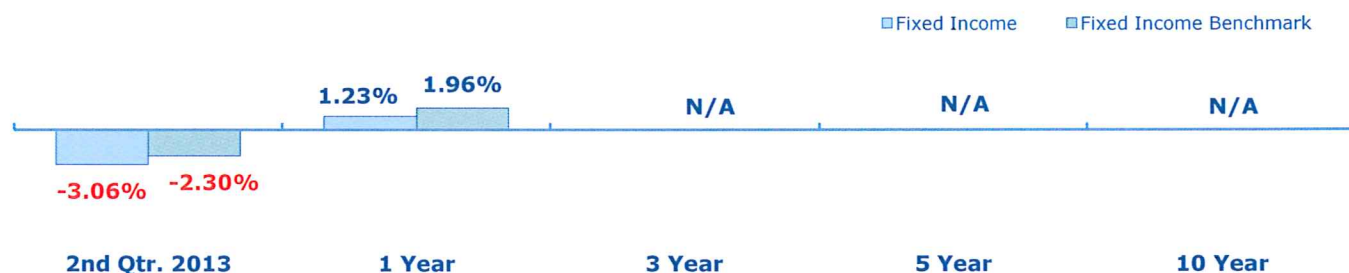
Benchmark: MSCI ACWI IMI w/U.S. Gross and a historical blended return


**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.