WA529
WASHINGTON COLLEGE SAVINGS PLANS

Committee Meeting
November 12, 2020

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Action

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Approval of the September 9, 2020
WA529 Committee Meeting Minutes

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Action

Approval of the 2021 Committee Meeting Calendar

- January 20, 2021*
- May 6, 2021
- September 15, 2021
- November 17, 2021

**Expected to be virtual via video conference*

Notes: *All meetings scheduled for 2-4pm on the Capitol Campus in Olympia, WA unless noted. Special meetings may be added as necessary.*

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Program Updates

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Luke Minor

Director, WA529

Sally Riefenstahl

Account Executive, Sumday Administration

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Program Updates

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WASHINGTON COLLEGE SAVINGS PLANS

Agenda

WA529 Marketing Update

GET Update

- General update
- Investment update

DreamAhead Update

- General update
- Investment update

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Program Updates

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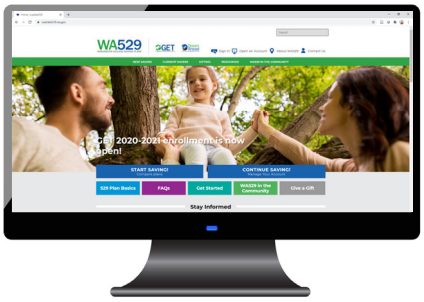
WA529 Marketing Update

- New WA529 website
  - Launched October 26
  - Consolidated three websites into one
  - 'One-stop-shop' for families to learn about and compare GET & DreamAhead, enroll, and access online accounts
- Paid Advertising Campaign update
  - DreamAhead media began mid-August
  - Added GET media Nov. 2; ramped up Nov. 4
  - Digital, social, radio, television
    - Targets: parents & grandparents of school age children
    - News programming, news seekers on web, & appointment viewing



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Program Updates

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WA529 Marketing Update

- Newborn Enrollment Promotion
  - All new accounts with beneficiaries under 18 months of age receive a WA529 baby onesie

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GET Updates

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- Enrollment opened on November 1 with a unit price of $133
- Enrollment closes May 31; unit price expires June 30
- Up to the minute enrollment figures *(as of November 12, 2020):*
  - Applications
  - New Custom Monthly accounts
  - New Lump Sum accounts
  - Total units sold since November 1

GET GUARANTEED EDUCATION TUITION

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Account Owner Age Trends

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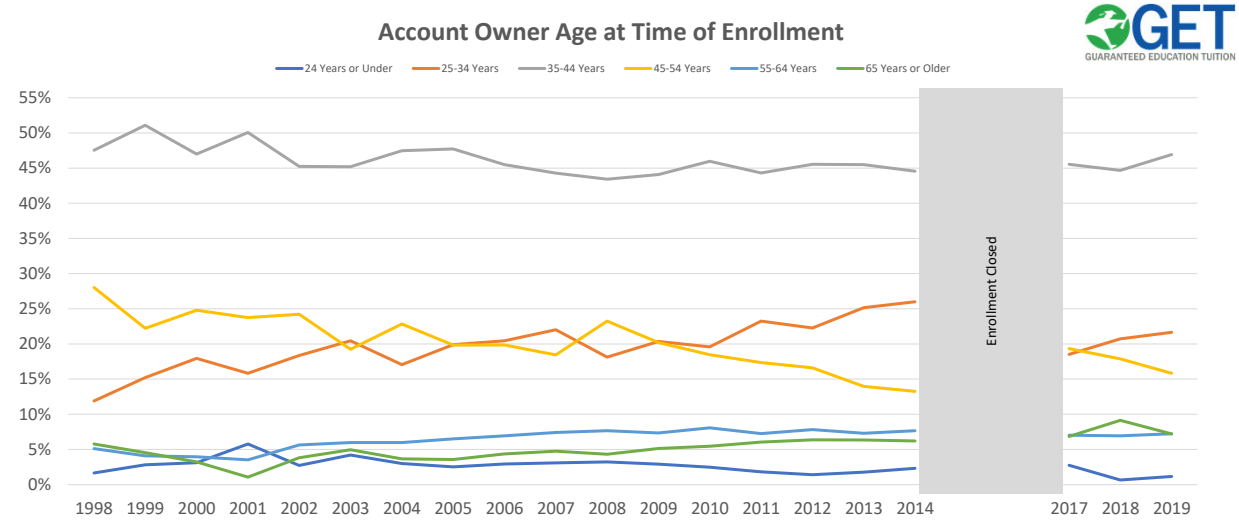
GET GUARANTEED EDUCATION TUITION



Notes: *Data-as-of 8.24.20*

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Average Age of Student Beneficiary

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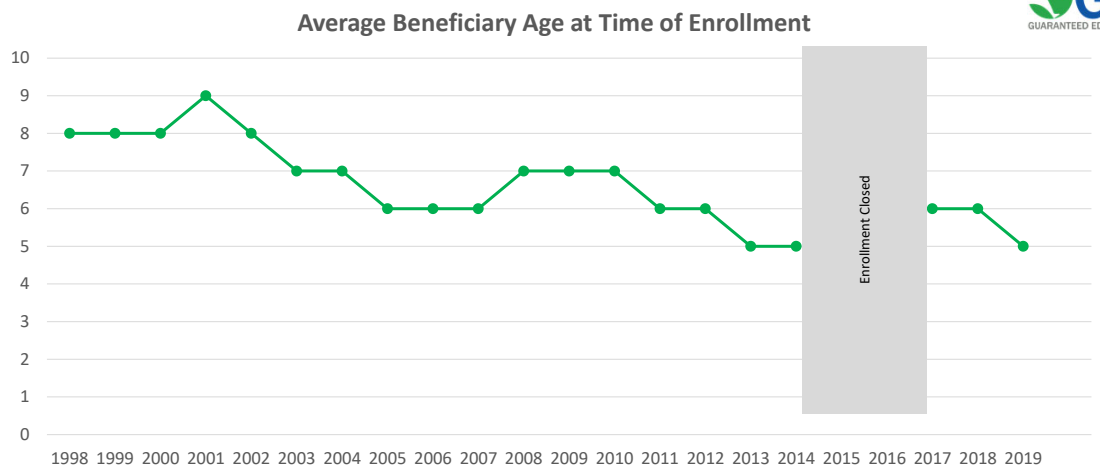
GET GUARANTEED EDUCATION TUITION



Notes: *Data-as-of 10.19.20. Includes all active and inactive accounts.*

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Distributions vs. Contributions by Quarter

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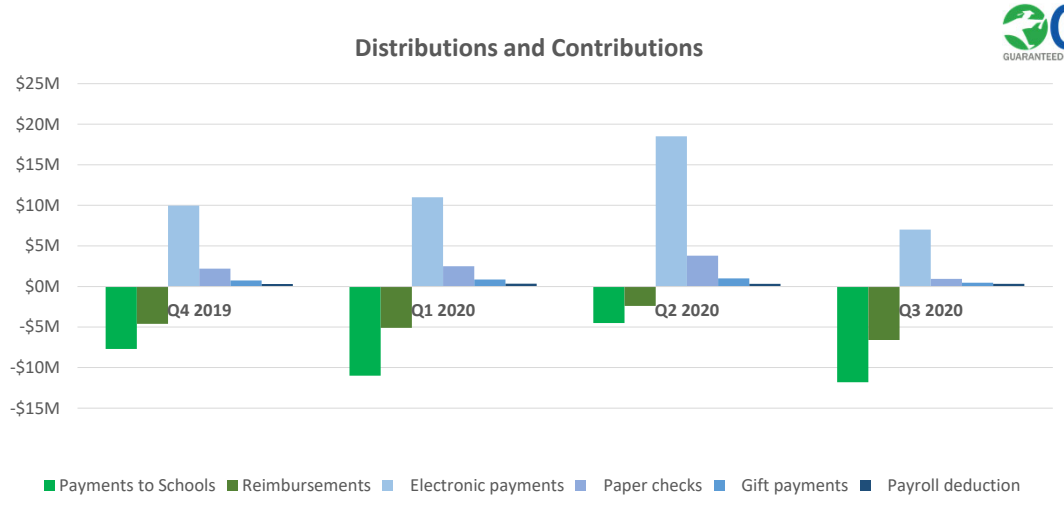
GET GUARANTEED EDUCATION TUITION



Notes: *Data-as-of 10.12.20*

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Prepaid 529 Plan Comparison

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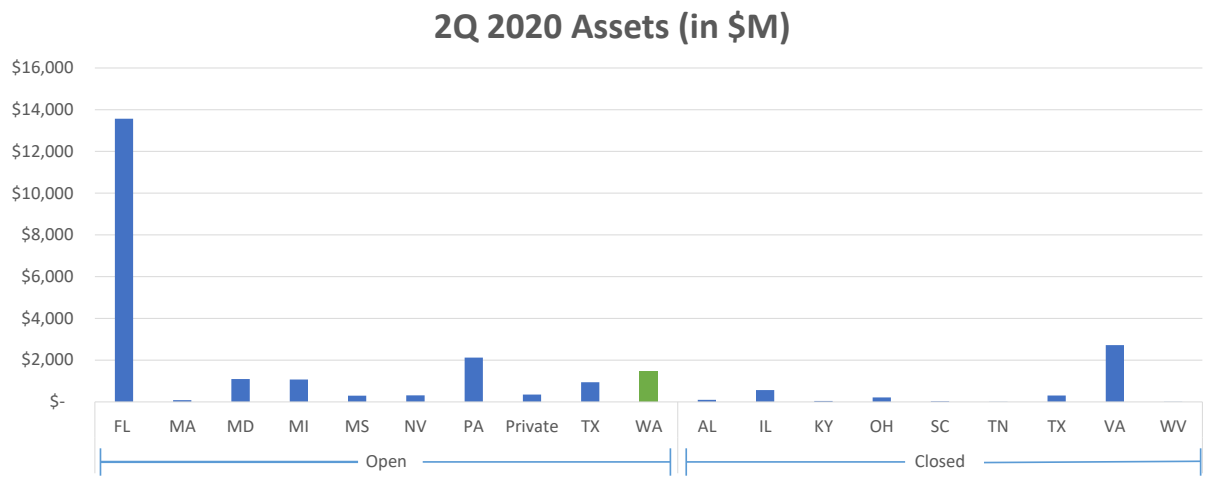

Notes: *Data-as-of 6.30.20. Source: Strategic Insight*

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Prepaid 529 Plan Comparison

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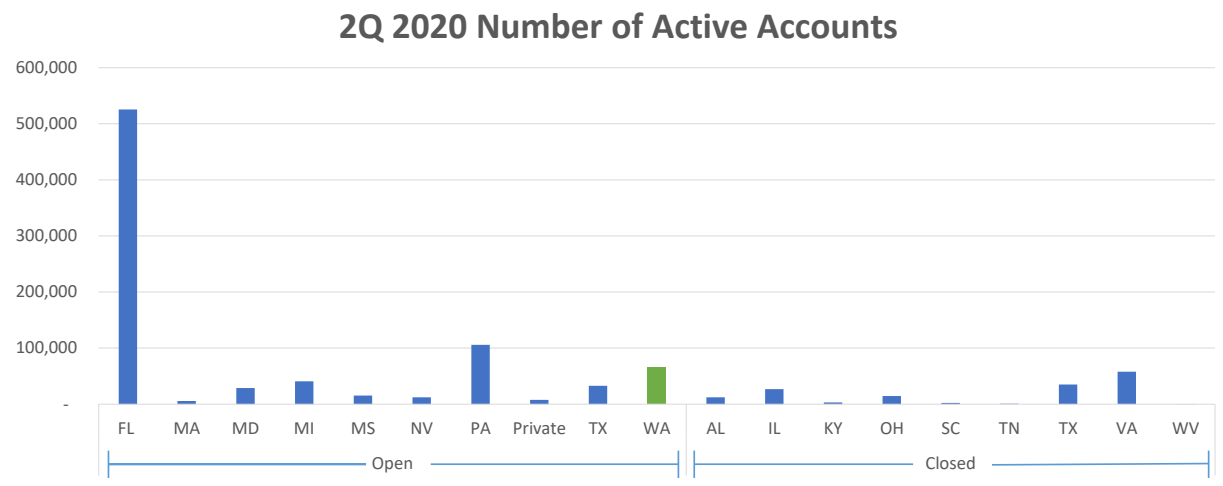
WASHINGTON COLLEGE SAVINGS PLANS



Notes: *Data-as-of 6.30.20. Source: Strategic Insight*

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Prepaid 529 Plan Comparison

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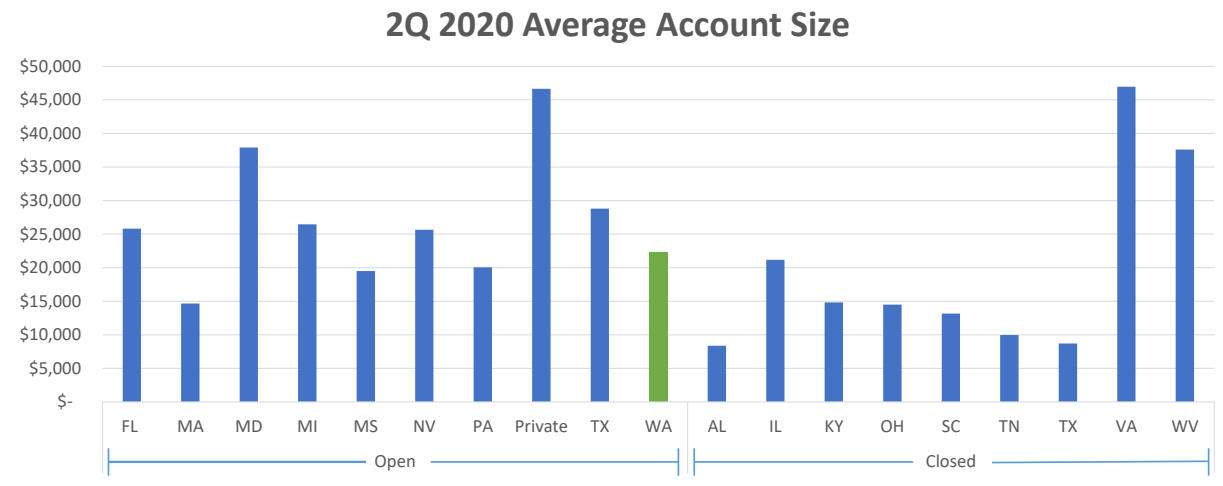
WASHINGTON COLLEGE SAVINGS PLANS



Notes: *Data-as-of 6.30.20. Source: Strategic Insight*

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Prepaid 529 Plan Comparison

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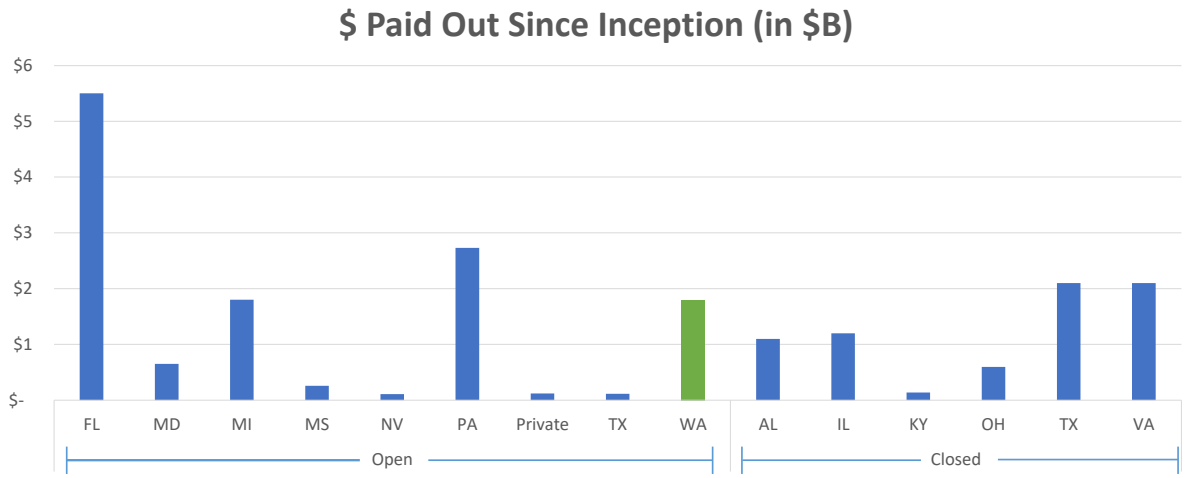
WASHINGTON COLLEGE SAVINGS PLANS



Notes: *Data-as-of 6.30.20. Payout data for current and legacy MS plans are combined. Payout data unavailable for MA, TN, WI, and WV.*

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GET Q3 Investment Update

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GET
GUARANTEED EDUCATION TUITION

GET Prepaid College Tuition Program

Portfolio Size

Total	**$1,502,149,381**
Cash	$4,843,607
Fixed Income	$888,822,668
Equity	$608,483,106

Source: *GET Prepaid College Tuition Program Quarterly Report – September 30, 2020, WSIB*

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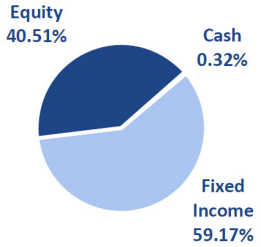
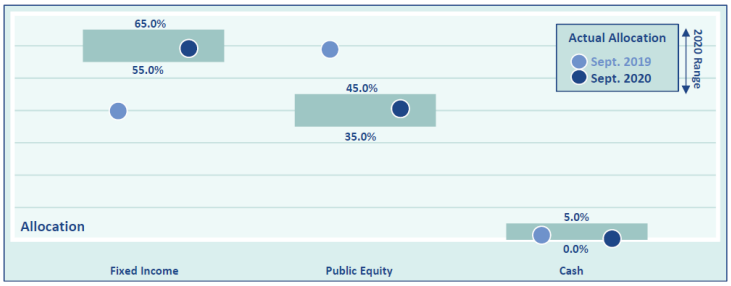
GET Q3 Investment Update

WA529 WASHINGTON COLLEGE SAVINGS PLANS

GET GUARANTEED EDUCATION TUITION

Actual Asset Allocation





Note: Allocation changed in January 2020. It was previously 40% Fixed Income and 60% Equity and changed to 60% Fixed Income and 40% Equity

Source: *GET Prepaid College Tuition Program Quarterly Report – September 30, 2020, WSIB*

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GET Q3 Investment Update

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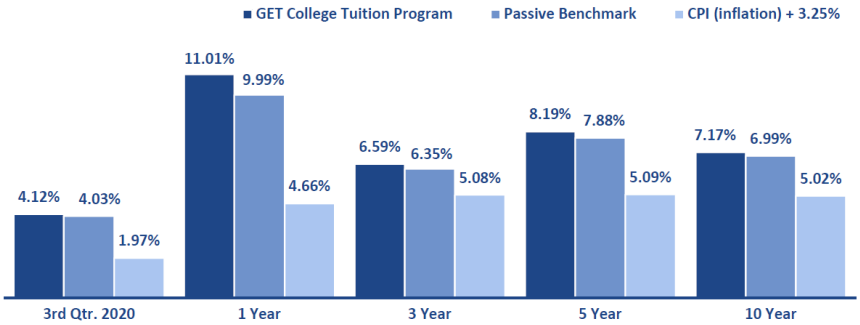
GET GUARANTEED EDUCATION TUITION

GET Prepaid College Tuition Program — Quarter Ended September 30, 2020

Total Return *



* 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.

Source: *GET Prepaid College Tuition Program Quarterly Report – September 30, 2020, WSIB*

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DreamAhead
COLLEGE INVESTMENT PLAN

2020 Third Quarter Committee Report

November 12, 2020

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Sumday COVID-19 update

Morningstar Bronze Ranking

Fund Event

- Fund swap scheduled to occur 12/1
- Account owner notification
- Program Details Booklet: Supplement
- Website

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Overview for the Current Quarter

- $793,509,010 in AUM
- 25,886 Funded Accounts
- 488 New Accounts
- 5,054 Accounts with Zero Dollar Balance
- Market Performance of -$2,695,023
- Contributions of $7,548,289
- Distributions of $31,781,967

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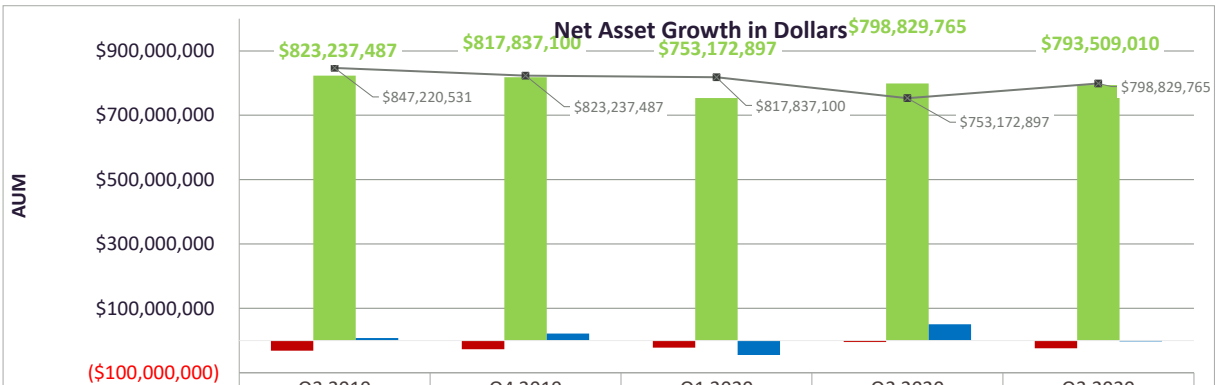
Net Asset Growth

Asset growth shows strong return of market performance



	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Net Flow	($31,699,866)	($27,100,668)	($22,401,217)	($4,931,076)	($24,233,678)
Total AUM	$823,237,487	$817,837,100	$753,172,897	$798,829,765	$793,509,010
Market Performance	$7,716,822	$21,700,281	($45,262,724)	$50,587,944	($2,695,023)
Previous AUM	$847,220,531	$823,237,487	$817,837,100	$753,172,897	$798,829,765

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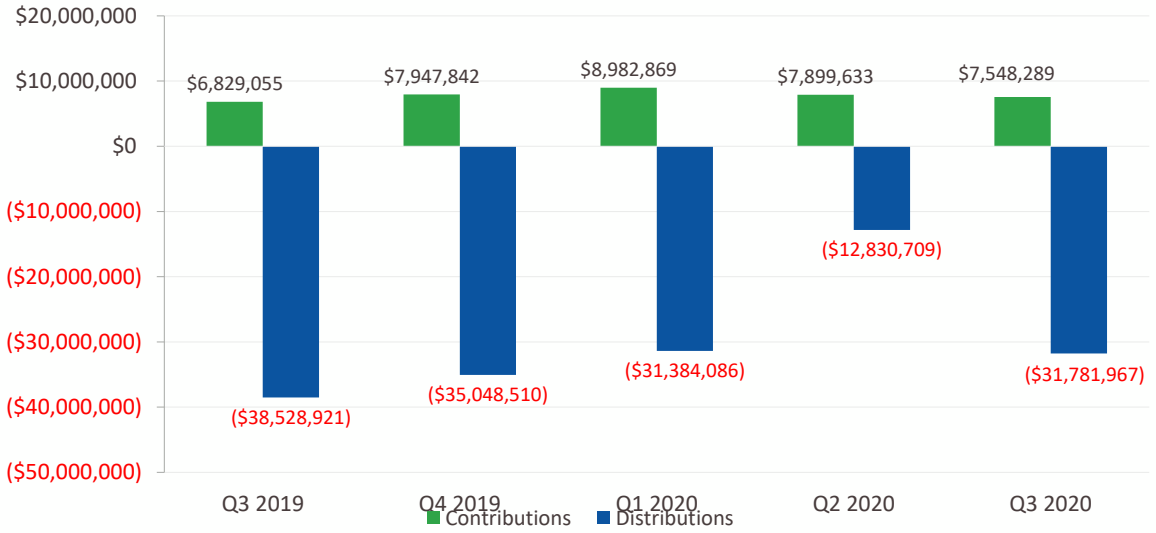
Contributions & Distributions

Distributions are back near trend, but trailing same quarter in 2019, possibly affected by COVID-19.



23 *Information Classification: Public*

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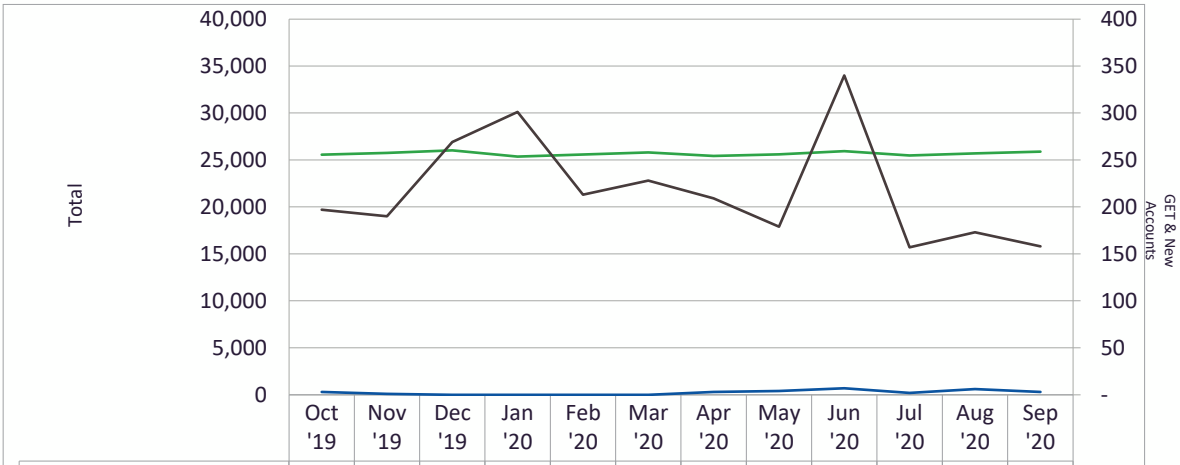
Cumulative Account Growth – Last Twelve Months



	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20	Sep '20
Total Funded Accounts	25,560	25,750	26,019	25,356	25,569	25,797	25,41	25,59	25,93	25,47	25,68	25,88
GET Rollover	3	1	-	-	-	-	3	4	7	2	6	3
New Accounts	197	190	269	301	213	228	209	179	340	157	173	158

24 *Information Classification: Public*

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DreamAhead Investment Update

Q3 Investment Performance

- All Static and Year of Enrollment portfolios have met their respective benchmarks in Q3 2020, year-to-date, and trailing 12 month period.
- No remedial action is necessary.
- There are no funds on the Watch List. All funds have performed as expected.

*****Review "Investment Advisory Report – Second Quarter 2020" for more details*****

25 *Information Classification: Public*

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WA529 Outlook

2020 and Beyond

Strategic Planning discussion

Building a roadmap to help more Washington families save more money for future education expenses

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WA529 Outlook
2020 and Beyond

WA529 WASHINGTON COLLEGE SAVINGS PLANS

Key Outcome for November and January:

➢ Determine WA529's mission/purpose

Considerations:

- Fully develop high-level strategy before diving into tactics
- Consider WA529's fit within and support of WSAC Strategic Framework
- This state sponsored program should be more than just passing along a federal tax benefit
- Explore new programs/initiatives/features to add value for Washingtonians and better serve underrepresented communities

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WA529 Outlook
2020 and Beyond

WA529 WASHINGTON COLLEGE SAVINGS PLANS

Key themes from September Committee Meeting

- State not just offering avenue to a federal tax benefit – greater public policy purpose
- Put 529 plans into framework of how to make college more affordable for more families and help boost college accessibility and attendance of disadvantaged groups
- Help WA residents save for various needs and take full advantage of plans flexibility
- Take a holistic approach/view, with a focus on equity and diversity
- Determine how to distinguish our plans from others, determine where we are competitive and where are we not, and better understand the market
- Look at case studies/best practices from other states, especially where it has led to better outcomes for students and families
- Consider a joint meeting with council and consider WA529's role in the WSAC strategic framework

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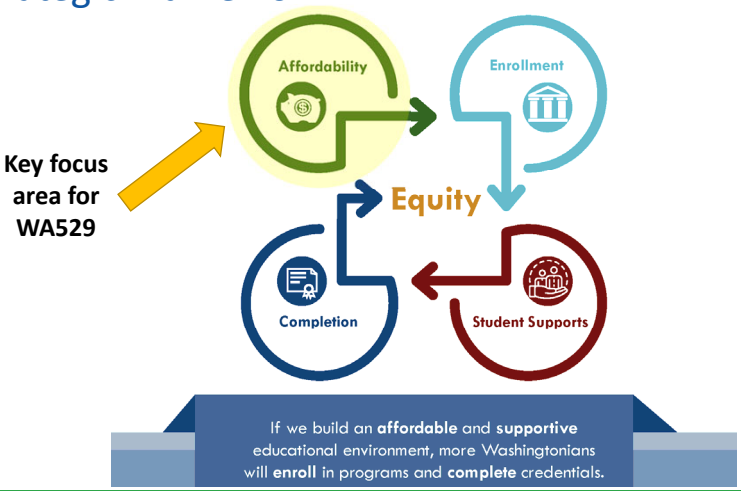
WA529 Outlook
2020 and Beyond

WA529 WASHINGTON COLLEGE SAVINGS PLANS

WSAC Strategic Framework



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WA529 Outlook
2020 and Beyond

WA529 WASHINGTON COLLEGE SAVINGS PLANS

Next steps

Begin developing strategic framework

- Continue discussion to define mission/purpose
- Develop preliminary goals and measures
- Begin developing a more detailed timeline for development and implementation
- Identify resource needs (e.g. should we create any workgroups or subcommittees?)

Review progress on WA529 data dashboard development

- Settle on key measurement areas and inputs

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2020 GET Actuarial Valuation Report Overview

Sarah Baker
Michael Harbour
Office of the State Actuary

Marc Webster
WSAC Director of External Affairs

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2020 GET Actuarial Valuation Report Overview

Presentation to: WA529 Committee

Michael Harbour, ASA, MAAA, Actuary
Sarah Baker, Actuarial Analyst

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"Supporting financial security for generations."

November 12, 2020

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Today's Presentation

2020 GET Actuarial Valuation Results

- Summary of the updated actuarial analysis to help evaluate plan health
- Key assumptions used in the actuarial analysis
- Significant factors in this year's valuation

Interpretation of 2020 Results

- Risk inherent in actuarial measurements
- Historical funded status and tuition growth
- Sensitivity of results to assumptions and methods

Factors That May Influence 2021 Results

- GET Experience Study
- External factors that may impact actuarial analysis

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Summary of Contract Data and Key Assumptions

Contract Summary	2020	2019
Number of Current Contracts	67,153	67,215
Number of Units Outstanding	10,289,070	10,418,088

Key Assumptions	
Investment Return	
All Years	4.75%Notes:
Tuition GrowthNotes: Notes:	
2020-21	2.4%
2021-29	5.5%
2029-31+	5.0%

Notes: Target asset allocation: 40% global equities; 60% fixed income.
Notes: Open academic school year

- Lowered assumed rate of investment return from 5.25% to 4.75% based on the new asset allocation, WSIB's 2019 CMAs, simulated returns over a 15-year period, and anticipated long term market impacts from the current recession
- Tuition growth assumptions updated to reflect adopted tuition growth rates for 2020-21 academic school years; OSA best estimate, unchanged from last year, thereafter

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Funded Status Summary

Funded Status Summary		
(Dollars in Millions)	2020	2019
Present Value of Future Obligations	$1,190	$1,108
Present Value of Fund	$1,559	$1,456
Funded Status	131.0%	131.3%
Reserve/(Deficit)	$369	$347

- June 30, 2020, actuarial valuation results compare to roll-forward results of 132% and $375 million for the funded status and reserve respectively
- Please see the *June 30, 2020, GET Actuarial Valuation Report* for all supporting information

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Summary Comments on 2020 Results

Significant factors for this year's valuation include the following

- Reduction to the prospective assumed rate of investment return from 5.25 percent to 4.75 percent (decrease to funded status)
- Investment returns of 7.40 percent exceeding the expected 5.25 percent for the plan year ending June 30, 2020 (increase to funded status)
- The addition of new units purchased after last year's actuarial valuation
- See gain/loss analysis in full report for further details

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Risks Inherent in Actuarial Measurements

- Caution should be exercised when reaching conclusions or taking actions based on a single, point-in-time measurement
- Changes to assumptions, or experience that plays out differently than expected, can lead to significant changes in the measurements
- Higher likelihood short-term experience will deviate from our assumptions in 2021

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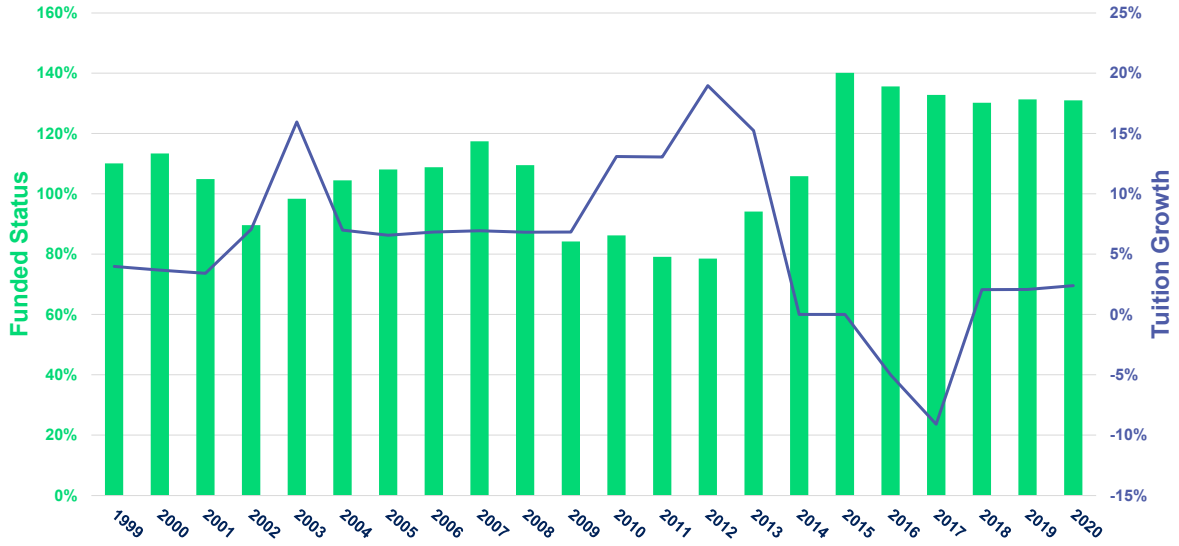
Funded Status and Tuition Growth History



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Sensitivity of Funded Status to Asset Valuation Method

- Funded status also sensitive to the asset valuation method
- Best estimate funded status based on the market value of assets
- We show the funded status under an actuarial (or smoothed) value for comparison

Sensitivity to Market Fund Value		
Closed ProgramNotes:		
(Dollars in Millions)	Best Estimate	Actuarial Fund Value
PV of Fund	$1,559	$1,538
PV of Obligations	$1,190	$1,190
Reserve/(Deficit)	$369	$348
Funded Status	131%	129%

Note: PV means Present Value.
Notes: Based on current contracts only, no future unit sales.

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Sensitivity of Results to Key Assumption Changes

Sensitivity of Results to Key Assumptions (Closed ProgramNotes:)							
	Tuition Growth			Investment Return			
(Dollars in Millions)	+1% Tuition	Best Estimate	-1% Tuition	-2% Return	-1% Return	Best Estimate	+1% Return
PV of Fund	$1,559	$1,559	$1,559	$1,568	$1,564	$1,559	$1,555
PV of Obligations	$1,263	$1,190	$1,124	$1,364	$1,272	$1,190	$1,117
Reserve/(Deficit)	$297	$369	$436	$205	$291	$369	$439
Funded Status (as of June 30)	123%	131%	139%	115%	123%	131%	139%

Notes: Based on current contracts only, no future unit sales.

- Results sensitive to changes in assumed rates of tuition growth and investment return ("return")
- Table above illustrates how the results of our "best estimate" change when we vary the assumed rates of tuition growth and investment return

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Factors That May Influence 2021 Results

- A new GET Experience Study where we take a deep dive into key assumptions including
  - Tuition growth
  - Investment return
  - New entrant profile
- The results of the experience study, 2021 actuarial valuation, and price-setting analysis for the 2021-22 enrollment period may be influenced by
  - Updated Capital Market Assumptions
  - 2021-23 Biennium tuition policy

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Questions?

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Questions? Please Contact: The Office of the State Actuary

leg.wa.gov/OSA; state.actuary@leg.wa.gov

360-786-6140, PO Box 40914, Olympia, WA 98504

Michael Harbour and Sarah Baker

O:\GET\2020\2020GAVROverview-11.12.20.pptx

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"Supporting financial security for generations."

November 12, 2020

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Funded Status Details

- Program Obligations include the present value of administrative expenses; administrative expenses provided by GET program staff
- Fund Value includes the present value of monthly contract receivables

2020 Funded Status	
(Dollars in Millions)	
Obligations	
a) Present Value of Unit Redemptions	$1,161
b) Present Value of Administrative Expenses	$30
c) Present Value of Obligations (a+b)	$1,190
Market Fund Value	
d) Assets	$1,458
e) Present Value of Monthly Contract Receivables	$102
f) Present Value of Fund (d+e)	$1,559
Calculation of Funded Status	
g) Present Value of Fund (f)	$1,559
h) Present Value of Obligations (c)	$1,190
i) Ratio of Market Fund Value to Obligations (g/h)	131.0%
j) Reserve / (Deficit) (g-h)	$369

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Legislative Report Review

Luke Minor

Director, WA529

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FY2020 Rollover Report

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- RCW 28B.95.045 requires the Committee to report out annually on rollover activity in and out of DreamAhead.
- 84% of the rollovers from DreamAhead to out-of-state plans were for accounts that originally rolled over from GET as part of the incentive program offered by Senate Bill 6087 (2018).

*****See "DRAFT Washington College Savings Plans Rollover Report" in meeting materials.*****

GET and DreamAhead Rollovers – State Fiscal Year 2020

Rollover Type	Number of Accounts
Incoming Rollovers From Out-of-State Plans	
Rollovers into GET	63
Rollovers into DreamAhead	61
Outgoing Rollovers to Out-of-State Plans	
Rollovers from GET	68
Rollovers from DreamAhead	558
Rollovers between GET and DreamAhead	
Rollovers from GET to DreamAhead	28
Rollovers from DreamAhead to GET	29

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DreamAhead Fee Report

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- RCW 28B.95.087(3) limits annual fees to participants for any investment option to 50 bp (0.5%).
- Effective December 1, 2020, total annual asset-based fees vary from 0.254% to 0.333%, depending upon the Portfolio(s) a participant chooses.
- Since this report was last updated in December 2019, DreamAhead has again been able lower asset-based fees for participants. The most notable decreases occurred in the more conservative investment options, primarily due to a change in the underlying money market fund (e.g. Cash Preservation portfolio fees were lowered by 7 bps).

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DreamAhead Fee Report

WA529 WASHINGTON COLLEGE SAVINGS PLANS

- DreamAhead received a "Bronze Medal" in Morningstar's 2020 529 plan ratings. As part of this rating, Morningstar determined that DreamAhead's fees were "Below Average," which garnered a "Positive" rating in their "Price" pillar.
- DreamAhead continues to be rated highly by savingforcollege.com, based on their "5-cap" rating system. As of November 1, 2020, DreamAhead was rated 5 out of 5 caps for in-state residents and 4.5 out of 5 caps for out-of-state residents, with a "Fee Score" of 4.5 out of 5.

*****See "DRAFT DreamAhead College Investment Plan Program Fees Report" in meeting materials.*****

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Public Comment

Share Your Thoughts

Process

- Submit written comment or request to provide verbal comment via Zoom comment window or 'Raise Hand' feature.
- You can submit written comments
  - Send to GETInfo@wsac.wa.gov and include the subject line: "GET Committee Statement."

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Next Regular meeting

WA529
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January 20, 2021

2:00 pm – 4:00 pm

Location TBD

(Expected to be virtual via Zoom)

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Adjournment

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