

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Monday, May 20, 2013

Conference Call

Dial-in #: (360) 407.3780

Participant Access Code: 668736#

Washington Student Achievement Council

919 Lakeridge Way SW

Olympia, WA 98502

2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order

- Welcome and Introductions ACTION
Approval of March 4, 2013 minutes
- Report from the Chair INFORMATION
Washington Student Achievement Council Update
Legislative Update
- Director's Report INFORMATION/
Program Statistics POSSIBLE ACTION
Marketing Update/Discussion
- GET Investment Update INFORMATION
Allyson Tucker, Senior Investment Officer
Washington State Investment Board
- Actuary Update – Discuss Tuition Scenarios INFORMATION
Troy Dempsey, State Actuary
Office of the State Actuary
- Budget Review – FY 14 INFORMATION
Betsy Hagen, GET Staff
- Adjournment

Next meeting:

Monday, August 12, 2013

2:00 p.m. – 4:00 p.m.

Office of the Insurance Commissioner

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING
Monday, March 4, 2013**

**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
Susan Martensen, Associate Director for GET Marketing & Communications
Betsy Hagen, Associate Director for GET Administrative Services
Jackie Ferrado, GET Community Relations Manager
Diana Hurley, GET Customer Service Manager
Matthew Freeby, GET Finance Manager
Katie Gross, Special Assistant to the GET Director
Blake Chard, Director of Government Relations

Guests in attendance:

Troy Dempsey, Office of the State Actuary
Allyson Tucker, State Investment Board
Terry Ryan, Office of the Attorney General
Jane Wall, Council of Presidents

WELCOME

Don Bennett, GET Committee Chair, called the meeting to order at 2:12 p.m. Members of the GET Committee in attendance were Don Bennett, Chair, James L. McIntire, State Treasurer, David Schumacher, Director of the Office of Financial Management, Beth Berendt, citizen member, and Mooi Lien Wong, citizen member. Wong attended via teleconference.

Bennett introduced and welcomed David Schumacher, the new Director of the Office of Financial Management, as well as Blake Chard, Director of Government Relations for the Washington Student Achievement Council.

APPROVAL OF THE NOVEMBER 5, 2012 MINUTES

McIntire moved to approve the November 5, 2012 minutes. Schumacher seconded the motion. The minutes were approved unanimously as presented.

APPROVAL OF THE UPDATED BYLAWS

Updates to the GET bylaws exclusively include the agency name that houses the GET program, from the Higher Education Coordinating Board to the Washington Student Achievement Council, and the amended date of March 4, 2013. McIntire moved to approve the updated bylaws as presented. Schumacher seconded the motion. The updated bylaws were approved unanimously as presented.

REPORT FROM THE CHAIR

The Washington Student Achievement Council staff is working on the 10-Year Roadmap, which is a new charge for the Council. The Council has hired a new Communications director, Aaron Wyatt, who will start on March 6, 2013. The Council members have been meeting with campus leaders, student leaders, and others in the community to try and knit together policies in order to move forward in higher education. Council staff is working with GET staff to understand policies and perspectives as the GET program helps families save for college.

LEGISLATIVE UPDATE

Bennett thanked Matt Smith and Troy Dempsey for the work they have provided for legislative hearings and work sessions. The Actuary's office helped to educate legislators and steer the discussions about the funded status of the GET program. Bennett opened the floor for discussion or questions regarding the status of current bills regarding differential tuition.

McIntire noted that a differential tuition bill needs to pass this year. McIntire is hopeful that his testimony at January's House Higher Education Committee meeting helped the public's view and understanding of the program and heightened the credibility of the program's funded status.

DIRECTOR'S REPORT

Betty Lochner, GET Director, stated that the program has had more media attention in the first few months of the current enrollment year than the entire 2011-2012 enrollment year. The negative tone of this year's media coverage has prompted questions from customers regarding the safety of the program. Lochner thanked McIntire for his strong testimony in support of GET at the House Higher Education Committing meeting January 31.

Lochner reviewed the program's contract statistics for the 2012-2013 enrollment period to date, and briefly commented on where students used their GET units this past fall. Lochner noted that more students used their units out of state this past fall term, compared to the fall term of 2011-2012.

GET staff are currently collecting data to help respond to questions about purchaser income. GET staff and Council research staff is working to compile this data. This new research will inform responses to questions from legislators and specific requests from Representative Haigh and Representative Reykdal. GET Committee members may contact Lochner if they would like to provide input.

MARKETING OVERVIEW

Susan Martensen, Associate Director for Marketing and Communications, commented on the challenging marketing landscape and noted the program's current marketing plan.

- Over 30 radio/television interviews have aired
- Around 125 articles have been published
- GET staff has participated in 30 outreach events since November 1
- A new digital campaign started on March 1
- 70,000 brochures will be mailed out in March
- Three mass emails have been sent to current customers; more are scheduled

- Percentage of web site visits are up
- Percentage of mobile access is up

Television and radio advertising started on March 15 last year. Bennett noted that the enrollment year was moved to avoid having the peak of GET's campaign coincide with the timing of difficult tuition decisions in the legislature. Because of this, it has been suggested that GET's radio/television advertisements be delayed until April 15. The end of enrollment strategy will include additional advertising, with GET staff working to promote unit purchases. Depending on the number of unit purchases, GET staff may recommend extending the enrollment period.

Lochner stated that the goal is to sell 850,000 units. Berendt stated that "as a Committee, we are responsible to provide good stewardship over this program and not be paralyzed by the current political winds." Berendt stated that changing the marketing piece to note the locked in guarantee may be worth looking in to. Discussion ensued regarding unit sales, marketing strategy, tuition increases, and educating participants.

Committee members and the Actuary's staff discussed price setting guidelines, the premium, and the program's reserve. Berendt noted that from a historical perspective, there was not much discipline to stick to a prescriptive pricing guideline. Though these guidelines are flexible, Berendt doesn't believe they should be changed in the near future. Currently, the price setting guideline calls for a 15% reserve.

GET INVESTMENT UPDATE

Allyson Tucker, State Investment Board, went over the asset allocation and overall portfolio of the program, as of December 31, 2012. The program's total assets are at \$2.156 billion. Wong asked Tucker to clarify the global equity investment piece. Tucker clarified that our global equity includes both U.S. and non-U.S. markets.

Schumacher asked how the investment strategy differs from state pension funds. Tucker responded that the major difference is that the retirement funds are invested in private markets, and the GET program is invested in public markets. McIntire added that the GET program is invested conservatively as well. The GET Committee reviews the asset allocations every four years.

There were no more questions.

ACTUARIAL UPDATE

Troy Dempsey, Actuary, stated that the Actuary's office has done a variety of presentations for legislative hearings regarding GET, and presented one public analysis per Senator Murray's request. These presentations include potential impacts on the funded status of GET program stemming from alternate tuition growth assumptions. Factors include looking at state funding for higher education. Dempsey stated that the program is currently 79% funded. Discussion regarding unit pricing ensued.

ANNUAL ENROLLMENT PERIOD 2013-2014

GET staff recommended to keep the current enrollment period of November 1 thru May 31. Keeping the current enrollment dates aids in working around the legislative session and causes less customer confusion. Berendt motioned to keep the current enrollment period (November 1 thru May 31). McIntire seconded the motion. The motion to keep the current enrollment period was approved unanimously as presented.

PRICE SETTING ASSUMPTIONS

GET staff recommended keeping the price setting assumptions close to what they are currently. Lochner asked the Committee to confirm the presented assumptions so the State Actuary's staff has specific data to work with.

The Committee wants to make sure the GET units are priced conservatively, and discussed having State Actuary staff look at different tuition setting assumptions for future academic years and enrollment periods. Discussion followed regarding the lack of future tuition projections and the state's support for higher education. The program's final budget will be presented at the May meeting.

The next GET Committee meeting is Monday, May 20, 2013.

The meeting adjourned at 3:30 p.m.

Guaranteed Education Tuition

As of April 30, 2013

CONTRACT STATISTICS: Number of Contracts			
Contract Statistics by Plan Year	1998-2011	2012	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	32,946	909	33,855
Lump Sum Contracts (LS)	89,864	2,584	92,448
Total # of Active Contracts	122,810	3,493	126,303
# of Inactive Contracts	9,850	50	9,900
# of Depleted Contracts	11,722	6	11,728
Total # of Contracts	144,382	3,549	147,931

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units			
	1998-2011	2012	TOTAL
Contracted Units (Active Accounts)	5,804,490	106,250	5,910,740
Lump Sum Units (Active Accounts)	18,614,630	148,114	18,762,744
Total Active Accounts	24,419,120	254,364	24,673,484
Contracted Units (Inactive Accounts)			627,178
Lump Sum Units (Inactive Accounts)			2,741,654
Grand Total Contracted and LS Units Purchased			28,042,316

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,390,587
Total Paid Out Units Since Inception (Active and Inactive Accounts)	5,632,376

CONTRACT PAYMENTS SINCE INCEPTION			
	1998-2011	2012	TOTAL
Total Payments Received (All Accounts)	\$ 1,964,003,568	\$25,208,739	\$ 1,989,212,307
Total Fee Payments Received (All Accounts)	\$ 7,554,201	\$ 141,890	\$ 7,696,091
Total Contract-Related Payments Received	\$ 1,971,557,769	\$25,350,629	\$ 1,996,908,398

Future Custom Monthly Payments Due (Active Accounts)	\$ 341,659,861	\$28,190,970	\$ 369,850,831
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ITEMS OF INTEREST			
Since Inception			
Number of Students Accounts Used For Benefits			30,094
Benefits Paid		\$	425,424,055
Refunds Paid		\$	32,024,252
Total Paid Out In Benefits and Refunds		\$	457,448,307



GET Prepaid College Tuition Program

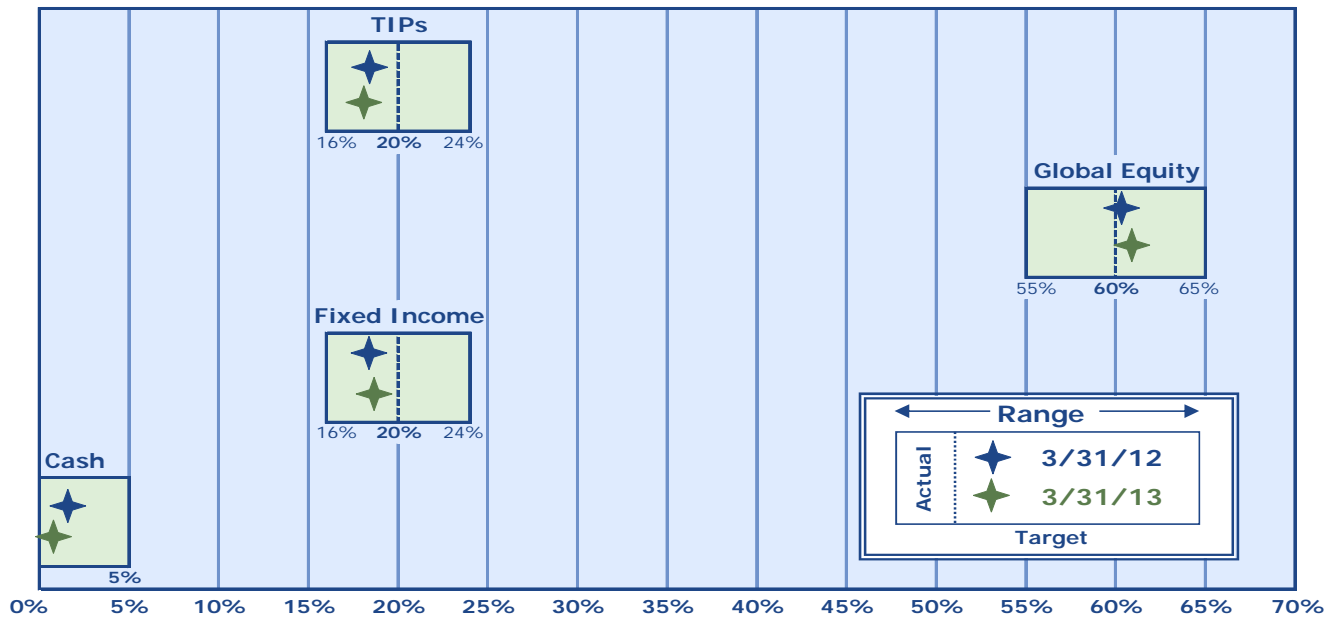
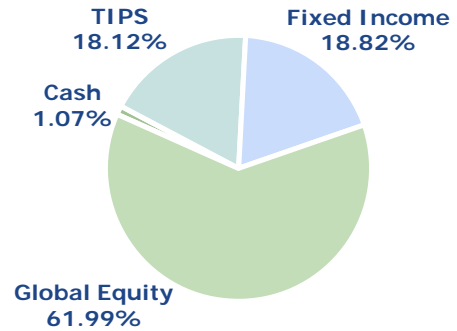
Quarterly Report – March 31, 2013

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

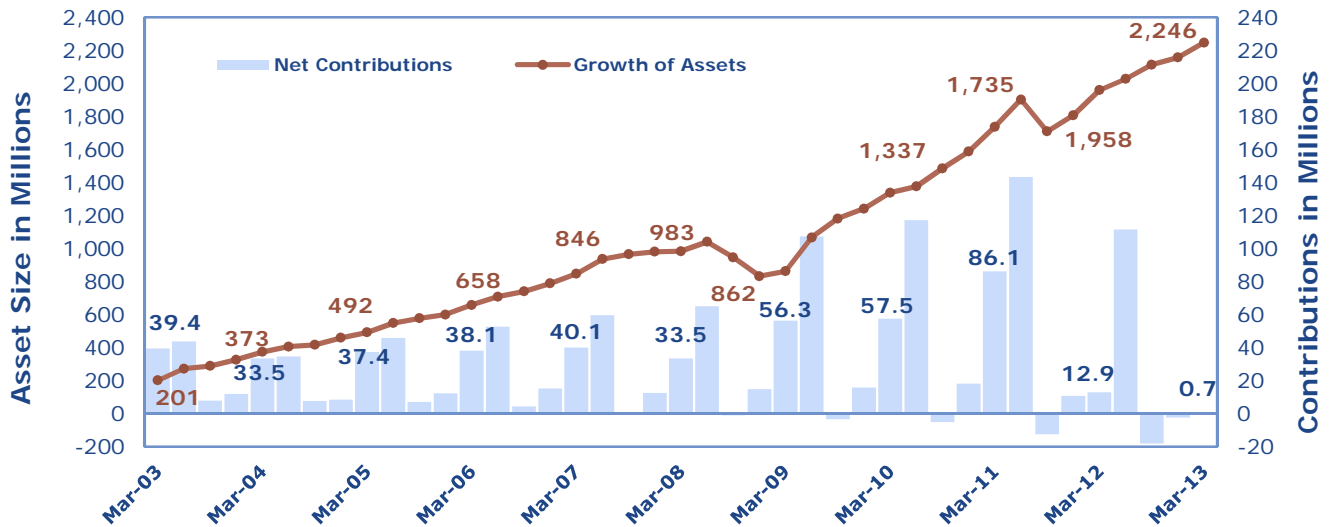
Portfolio Size

Actual Asset Allocation

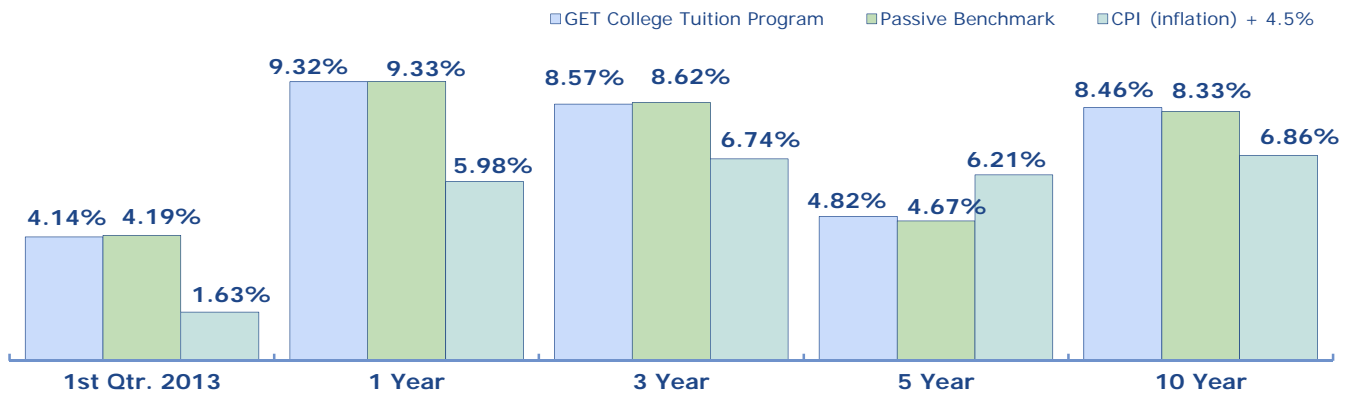
Total	\$2,246,154,658
Cash	\$24,028,138
Treasury Inflation Index Note (TIPs)	\$407,036,678
Fixed Income	\$422,780,923
Equity	\$1,392,308,920



Assets Under Management



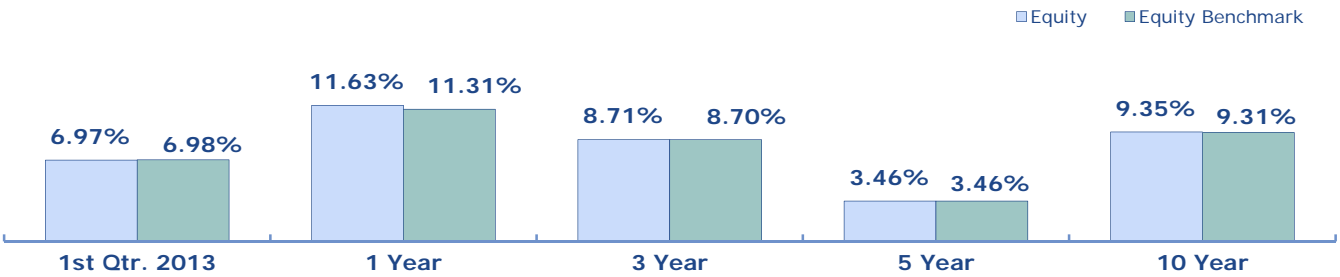
Total Return *



Return Breakdown

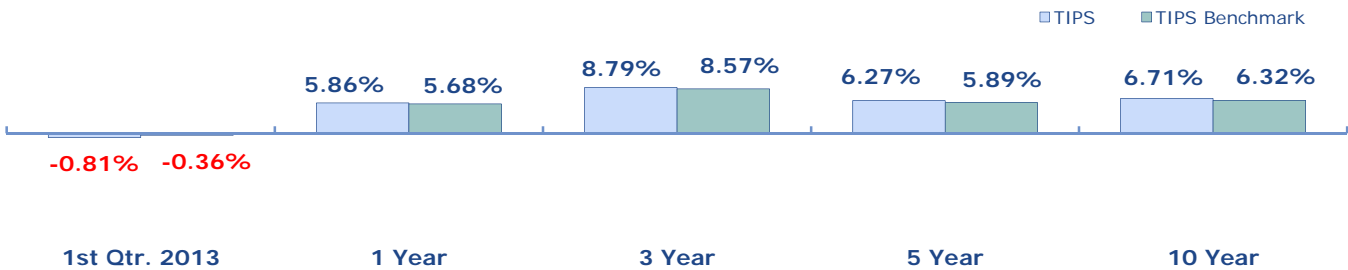
Equity Return *

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



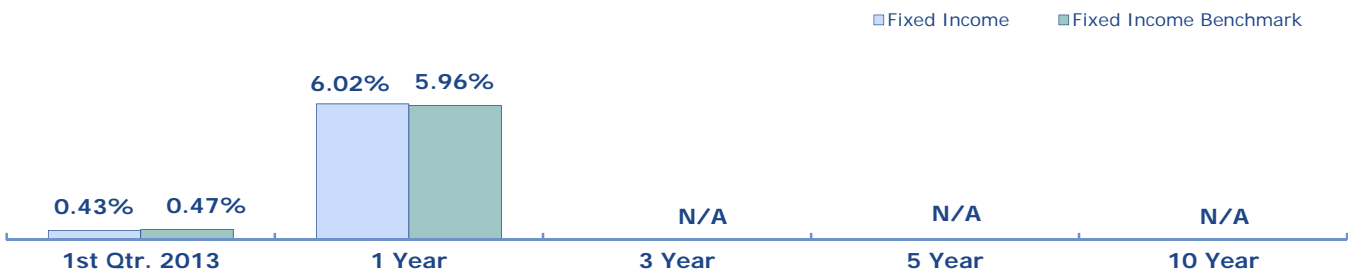
Treasury Inflation Index Note Return *

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.