

# **WA529 Committee Meeting**

## **Tuesday, January 7, 2020**

**John A. Cherberg Building, Capitol Campus**  
**Senate Hearing Room 3**  
**Olympia, WA 98504**  
**2:00 p.m. – 4:00 p.m.**

### **AGENDA**

Call to Order: Welcome

- Member Introductions: Welcome New Committee Member INFORMATION
- Approval of the November 13, 2019 Minutes ACTION
- Program Updates INFORMATION  
*Luke Minor, WA529 Director*  
*Sally Riefenstahl, Account Executive, Sundry Administration*
- GET Asset Allocation Update INFORMATION  
*Aileen Liu, Assistant Senior Investment Officer, WSIB*
- DreamAhead Investment Update INFORMATION  
*Matt Forester, Director, Lockwood Advisors*
- DreamAhead Policy Goals ACTION  
*Luke Minor, WA529 Director*
- DreamAhead and GET Program Details Supplements ACTION  
*Luke Minor, WA529 Director*
- WA529 Marketing/Business Development Update INFORMATION  
*Rodger O'Connor, WA529 Associate Director for Mktg. & Comm.*
- Public Comment
- Adjournment

**Next Regularly Scheduled Meeting:**  
**Wednesday, May 6, 2020**  
**John A. Cherberg Building, Olympia**  
**Senate Hearing Room 3**  
**2:00 p.m. – 4:00 p.m.**

**WA529 Committee Meeting Minutes**  
**November 13, 2019**  
**John A. Cherberg Building, Capitol Campus**  
**Senate Hearing Room 1**

**WSAC Staff in Attendance:**

Lucas Minor, Director of College Savings Plans  
Christina Crawford, GET Administrative Assistant  
Daniel Payne, Communications Specialist  
Betsy Hagen, Associate Director of Operations  
Rodger O'Connor, Associate Director for Marketing & Communications

**Guests in Attendance:**

Matt Smith, Office of the State Actuary  
Sarah Baker, Office of the State Actuary  
Chris Phillips, Washington State Investment Board  
Allison Tucker, Washington State Investment Board  
Brenda Snyder, Office of the State Treasurer  
Jen Merchant, Office of the State Treasurer  
Rick Brady, Office of the Attorney General  
Doug Magnolia, BNY Mellon  
Jim Balsan, BNY Mellon  
Ryan Lobdell, Meketa Investment Group

**WELCOME**

Don Bennett, Deputy Director of the Washington Student Achievement Council (WSAC) and proxy for Mike Meotti, Chair of the WA529 Committee, called the meeting to order at 2:05 p.m. The other WA529 Committee members in attendance were Brenda Snyder, proxy for Treasurer Duane Davidson, and Director of the Office of Financial Management (OFM), David Schumacher.

**APPROVAL OF THE SEPTEMBER 11, 2019 MINUTES**

Motion to approve the September 11, 2019 minutes by Brenda Snyder. Second by Schumacher. Three ayes by Bennett, Schumacher and Snyder. Motion carries and minutes approved as presented.

**APPROVAL OF THE 2020 WA529 COMMITTEE MEETING CALENDAR**

The 2020 WA529 Committee Meeting Calendar calls for regular meetings of the Committee in Olympia on January 7, May 6, September 9, and November 12. Motion to approve the Committee Meeting Calendar by Brenda Snyder. Second by Schumacher. Three ayes by Bennett, Schumacher and Snyder. Motion carries and calendar approved as presented.

**PROGRAM UPDATES**

Luke Minor, WA529 Director, provided a GET Program update. GET currently has 66,000 accounts with 10.2 million unredeemed units. Lump Sum accounts make up 48,000 and Custom Monthly accounts make up 17,000. New enrollment numbers have been similar to what they were

last year at this time. Fiscal year-to-date, GET has distributed a total of \$26.3 million. Minor reviewed further details on GET distribution activity and account holder demographics. Doug Magnolia, CEO, Sundry Administration introduced Sally Riefenstahl, senior client executive for Sundry, who will take over being the primary contact for DreamAhead. Magnolia followed with a DreamAhead update. As of September 30, 2019, DreamAhead had \$823 million in assets under management with 26,000 funded accounts. There were 475 new accounts opened and 276 accounts in the third quarter. Magnolia gave an overview of DreamAhead cash flows for the quarter, as well as rollover statistics and spoke about a prospective partnership with Gift of College, a third-party entity that allows employers to activate payroll deduction to 529 plans.

Minor provided an update on reports due to the Legislature in the coming months. One report covers rollover activity between GET and DreamAhead and between each plan and out-of-state 529 plans for State Fiscal Year 2019. The second report, due to the Legislature by December 1, provides an update on the fees charged by DreamAhead to program participants. Minor presented the high-level findings of these reports, including that: the majority of FY19 rollover activity was driven by the implementation of Senate Bill 6087; and that DreamAhead fees are in compliance with statutory requirements and have been modestly reduced since the plan opened. Minor also provided notice to the Committee of another upcoming report due to the Legislature before the start of the 2020 Legislative Session that provides objectives and performance measures on five statutorily defined policy goals for DreamAhead. He stated that staff would workshop this with the Committee at the January Committee meeting.

Bennett commented that since the rollover and fee reports were straightforward technical reports and did not involve significant policy decisions, staff could proceed with submitting the reports.

### **GET INVESTMENT UPDATE**

Chris Phillips, Director of Institutional Relations for the Washington State Investment Board (WSIB), provided a Third Quarter GET Investment Report. As of September 30, 2019, the GET fund's market value of assets was \$1.36 billion, including \$18.4 million in cash, \$542 million in fixed income and \$802 million in equity. Asset growth has been stable over the course of 2019. Total return performance is 0.74% for the third quarter and 4.24% for the one-year period ending September 30, 2019.

### **GET ASSET ALLOCATION STUDY**

Ryan Lobdell, Principal for Meketa Investment Group, gave an overview of the GET Program Asset Allocation Study. The Committee last reviewed an allocation policy for the GET Program in late 2014. The current investment allocation is a mix of 60% public equity and 40% fixed income. GET is 132% funded with \$350 Million in reserve as of June 30, 2019. Lobdell noted that their recommendation is that the WSIB adopt a 40% equity, 60% fixed income allocation after elaborating on Meketa's findings.

Bennett stated that he believes that the findings are sound and make sense in regards to managing risk with asset allocation and that Meketa could go forward to the WSIB meeting with the recommended asset allocation.

## **DREAMAHEAD INVESTMENT REVIEW**

Matt Forester, Director, Lockwood Advisors, provided a Third Quarter DreamAhead Investment Review. Forester offered commentary on capital markets in the third quarter, including that economic indicators were mixed and markets have been generally optimistic despite political and geopolitical risks. All of DreamAhead's Static and Year of Enrollment portfolios have met their respective benchmarks in the third quarter of 2019 and year to date 2019 through September 30, 2019. No remedial action is necessary and there are no funds on the watch list.

## **2019 GET ACTUARIAL VALUATION REPORT**

State Actuary, Matt Smith, reported that as of June 30, 2019 the funded status for the GET Program is 131.3% with a \$347 million reserve. Smith reviewed significant factors impacting this year's GET Actuarial Valuation Report (GAVR) including: lower than expected investment returns for the plan year, higher than expected distributions for the plan year, lower than expected tuition growth for the plan year and a reduction to the assumed rates of investment return and tuition growth. As of June 30, 2019, the assumed rate of investment return is 5.25% based on new capital market assumptions from WSIB. This is down from 5.65% as of June 30, 2018. Tuition growth assumptions were updated to reflect tuition growth rates for 2019-2021 academic school years that were adopted as part of the state's 2019-2021 biennial operating budget.

Sarah Baker, Actuarial Analyst with the Office of the State Actuary, explained methodology changes from the last GAVR. The GAVR includes the new measure used to determine the expense component in the unit price, which reflects the estimated cost to administer currently unredeemed units until all units are redeemed. Additionally, the GAVR, while still based on a "best estimate" value of assets figure now includes a smoothed figure to provide additional information to the Committee about the sensitivity of GET's point-in-time funded status measurement. If future decisions require a measure of the funded status, both methods will be available to use and compare.

Marc Webster, Director of External Affairs for WSAC, gave an explanation of his role with the GET Actuarial Valuation Report, including reviewing the data provided by WSAC to the Actuary's Office. Webster stated that he believes everything in the report to be complete and accurate.

## **WA529 MARKETING/BUSINESS DEVELOPMENT UPDATE**

Rodger O'Connor, Associate Director for WA529 Marketing & Communications, gave an overview of current marketing efforts. Beginning in late October, staff began targeting two groups, savers and giftors, using a media strategy mix that includes broadcast TV and radio and increased digital media as well as billboards, magazines, partnerships and outreach events.

## **PUBLIC COMMENT**

No public comment

## **ADJOURNMENT**

Snyder motioned to adjourn meeting, seconded by Schumacher. Motion carried. Meeting adjourned at 3:55 p.m.

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

# WA529 Committee Meeting

January 7, 2020



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## Welcome


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### Welcome

New Committee Member:

Linden Rhoads

- General Manager, The W Fund
- Director/Founder, Seattle Ventures
- Former Vice Provost, UW Center for Commercialization



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## Welcome

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### Approve Meeting Minutes

November 13, 2019



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## Program Updates

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Luke Minor  
Director, WA529

Sally Riefenstahl  
Account Executive, Sunday Administration



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## GET Program Updates

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### 2019-20 GET Enrollment Period



- **Details**

- Enrollment dates: **11/01/2019 – 05/31/2020**
- Unit purchase price: **\$121**

- **Account statistics**

- Total Accounts: **66,505**
  - Lump Sum: **48,817** (73%)
  - Custom Monthly: **17,688** (27%)

- **Update on new enrollments (as of 12/28/19)**

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## GET Program Updates

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### GET Contributions and Distributions

*(as of December 28, 2019)*

#### Money Received by Payment Method

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total dollars received	<b>\$15.8M</b>	<b>\$32.4M</b>	<b>\$8.5M</b>	<b>\$12.9M</b>
Electronic payments	\$11.3M	\$25M	\$5.9M	\$9.7M
Paper checks	\$3.6M	\$6.5M	\$1.7M	\$2.2M
Gift payments	\$483K	\$496K	\$485K	\$729K
Payroll deduction	\$349K	\$352K	\$344K	\$310K

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## GET Program Updates

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### GET Contributions and Distributions

(as of December 28, 2019)

#### Money Sent by Distribution Method

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY20 to date
Total Distributed	\$16.5M	\$8.5M	\$20.9M	\$12.4M	\$33.3M
Payments to Schools	\$10.9M	\$5M	\$13.7M	\$7.7M	\$21.4M
Reimbursements	\$5.6M	\$3.5M	\$7.2M	\$4.7M	\$11.9M
Students Using Units	4,111	2,555	4,183	3,164	5,734

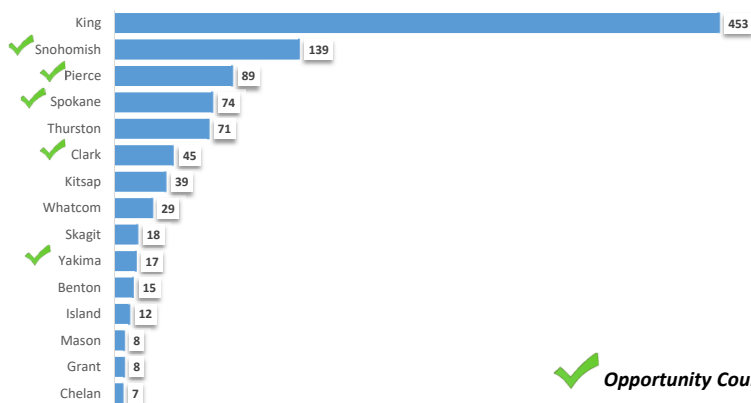
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## GET Program Updates

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### GET Enrollments by County

2019 Enrollment period – as of December 28, 2019



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## DreamAhead Program Update

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Sally Riefenstahl  
Account Executive, Sunday Administration




See [“DreamAhead January 7, 2020 Committee Report”](#)

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## DreamAhead ratings

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DreamAhead received its first ever “cap” rating

- Received a 5-cap rating for in-state residents
  - Highest possible rating
  - Signifies “outstanding flexibility, attractive investments, and additional economic benefits”

Expect to be rated by Morningstar by end of 2020

- Based on 5 pillars: Process, People, Parent, Performance, and Price

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## SECURE Act 2020

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### Key Provisions Affecting 529 Accounts

- Signed into law December 20, 2019
- Allows 529s to be used for:
  - Apprenticeship programs
  - Qualified education loan repayments
- Provisions effective retroactively to December 31, 2018
  - Created brief window for 2019 reimbursements (final weeks of December)



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## SECURE Act 2020

**WA529**  
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### WA529 communicated 2019 reimbursement opportunity to all customers:

- Home page alerts on GET and DreamAhead sites
- Mass emails sent to all account owners
- Social media alerts: Facebook, Twitter, Instagram
- FAQs added to websites
- Talking points distributed to Contact Centers



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## Children's Savings Accounts

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### WA529 closely following Children's Savings Accounts (CSA) policy developments:

- Savings accounts typically for young students
- Seed and/or matching dollars provided by government or charitable entities
- Often connected with state 529 plans
- Continued interest within Washington to offer a statewide plan connected with GET or DreamAhead
  - Legislation ran for past several state Legislative Sessions and planned for 2020
- Currently local or statewide programs in 34 US states, including Washington state

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## Children's Savings Accounts

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### WA529 in discussions with Tacoma Housing Authority (THA) about providing service to the Salishan CSA program:

- THA received board approval to explore feasibility of working with WA529 to support their CSA program
- Preliminary meetings between WA529 and THA staff to explore possible options, including:
  - Leverage existing GET master scholarship account infrastructure
  - Develop custom interface
  - Integrate with possible future statewide CSA rollout



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## Legislative Updates

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- **WA529 Presented to the Joint Higher Education Committee on November 22, 2019:**
  - Update on enrollment, distribution, GET pricing, GET valuation, and DreamAhead deficit spending plan updates
  - Gave overview of the DreamAhead legislative reports approved at November 13, WA529 Committee Meeting
    - Fee report and rollover report
  - Provided a recap of SB 6087 implementation

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## GET Asset Allocation Update

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Aileen Liu

Assistant Senior Investment Officer,  
Washington State Investment Board



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## DreamAhead Investment Update

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Matt Forester  
Director, Lockwood Advisors



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## DreamAhead Policy Goals

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Luke Minor  
Director, WA529

Review of report to  
the Legislature



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## DreamAhead Policy Goals

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### Purpose

Set objectives and performance measures and provide an update to the Legislature on five statutory policy goals (per RCW 28B.95.032(10)):

- Process
- People
- Parent
- Performance
- Price

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## DreamAhead Policy Goals

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### **Process**

To have an investment manager design a thoughtful, well-diversified glide path for age-based portfolios and offer a robust suite of investment options

### **Objectives**

- Offer a customizable but user-friendly set of investment portfolios
- Ensure portfolios are continually monitored and adjusted as needed
- Continue offering new investment options that are of interest to savers

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<b>DreamAhead Policy Goals</b>	
<p><b>People</b></p> <p>To have a well-resourced, talented, and long-tenured investment manager.</p> <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Secure experienced and capable program and investment managers</li> <li>• Ensure underlying funds are sourced from reputable fund managers</li> <li>• Ensure consistent and continued performance from program, investment, and underlying fund managers</li> </ul>	
<div>21</div>	

<b>DreamAhead Policy Goals</b>	
<p><b>Parent</b></p> <p>To demonstrate that the Committee is a good caretaker of college savers' capital and can manage the plan professionally.</p> <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Ensure strong state administrative management, including effective contract oversight</li> <li>• Ensure program participants are satisfied with DreamAhead and their interests are protected</li> </ul>	
<div>22</div>	

## DreamAhead Policy Goals

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### Performance

To demonstrate that the program's options have earned their keep with solid risk-adjusted returns over relevant time periods.

#### Objectives

- Ensure each investment portfolio meets performance expectations
- Receive positive reviews from ratings firms based on performance

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## DreamAhead Policy Goals

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### Price

To demonstrate that the investment options are a good value.

#### Objectives

- Achieve positive plan rankings from 529 plan ratings outlets
- Reduce and eventually eliminate the account maintenance fee
- Continue growing program participation to drive down asset-based fees

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## DreamAhead Policy Goals

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### Additional information

- These preliminary objectives and performance measures represent a starting point
- Over the course of 2020, we plan to develop a dashboard for both DreamAhead and GET where these (and added objectives and measures) are tracked and visible to stakeholders and the public
- DreamAhead has already seen positive rankings from ratings outlets, but we still want to drive down fees and continue monitoring the customer experience
- We plan to conduct customer surveys throughout 2020 support these efforts

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## DreamAhead Policy Goals

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### Considerations before the Committee

- Should we adopt these preliminary objectives and performance measures?
- Does the Committee approve of the report as presented for submission to the Legislature?

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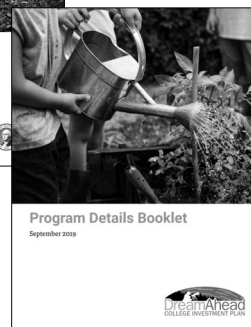
## Program Details Supplements

**WA529**  
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Luke Minor  
Director, WA529

### Review Supplements to:

- GET Program Details Booklet
- DreamAhead Program Details Booklet



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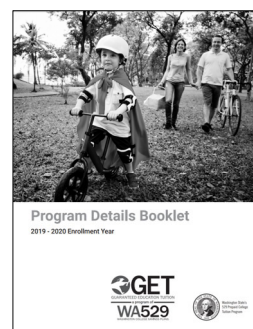
## Program Details Supplements

**WA529**  
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### Supplements required to cover changes enacted by the SECURE Act

#### Key Revisions, GET:

- Adds Apprenticeship Program, Education Loan Repayment, and Qualified Education Loan to Definitions section
- Revises definition of Qualified Higher Education Expenses to include Apprenticeships and Education Loan Repayment
- Adds references to Education Loan Repayments and Apprenticeship Programs to multiple sections



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## Program Details Supplements

**WA529**  
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Supplements required to cover changes enacted by the SECURE Act

### Key Revisions, DreamAhead:

- Adds Apprenticeship Program, Education Loan Repayment, and Qualified Education Loan to Glossary section
- Revises definition of Qualified Higher Education Expenses to include Apprenticeships and Education Loan Repayment
- Adds references to Education Loan Repayments and Apprenticeship Programs to multiple sections



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## Program Details Supplements

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### Consideration before the Committee

- Does the Committee approve of the proposed supplements to the GET and DreamAhead Program Details Booklets?

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## WA529 Marketing Update

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

Rodger O'Connor

WA529 Associate Director for Marketing & Communications

- Fall Media Update
- Year to Year Performance
- Spring Media Preview

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## WA529 Marketing Update

**WA529**  
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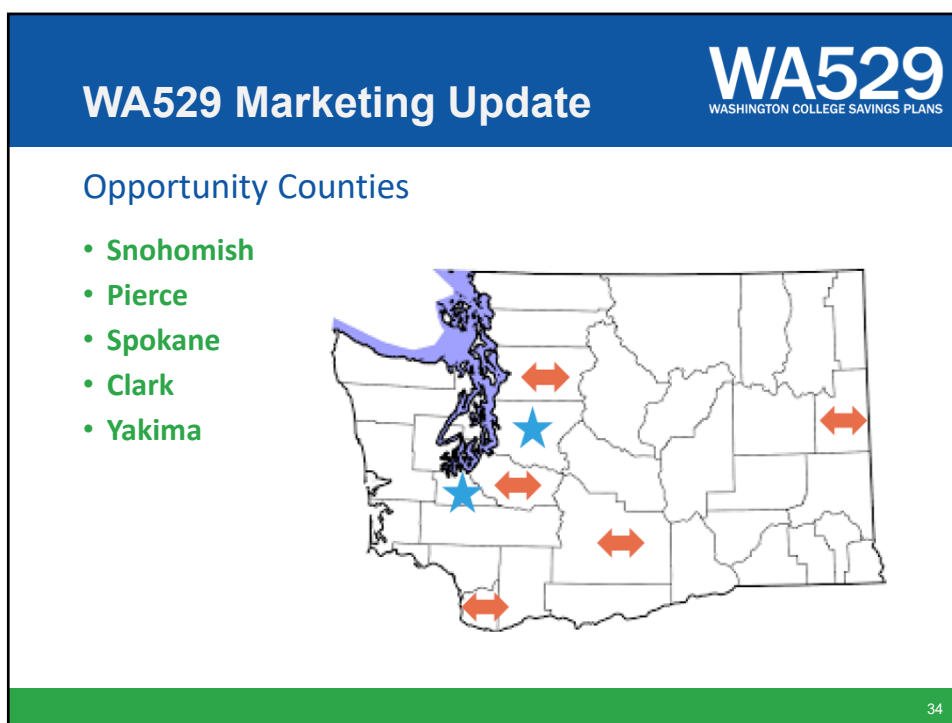
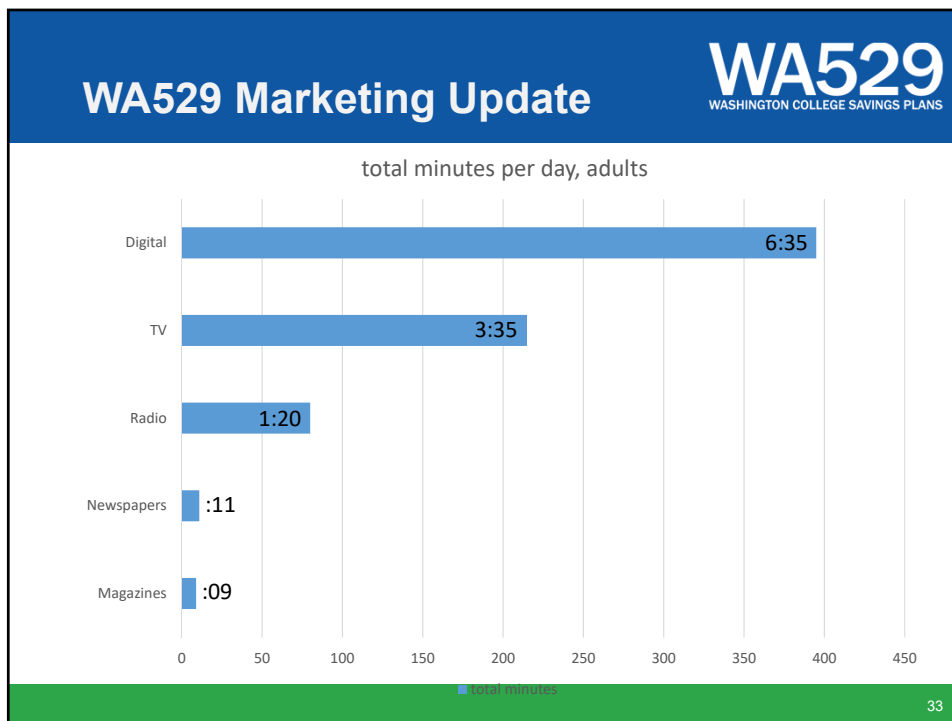
### Paid Media Strategy

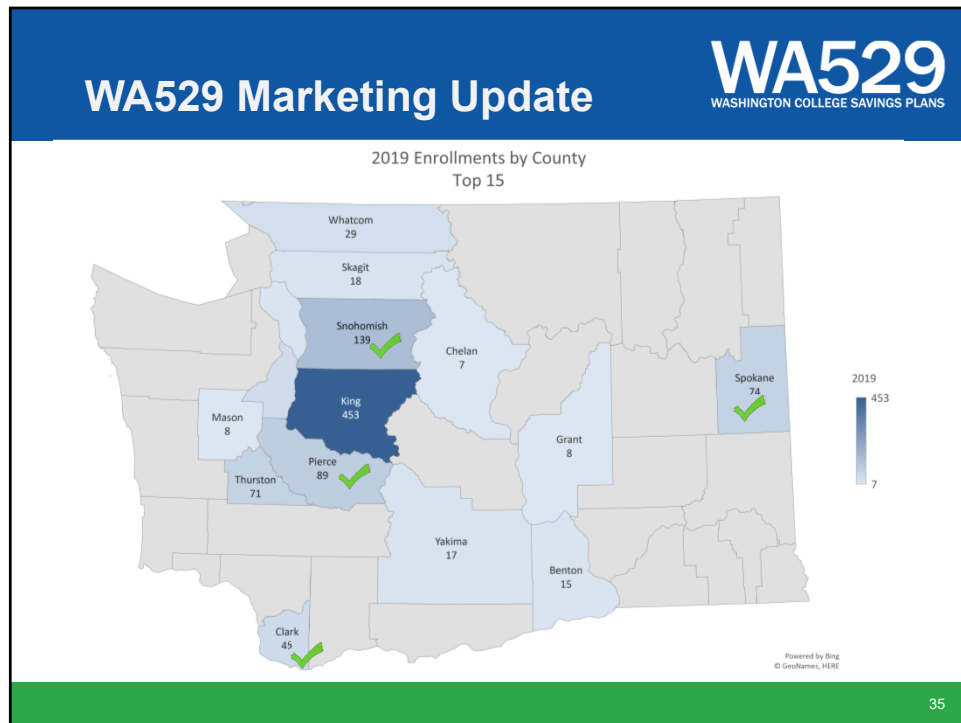
- **Broadcast TV & Radio**
  - Provides Reach, Awareness, Legitimacy



- **Increased Digital media**
  - Paid Social
    - Facebook, Twitter, Instagram
  - Paid Search
  - Display
  - Video

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## WA529 Marketing Update



WASHINGTON COLLEGE SAVINGS PLANS

### Fall Media Tour

**12 interviews**

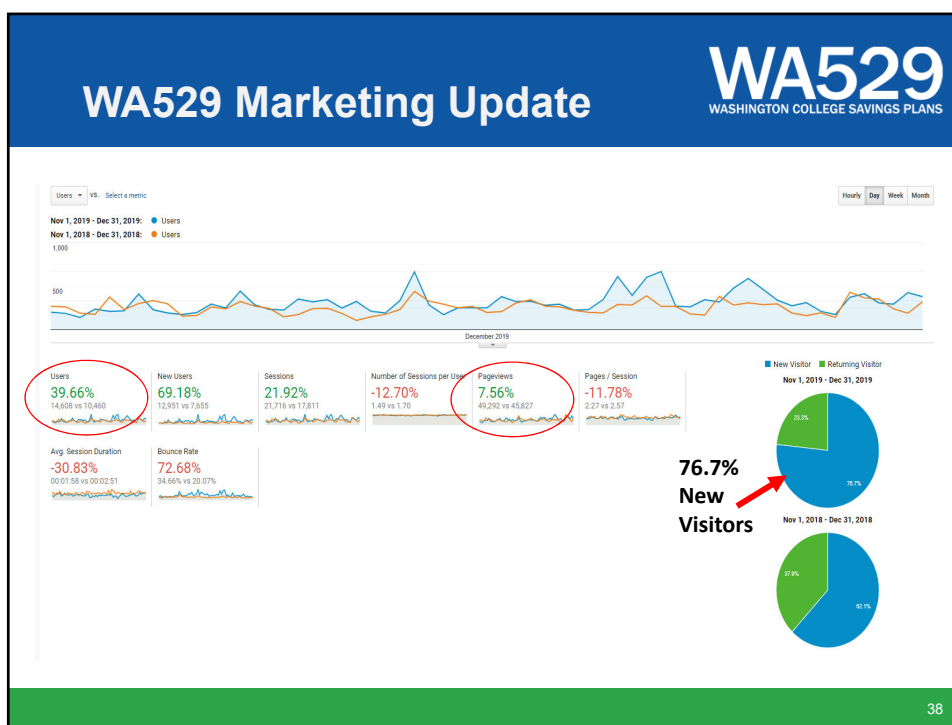
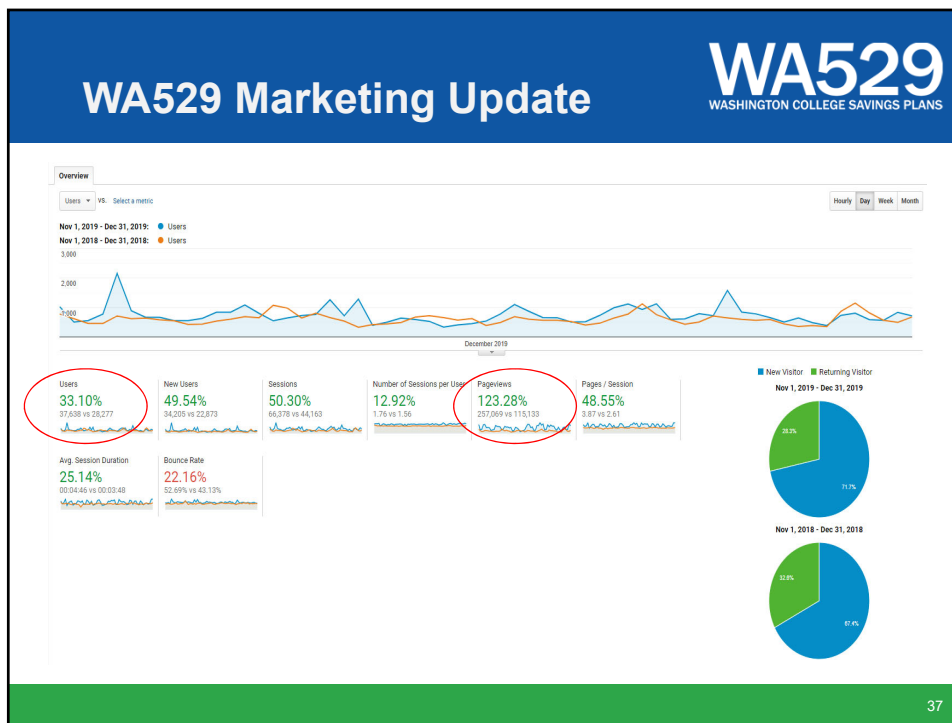
**20 Radio stations**

**5 TV stations**

**4 media markets**



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## WA529 Marketing Update

**WA529**  
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### WA529 Digital Media Performance

#### PERFORMANCE BY CHANNEL

CHANNEL	IMPRESSIONS	CLICKS	CTR	CONVERSIONS	CPA
<b>Display</b>	8,837,983	9,961	0.11%	\$732.00	\$26.74
<b>Native</b>	2,180,226	2,484	0.11%	\$247.00	\$34.09
<b>Paid Search</b>	35,135	6,383	18.17%	\$837.00	\$12.38
<b>Paid Social</b>	4,298,376	9,390	0.22%	\$391.00	\$98.82
<b>Video</b>	561,041	2,923	0.52%	\$101.00	\$50.89

2,308

CONVERSIONS

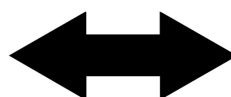
Updated on 1/2/20

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## WA529 Marketing Update

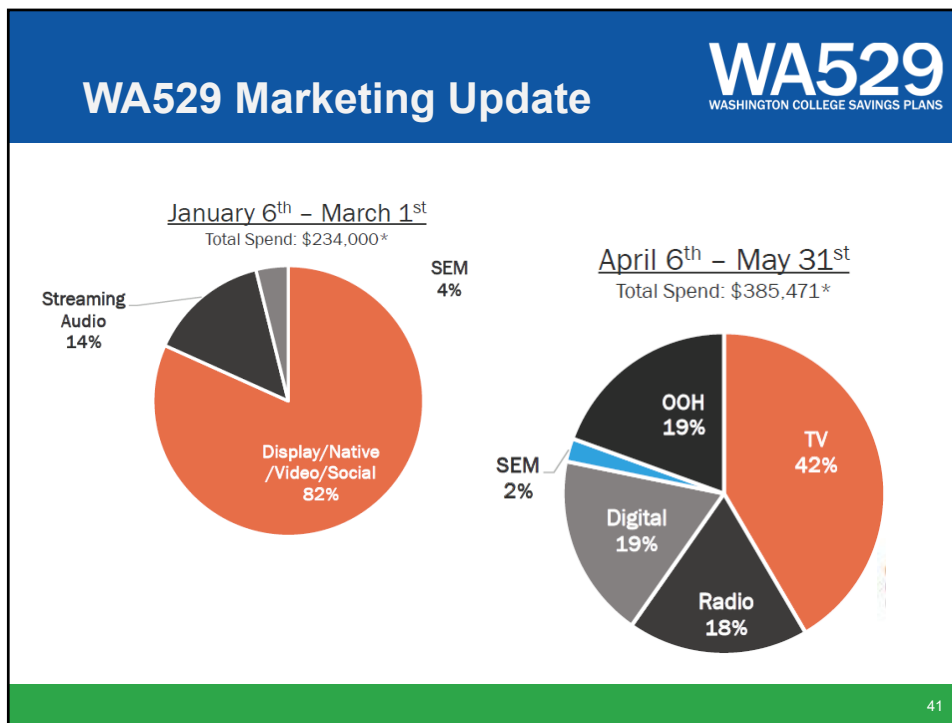
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### Enrollment Comparison 2018 - 2019



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## Public Comment

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### Share Your Thoughts

- Process
  - Sign-up sheet
  - Three minutes per individual
  - You can submit written comments
    - Send to [GETInfo@wsac.wa.gov](mailto:GETInfo@wsac.wa.gov) and include the subject line: "GET Committee Statement."



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## Next Regular Meeting

**WA529**  
WASHINGTON COLLEGE SAVINGS PLANS

**May 6, 2020**  
2:00 pm – 4:00 pm  
John A. Cherberg Building  
Capitol Campus, Olympia  
Senate Hearing Room 2



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**WA529**  
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## Adjournment



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**2020**

## **Committee Report**

January 7, 2020



## **Agenda**

- Sunday Security Enhancements
- Security Application Enhancements
- Employer Learnings to Date
- Fraud Monitoring

## Sunday Security Enhancements

### Early 2020

- Email sent to account owner when new login detected in concurrent session
- 2-step authentication requirement for password recovery

### Future 2020

- Plaid: Ability to process micro deposits if required for further authentication

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Information Classification: Public

## Sunday Application Enhancements

### January 2020

- Ability to see prior year contribution amount to college plan for tax filing year

### Early 2020

- Increase withdrawal limit from 90% to 95% for investment/portfolio funds and allow for 100% for cash portfolio/funds
- Ability to request multiple withdrawals on the same fund in the same day

### Future 2020

- Check to Account Owner and/or Beneficiary
- Performance history graphs
- Systematic Withdrawal Establishment/Management Online

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Information Classification: Public

## Employer Learnings To Date

Employee Wellness is a major, current focus of most large corporations

- Emotional, Social, Physical and Financial wellbeing
- Intermediaries are playing a role
  - Consultants, professional organizations
- Key Requirements
  - Appeal to a broad spectrum of employees throughout their “employment lifecycle”
  - Employer assumes no fiduciary responsibility
  - Communication is consistent with company messaging
  - Light lift – one payroll deduction serving multiple purposes
  - Low cost

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Information Classification: Public

## Next Steps

Continue employer discussions / discovery

- Leverage BNY client touchpoints
- Identify employer connection points with state

Engage with consulting firms / professional organizations

- Aon, Hewitt, Limeade <https://www.limeade.com/en/>

Solidify offering to employers / employees

Determine correct operational path(s)

- Gift of College
- Other partners?
- Internal build

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Information Classification: Public

## Fraud Monitoring

### 2019 Recap

- Stolen identities are being used to open DreamAhead accounts online
- Stolen bank accounts are being used to initiate unauthorized transfers into DreamAhead accounts
- \$323k in attempted suspicious/fraudulent contributions across 16 DreamAhead accounts
- 67% of attempted suspicious online account openings were prevented by Knowledge-Based Authentication (KBA)

1 Information Classification: Public

## Fraud Monitoring 2019 Recap

### New Suspicious Activity Controls Implemented

- Account information review for inconsistencies across physical address, IP address, phone number and physical bank branch locations used for funds transfers
- KBA records review for attempted suspicious account openings using the same identity information multiple times
- ACH return report review for returned contributions due to customer transactions that were not authorized, initiated from frozen accounts, invalid or incorrect account numbers, etc.
- Defense reports produced daily to identify suspicious account details that have previously been used to open accounts

### Platform Upgrades

- Plaid identity implementation used to verify name, address, phone number and email address against external bank information
- Suspicious domain blacklist prevents known fraudsters from opening an account using certain email addresses

1 Information Classification: Public

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**DRAFT**

# **DreamAhead College Investment Plan: Policy Goals, Objectives, and Performance Measures Update**

Committee on Advanced Tuition Payment and College Savings  
(WA529 Committee)

***Report to the Legislature***

**January 2020**



## Executive Summary

The DreamAhead College Investment Plan is the state's 529 college investment plan opened in April 2018. When establishing DreamAhead, the Legislature established five policy goals for the program (RCW 28B.95.032(10)):

- (a) **Process:** To have an investment manager design a thoughtful, well-diversified glide path for age-based portfolios and offer a robust suite of investment options;
- (b) **People:** To have a well-resourced, talented, and long-tenured investment manager;
- (c) **Parent:** To demonstrate that the committee is a good caretaker of college savers' capital and can manage the plan professionally;
- (d) **Performance:** To demonstrate that the program's options have earned their keep with solid risk-adjusted returns over relevant time periods; and
- (e) **Price:** To demonstrate that the investment options are a good value.

The Legislature directed the Committee on Advanced Tuition Payment and College Savings (WA529 Committee) to establish objectives and performance measures for these policy goals and provide updates to the Legislature before the start of Legislative Sessions occurring in even numbered years. The WA529 Committee has developed preliminary objectives and performance measures for each of the five policy goals and presents this update to the Legislature, as directed:

- DreamAhead launched in April 2018 with an innovative and diverse lineup of investment options, including year-of-enrollment portfolios and three different risk options, and seven static portfolios. The ten index mutual funds underlying the portfolios are from established and well-regarded fund managers.
- DreamAhead opened with nationally competitive fees, even with limited startup funding, and has already been able to pass along modest fee reductions to participants. As of June 30, 2019, the plan offers the sixteenth lowest average asset-based fees among 51 direct-sold 529 investment plans analyzed. The WA529 Committee remains committed to further reducing fees, including eliminating the plan's account maintenance fee as soon as possible.
- DreamAhead's investment offerings have already been recognized by industry rating outlets such as savingforcollege.com, who in December 2019, assigned DreamAhead a five-cap rating for in-state residents (the highest available rating).
- WA529 selected Sumday Administration, LLC as DreamAhead's program manager and Lockwood Advisors, Inc. as the program's investment manager. These firms are both companies of the Bank of New York Mellon, which has been in operation since 1784 and stewards \$1.7 trillion in public sector assets.

- The program management contract contains various service level agreements and deliverables that guide the Committee and WA529 staff in monitoring the performance of Sundry, Lockwood, and underlying fund managers. WA529 also engages the support of independent experts in managing the program, contract, and participant experience.
- To further evaluate how DreamAhead is helping families reach their savings goals, WA529 intends to conduct formal customer surveys beginning in the 2020 calendar year.

To provide additional transparency on DreamAhead's progress towards meeting the policy goals, WA529 intends to create a performance dashboard over the course of the 2020 calendar year, viewable to the Legislature, stakeholders, and the public. The WA529 Committee will provide a formal update to this report no later than before the start of the 2022 Legislative Session.

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## Introduction

The Washington College Savings Program, better known as the DreamAhead College Investment Plan or DreamAhead, is the state's 529 college investment plan opened in April 2018. Per the program's enabling statute, Chapter 28B.95 RCW, DreamAhead is intended to complement the Advanced College Tuition Payment (GET) program to help families save towards "the full cost of attending college" (RCW 28B.95.032(8)).

DreamAhead is governed by the Committee on Advanced Tuition Payment and College Savings (WA529 Committee) and is supported by the Washington College Savings Plans (WA529) division within the Washington Student Achievement Council (WSAC).

Washington is one of 49 states, along with the District of Columbia, that offers a direct-sold 529 college investment plan directly to the public without an intermediary such as an investment advisor or broker. Unlike prepaid tuition plans such as GET, which generally permit only savers who reside within the plan's home state, college investment plans are typically available to savers nationwide. Accordingly, the Legislature adopted policy goals to ensure DreamAhead is competitive nationally. Specifically, RCW 28B.95.032(10), outlines five policy goals for DreamAhead. These policy goals are directly aligned with the "Five Pillars" criteria that the investment research firm, Morningstar, uses to evaluate and rank 529 plans. The policy goals are as follows:

- (a) **Process:** To have an investment manager design a thoughtful, well-diversified glide path for age-based portfolios and offer a robust suite of investment options;
- (b) **People:** To have a well-resourced, talented, and long-tenured investment manager;
- (c) **Parent:** To demonstrate that the committee is a good caretaker of college savers' capital and can manage the plan professionally;
- (d) **Performance:** To demonstrate that the program's options have earned their keep with solid risk-adjusted returns over relevant time periods; and
- (e) **Price:** To demonstrate that the investment options are a good value.

The Legislature has directed the WA529 Committee to establish objectives and performance measures for these policy goals and to provide updates to the Legislature before the start of every Legislative Session occurring in even numbered years. This report lays out preliminary objectives and initial associated performance measures.

Through the 2020 calendar year, the Committee intends to refine these objectives and performance measures and incorporate them into a performance dashboard that will be made available to the Legislature, other stakeholders, and the public. This dashboard will provide more regular, real-time-updates on the current status of the plan relative to the five policy goals. The Committee also intends to provide such a dashboard for the GET Program for added transparency. Once the dashboards are launched, the Committee will notify the Legislature. Further, the Committee will continue providing the Legislature with a formal report on a biennial basis. The Committee will provide the next formal report before the start of the 2022 Legislative session.

# Objectives and Performance Measures

## Process

### Objectives

***Objective 1: Offer a customizable but user-friendly set of investment portfolios***

DreamAhead should offer a set of investment options that balance variety and customizability with low fees and ease of use. It is important that DreamAhead offer year-of-enrollment portfolios constructed based on the latest industry research to maximize participant returns while adequately protecting against relative risk. The static portfolios should allow savers to customize their investment mix base on their investment goals and risk tolerance. Thus, it is important to offer a wide range of strategies from cash preservation to aggressive growth.

***Objective 2: Ensure investment portfolios are continually monitored and adjusted as needed***

Once the investment portfolios are established, they should be continually monitored to ensure they are meeting the stated investment goals and objectives and are performing as expected. If any of the portfolios are not meeting expectations, adjustments should be made to the allocations and/or to the underlying funds.

***Objective 3: Continue offering new investment options that are of interest to savers***

DreamAhead should offer best in class investment options that appeal to savers not only in Washington, but across the U.S. Once a strong initial menu of options is set for the program, WA529 staff, the program manager, investment manager, and WA529 Committee should work together to continue assessing market trends and customer demands. This research will inform the Committee if any new offerings (e.g. Environmental, Social and Governance (ESG) portfolios) should be added to the lineup.

### Performance Measures

***Measure 1: Monitor key indicators for investment portfolios***

The investment manager should continually monitor DreamAhead's portfolios using both quantitative and qualitative evaluation metrics and report back to the Committee at least quarterly. This ongoing monitoring and evaluation should identify any issues that need remediation, up to and including removal of a fund and/or restructuring of the DreamAhead portfolios.

***Measure 2: Monitor market trends, best practices, and innovations***

The WA529 team and the contracted program and investment managers should remain current on the latest industry developments and regularly report back to the Committee to assess DreamAhead's competitive position in the market. At a minimum, team members who are involved in the College Savings Plans Network (the 529 industry trade group) and are subscribed to business intelligence services should leverage these relationships and resources to monitor industry trends. Whenever a new trend or best

practice is identified, such as a continued movement towards smoother glide paths for year of enrollment portfolios, the team should evaluate DreamAhead's current position and necessary response. At the quarterly WA529 Committee meetings, it is critical for the investment manager to always be at the table to provide detailed updates on DreamAhead's investment portfolio performance, as well as broad market trends and indicators that may affect current or future investment offerings.

### ***Measure 3: Assess demand for new investment offerings***

The WA529 team and DreamAhead program and investment managers should continually monitor participation across the various investment portfolios to assess how well the current offerings are satisfying customers demands. Additionally, the team should conduct market research and customer surveys to identify new investment options (e.g. ESG portfolios) that may be of interest to savers. The WA529 team and contractors should share findings with the Committee at quarterly meetings to determine if any new products should be added to the investment lineup.

### **Progress Report**

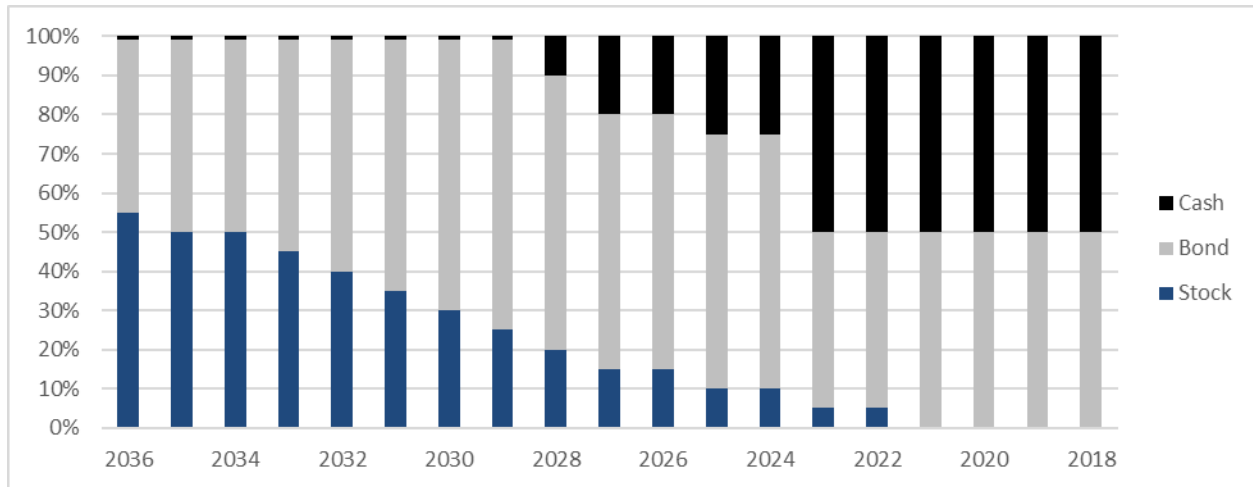
WA529 has secured Lockwood Advisors, Inc. (Lockwood) as the DreamAhead investment manager/advisor (read more about Lockwood in the "People" section below). In order to keep costs reasonably low to customers, Lockwood constructed the DreamAhead investment portfolios using passively managed index mutual funds. In selecting the funds to underly the portfolios, Lockwood took what it calls an 'agnostic' approach by sourcing funds from multiple managers based on quantitative and qualitative analyses. Through this process, Lockwood selected 10 underlying funds from which to build an innovative and diverse set of investment options. The underlying funds include four Fidelity funds, three Vanguard funds, two Schwab funds, and one JP Morgan fund. DreamAhead currently offers two different types of investment options to DreamAhead participants:

***Year of Enrollment Option (3 options).*** This option offers portfolios designed for different anticipated college enrollment years in two-year increments. In addition, the year of enrollment investment option has three risk tolerances (Conservative, Moderate or Growth) to choose from. In each portfolio, the participant's money is moved automatically to progressively more conservative investments as the student approaches the targeted year of enrollment.

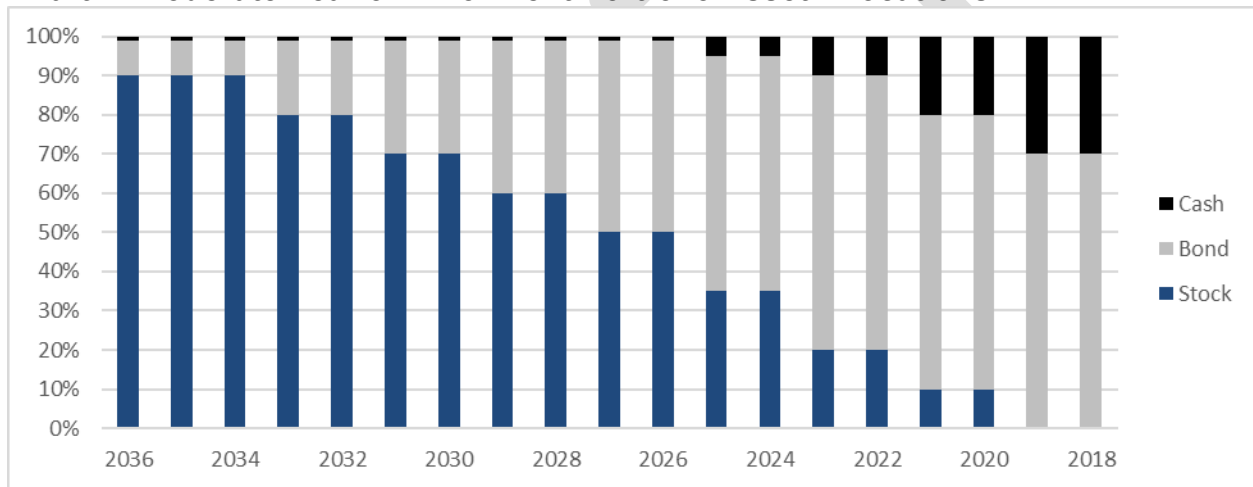
***Static Investment Option (7 total portfolios).*** The composition of investments within the static portfolios remains fixed over time, subject to periodic re-balancing back to the portfolio guidelines and any changes in investment policy made by the Committee. If a participant invests in a static portfolio, assets will not shift to more conservative investments over time unless the participant specifically directs us to move the assets to another portfolio.

Charts 1-4 on the following pages provide a summary of asset allocations for each investment portfolio.

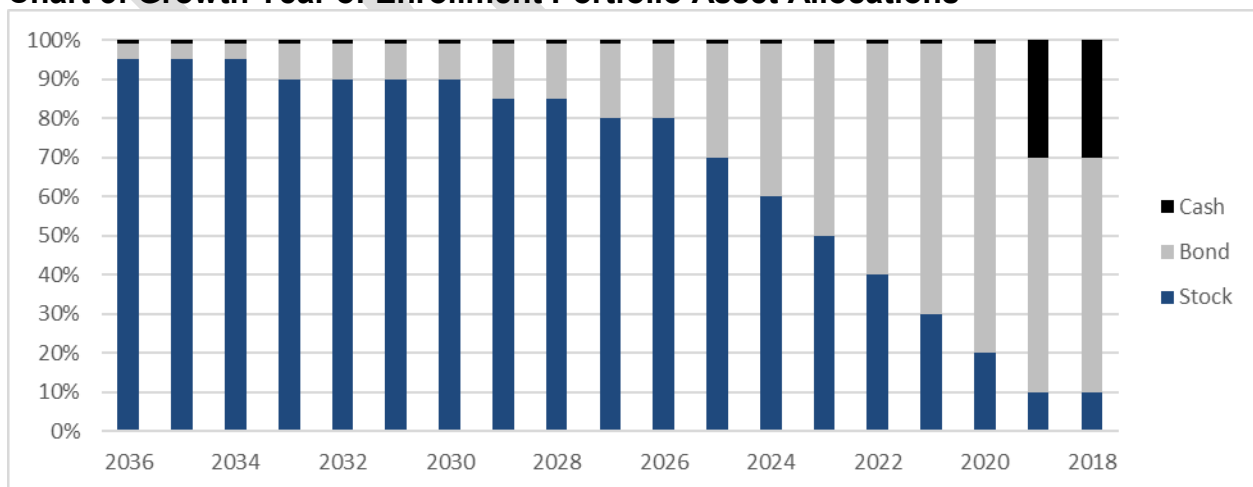
**Chart 1: Conservative Year of Enrollment Portfolio Asset Allocations**



**Chart 2: Moderate Year of Enrollment Portfolio Asset Allocations**



**Chart 3: Growth Year of Enrollment Portfolio Asset Allocations**



**Chart 4: Static Portfolio Asset Allocations**

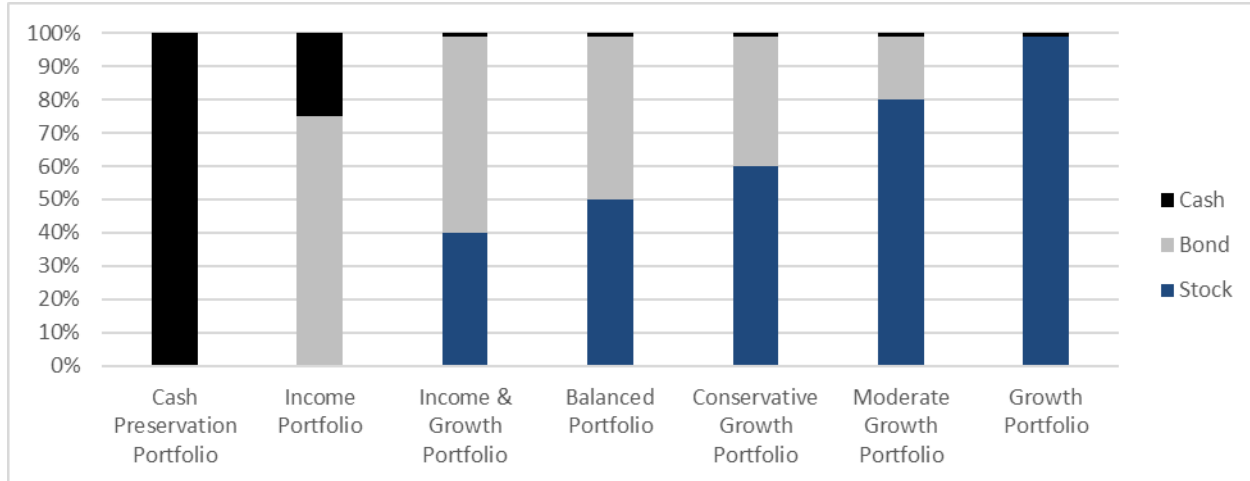


Table 1 below lists the ten mutual funds that underly the year of enrollment portfolios.

**Table 1: DreamAhead Underlying Mutual Funds**

Fund	Ticker
Fidelity® Total Market Index Fund	FSKAX
Fidelity® International Index Fund	FSPSX
Fidelity® Emerging Markets Index Fund	FPADX
Fidelity® U.S. Bond Index Fund	FXNAX
Schwab Total Stock Market Index Fund®	SWTSX
Schwab® Treasury Inflation Protected Securities Index Fund	SWRSX
Vanguard Emerging Markets Government Bond Index Fund – Institutional Shares	VGIVX
Vanguard Total Bond Market Index Fund – Institutional Plus Shares	VBMPX
Vanguard Long-Term Treasury Index Fund – Institutional Shares	VLGIX
JPMorgan U.S. Government Money Market Fund Capital Class	OGVXX

Lockwood regularly monitors and reports at least quarterly to the WA529 Committee on portfolio performance compared to custom benchmarks, broad industry and market trends, and the status of underlying funds and managers. Lockwood also works with DreamAhead's program manager, Sunday Administration (Sunday), and the WA529 team to assess customer participation in the various investment portfolios. The WA529 team intends to conduct customer surveys in the 2020 calendar year to assess customer perceptions of the current investment lineup and identify opportunities for new investment offerings.



## People

### Objectives

***Objective 1: Secure experienced and capable program and investment managers***

It is vital that DreamAhead's program manager and the investment manager are both experienced, competent, ethical, and customer-focused. DreamAhead's investment manager should have a good track record and significant experience with the types of mutual funds that typically underly 529 plan investment portfolios. Additionally, the WA529 Committee should be confident that the program manager always puts customers first in its operations, platform development and business decisions.

***Objective 2: Ensure underlying funds are sourced from reputable fund managers***

An investment portfolio is only as good as the underlying funds that compose the portfolio. Therefore, it is vitally important that the funds selected for DreamAhead are from well-regarded fund companies with strong track records and sound processes. The Committee will look to the DreamAhead investment manager's expertise in sourcing firms that are a good fit for the program.

***Objective 3: Ensure consistent and continued performance from program, investment, and underlying fund managers***

Securing experienced and capable program and investment managers is only the first step in ensuring the right people are in place to support the program. The WA529 team should continually monitor performance of the contracted DreamAhead program and investment managers and notify the Committee of significant compliance issues to ensure these contractors are held accountable to the program, State, and the public.

### Performance Measures

***Measure 1: Monitor the practices and philosophies of underlying fund managers***

As described in the "Process" section above, the Committee looks to the investment manager to continually monitor DreamAhead's portfolios using a number of quantitative and qualitative evaluation metrics. As part of this regular review, the investment manager should take particular care in evaluating the managers of the underlying funds. If DreamAhead's investment manager identifies concerns about a fund manager's practices or SEC filings, it should immediately alert WA529 staff and the Committee to discuss next steps.

***Measure 2: Monitor the program and investment managers' processes and practices***

The DreamAhead program management contract contains service level agreements and deliverables, which the program and investment managers should consistently deliver on. The WA529 team should use this contract as a guide and assess contractor performance against expectations and requirements. As needed, the WA529 team should engage the services of outside experts to provide third-party review. Outside expertise may include special assistant attorneys general with specific 529 plan industry knowledge, independent investment advisory consultants, and audit firms.

## Progress Report

Through an initial Request for Information (RFI), followed by two Requests for Proposals (RFP) in 2016 and 2017, WA529 ultimately selected a team of firms, Sundry Administration, LLC and Lockwood Advisors, Inc. to provide program and investment management services to DreamAhead. Both firms are wholly-owned subsidiaries of The Bank of New York Mellon Corporation (BNY Mellon), which was founded in 1784. The bank has \$373.2 billion in total assets as of September 30, 2019, has industry leading credit ratings, and is designated as a Global Systemically Important Financial Institution (G-SIFI) meaning it is subject to intense scrutiny and regulatory oversight. BNY Mellon delivers investment management and investment services for institutions, corporations, and individual investors in 35 countries and more than 100 markets. Importantly, BNY Mellon has significant experience supporting public sector funds with \$1.7 trillion in public sector assets under custody and administration.

Lockwood was founded in 1996 and is an investment adviser registered in the U.S. under the Investment Advisers Act of 1940. It is an affiliate of Pershing LLC, which is a wholly-owned subsidiary of BNY Mellon. Lockwood applies a team-based comprehensive, long-term approach to portfolio construction, with an emphasis on downside risk management.

Lockwood receives manager research and vehicle selection information from the BNY Mellon Manager Research Group, with the core focus on investment manager research and oversight. The team uses quantitative and qualitative analyses throughout the manager evaluation and selection process. The manager screening process begins with evaluating risk and return data from multiple databases and ranking prospective sub-managers. For candidates that pass this initial quantitative screening, Lockwood reviews qualitative factors of the investment managers, including the tenure and the depth of key investment professionals, investment philosophy and process, sources and methods of investment research, implementation of the investment process, portfolio turnover and ownership/business structure. Lockwood then performs an additional layer of analysis to assess the viability of the investment firm, including a review of the manager's regulatory filings.

As referenced in the preceding "Process" section, in building the DreamAhead portfolios, Lockwood selected underlying funds from four established and well-regarded fund managers. They continually monitor the underlying funds and managers and report to the Committee quarterly. Lockwood has established a "watchlist" procedure to identify any funds or managers that present risk to the program and participants.

Additionally, the WA529 team monitors both Sundry's and Lockwood's compliance with the program management contract and reports to the WA529 Committee when issues are identified. The "Parent" section below provides more detail on these processes.

The WA529 team also intends to contract with an independent investment advisory consulting firm every two to three years to review the current DreamAhead investment offerings, underlying funds, and selection process to ensure the investment manager and underlying fund managers are meeting performance expectations.

## Parent

### Objectives

***Objective 1: Ensure strong state administrative management, including effective contract oversight***

The Committee expects DreamAhead to be administered professionally and to the high standards consistent with the administration of the state's GET program. This includes ensuring that program and investment management contractors are consistently meeting service level agreements and other contract requirements and deliverables. WA529 staff should manage the day-to-day interactions with the program and investment managers' staff to ensure both entities are meeting service level agreements and providing periodic contract deliverables on schedule. Whenever WA529 identifies significant issues, staff should document the deficiencies and remediation plans, and brief Committee members.

***Objective 2: Ensure program participants are satisfied with DreamAhead and their interests are protected***

The Committee must be confident that existing, new, and prospective participants have good perceptions of the program. This is especially important, as they will act as conduits to future customers. The Committee's 20 years of experience with overseeing the GET program indicates that the most common way in which people hear about and decide to enroll in the program is from information shared by trusted friends, family members, and colleagues. Therefore, it is vitally important that DreamAhead participants feel that the program is adding value to their savings efforts, that they have good options to choose from, and that they can rely on program staff to assist them in managing their accounts.

### Performance Measures

***Measure 1: Track internal WA529 staff processes and performance***

Holding the program accountable to participants starts with effective internal administration of WA529 processes and staffing. The WA529 team should engage in various activities and feedback loops that assess team performance. Efforts should include developing strategic growth plans, holding regular cross-functional meetings, engaging with and seeking feedback from stakeholders, and ensuring every staff member's performance is formally evaluated at least annually.

***Measure 2: Track contract performance via contract management tools, meetings, due diligence visits, and performance reviews***

WA529 should also have several processes in place to ensure the program and investment managers are held accountable to contract requirements and customer service standards. The program management agreement for DreamAhead contains service level agreements that the program manager is to report out on at least quarterly to the Committee. As stated in the "People" section above, WA529 staff should regularly monitor performance under the contract and alert the Committee of significant issues.

***Measure 3: Regularly review customer service interactions, end user experience, and solicit participant feedback***

WA529 staff should regularly measure the customer experience by monitoring day-to-day customer interactions, web metrics, and enrollment and portfolio selection trends. The team should also employ customer surveys and feedback forms to garner feedback on various program features and functionalities, as well as ideas for future enhancements.

**Progress Report**

The WA529 team has effectively administered the GET program for over 20 years, with a focus on customer service, operational excellence, and continuous improvement. The WA529 Committee provides oversight, benefitting from the expertise of committee members including the State Treasurer, the director of the Office of Financial Management, the director of WSAC, and two citizen members with extensive business, marketing, and/or investment sector experience. It is important to note that as of the date of this report, one citizen member seat remains open. It will be important to have this seat filled as soon as possible to ensure the Committee is fully resourced.

The WA529 Committee meets quarterly to discuss policy matters related to GET and DreamAhead. In these meetings, WA529 staff, Sumday, and Lockwood provide detailed program updates. Sumday reviews various program aspects including enrollment and distribution trends, data on service level agreements, and ideas for enhancing the customer experience. Lockwood presents a comprehensive quarterly investment report that recaps relevant U.S. and global market trends, the performance of the underlying mutual funds, and the performance of each investment portfolio against custom blended benchmarks. Lockwood also prepares an annual review that identifies key market indicators and trends, as well as ideas for future investment lineup enhancements.

To ensure effective day-to-day administration of DreamAhead, WA529 staff employ various strategic planning initiatives, lean process improvement practices, and weekly cross-functional team meetings. WA529 staff also regularly collaborates with key WSAC and external stakeholders and conducts individualized annual performance reviews for each WA529 staff member. Importantly, WA529 staff is also tasked with ensuring that DreamAhead's contractors are meeting performance expectations and service level agreements under the program management contract. WA529 staff is in regular, daily correspondence with the program and investment managers, including a formal, comprehensive bi-weekly status call. Monthly, WA529 staff conduct spot audits of customer interactions with the program manager's staff. At least annually, WA529 staff conduct due diligence visits to meet with the program and investment managers on-site.

To aid this contract management, WA529 staff regularly consults with WSAC's assigned assistant attorney general and special assistant attorneys general with 529 expertise. If concerns or issues are identified, WA529 staff alert the Committee and discuss remediation steps. At the end of each calendar year, WA529 staff conduct a performance review of the program and investment managers to memorialize what went well during the year, what issues were identified, any expected remedies and action plans, and ideas for future enhancements.

## Performance

### Objectives

***Objective 1: Ensure each investment portfolio meets performance expectations***

Each DreamAhead investment option should (at least) remain within the acceptable tracking error relative to its custom benchmark. Any adverse deviations should be immediately researched and addressed to bring performance in line with expectations.

***Objective 2: Receive positive reviews from ratings firms based on performance***

Program staff and the investment manager should pay close attention to investment performance of the DreamAhead portfolios relative to offerings from other 529 plans. DreamAhead can garner a certain level of interest and participation simply by being a program offered by the State of Washington. That alone, however, is not sufficient to help the program meet growth objectives and ensure the WA529 Committee is fully exercising its fiduciary obligations to participants. It is important that the program's performance is assessed and holds up against its competitors in the direct-sold 529 plan space.

### Performance Measures

***Measure 1: Measure investment portfolio performance relative to its benchmark***

DreamAhead's performance should be assessed first by tracking investment portfolio performance against custom benchmarks developed by the investment manager. WA529 staff and DreamAhead's contracted program and investment managers should continually monitor portfolio performance and provide detailed reports to the WA529 Committee at least quarterly. The investment manager should establish a process to identify portfolios that are not meeting performance expectations and/or if risks are materializing that may impact future performance expectations. The investment manager should immediately alert the Committee of any such issues so problematic funds can be addressed.

***Measure 2: Review quarterly and annual 529 plan rankings***

Currently, the most tangible means of comparing 529 plans is through ratings outlets. Two firms that assess 529 plan performance are Morningstar and [savingforcollege.com](http://savingforcollege.com). The [savingforcollege.com](http://savingforcollege.com) group produces reports quarterly, whereas Morningstar reviews plans annually. WA529 should closely track these industry reports to determine how DreamAhead holds up nationally.

### Progress Report

As described in the "Process" section, each DreamAhead portfolio invests in one or more underlying funds and has varying objectives and strategies. For example, the Static Growth Portfolio is designed for investors with a very high tolerance for short-term equity market fluctuations who expect maximum capital appreciation and have no desire for income. The Static Income Portfolio, alternatively, is designed for investors with a very low tolerance for short-term market fluctuations who want low risk to principal and have a high desire for current income with limited capital appreciation.



With such varied objectives and strategies for each portfolio, performance expectations differ. To ensure portfolios are meeting expectations based on the stated objectives and strategies, Lockwood developed custom blended benchmarks for each portfolio. First, Lockwood selected asset class benchmarks for each underlying fund based on a best fit criteria. Since all of the mutual funds in the portfolios are passively-managed index funds, performance of each fund is measured against the respective benchmark index identified in Table 2 below.

Lockwood then constructed final portfolio benchmarks by assigning a weighting for the benchmark index identified for each asset class in the portfolio based upon that asset class allocation percentage. As benchmarks are not investable directly, portfolio benchmarks are not used to evaluate direct performance; rather they are used to monitor tracking error for the overall portfolio. Lockwood expects the portfolio net performance to experience deviations from the index performance due to representative index sampling, trading costs, participant fees, or other trading frictions.

**Table 2: Asset Class Benchmarks**

<b>Asset Class</b>	<b>Fund</b>	<b>Ticker</b>	<b>Benchmark</b>
U.S. Large Cap Blend	Fidelity® Total Market Index Fund	FSKAX	Dow Jones US Total Stock Market TR USD
U.S. Large Cap Blend	Schwab Total Stock Market Index Fund®	SWTSX	Dow Jones US Total Stock Market TR USD
Foreign Large Blend	Fidelity® International Index Fund	FSPSX	MSCI EAFE NR USD
Diversified Emerging Mkts	Fidelity® Emerging Markets Index Fund	FPADX	MSCI EM NR USD
Intermediate-Term Bond	Fidelity® U.S. Bond Index Fund	FXNAX	Bloomberg Barclays US Aggregate Bond TR USD
Intermediate-Term Bond	Vanguard Total Bond Market Index Fund – Institutional Plus Shares	VBMPX	Bloomberg Barclays US Aggregate Bond TR USD
Long Government	Vanguard Long-Term Treasury Index Fund – Institutional Shares	VLGIX	Bloomberg Barclays Long Term US Treasury TR USD
Inflation-Protected Bond	Schwab® Treasury Inflation Protected Securities Index Fund	SWRSX	Bloomberg Barclays US Treasury US TIPS TR USD
Emerging Markets Bond	Vanguard Emerging Markets Government Bond Index Fund – Institutional Shares	VGIVX	Bloomberg Barclays USD Emerging Markets Government RIC Capped TR USD
Cash	JPMorgan U.S. Government Money Market Fund Capital Class	OGVXX	Bloomberg Barclays US Treasury Bill 1-3 Mon TR USD

As discussed in the “Parent” section above, the WA529 Committee meets quarterly. In those meetings, the Committee reviews portfolio performance against the custom benchmarks and Lockwood advises if there are any performance concerns. Lockwood has established a process to address portfolios that are not meeting performance expectations and/or if risks are materializing that may impact future performance expectations. Lockwood will notify the Committee of any problematic funds and place them on a watchlist that will receive increased scrutiny and monitoring.

Through the third quarter of 2019, the DreamAhead investment portfolios and the underlying funds have consistently met performance expectations. Lockwood has not yet identified any funds at risk of not achieving their expected returns. Lockwood will continue monitoring performance to ensure returns remain within the expected tracking error for the benchmarks. If performance of any portfolio begins lagging behind its benchmark, Lockwood and the Committee will work to make the necessary adjustments to the investment mix, up to and including, changing out any problematic underlying funds.

The independent 529 plan information clearinghouse, [savingforcollege.com](http://savingforcollege.com), reviews 529 plans on a quarterly basis. The firm analyzed DreamAhead for the first time as of September 30, 2019. DreamAhead's one-year returns figures ranked twelfth out of 54 states receiving a rating. This yielded a performance rating of 4.62 out of five caps. As a whole, the plan received a 5-cap rating ([savingforcollege.com](http://savingforcollege.com)'s highest possible plan rating) for in-state residents as of September 30, 2019. These positive ratings indicate that DreamAhead's investment offerings are producing competitive returns for participants. DreamAhead has not yet been included in Morningstar's annual 529 plan ratings, though the Committee expects to be rated in the 2020 calendar year. The Committee will notify the Legislature when DreamAhead has been included in these ratings.

## Price

### Objectives

#### ***Objective 1: Achieve positive plan rankings from 529 plan ratings outlets***

Most direct-sold 529 plans rely heavily on passively-managed index mutual funds. Fund managers such as Fidelity and Vanguard continue to compete to drive down fees on their mutual fund offerings, creating a low-price environment. Accordingly, ratings outlets such as Morningstar weight plan fees relatively heavily in their plan rankings. Therefore, it is vital that DreamAhead offers low cost options relative to other direct-sold 529 plans.

#### ***Objective 2: Reduce and eventually eliminate the account maintenance fee***

Many 529 plans have imposed flat fees such as enrollment fees or account maintenance fees in the past, especially upon startup. The challenge for DreamAhead is that it is a new plan entering a maturing industry. The majority of investment-based 529 plans have been in operation for over a decade and have been able to reduce or eliminate such flat fees over time. Therefore, it is the Committee's intent to first reduce, then eliminate the \$35 account maintenance fee for all DreamAhead account holder types as soon as possible.

#### ***Objective 3: Continue growing program participation to drive down asset-based fees***

In order for DreamAhead to continue reducing asset-based fees and establish the program as a low-price leader in the industry, it is important to grow the asset base. Since price is regarded so favorably by 529 plan ratings outlets, this process becomes cyclical – that is, in general, the more a plan grows and reduces fees the more positively it is rated and accordingly, the more interest and participation it garners.

### Performance Measures

#### ***Measure 1: Review quarterly and annual 529 plan rankings***

As with plan performance, the most tangible means of comparing 529 plans side-by-side on price is through ratings outlets. Both Morningstar and savingforcollege.com include price as substantial factor in their ratings. The savingforcollege.com group produces reports on a quarterly basis, whereas Morningstar reviews plans annually. The program should closely track these industry reports to determine how DreamAhead holds up nationally.

#### ***Measure 2: Monitor program enrollments, cash flows, and asset growth***

It is vital to closely track program enrollment, contribution, and distribution activities as well as program expenditures to identify opportunities to lower fees. Each time the program hits significant growth milestones such as \$1 billion, \$1.5 billion, or \$2 billion in assets, there may be opportunities to negotiate fees down for the benefit of customers.



## Progress Report

DreamAhead was developed and launched with zero plan assets and with limited state appropriations to defray administrative costs (\$25,000 was appropriated during the 2016 Legislative Session). DreamAhead is authorized to maintain a temporary cash deficit that must be repaid by the end of Fiscal Year 2022. Accordingly, WA529 lacked the resources or leverage to negotiate the lowest fees in the nation at start up.

Despite this challenge, WA529 was able to negotiate a program management agreement that resulted in a competitive asset-based fee structure. On opening, DreamAhead was able to offer low cost investment options ranging from 28 to 40 basis points. This fee structure put DreamAhead immediately in a competitive position on asset-based fees, ranking in the top half of plans nationwide. The plan does charge a flat \$35 annual account maintenance fee, which is becoming less common among 529 plans. Reducing and eventually eliminating this fee is a primary target for the Committee as assets grow.

Due to the quick growth of DreamAhead generated by the incentivized GET rollover activity via Senate Bill 6087 (2018 Legislative Session), Lockwood has been able to secure share class upgrades for the underlying Vanguard and Fidelity mutual funds. This allowed the program to pass cost savings on to customers of one to two basis points per investment portfolio, compared to the fees charged upon plan opening. Currently, the lowest priced investment portfolio that DreamAhead offers is 25.5 basis points, which is down from 28 basis points upon plan opening. Table 3 on the following page provides the current asset-based fees for each investment offering.

As of June 30, 2019, DreamAhead had the sixteenth lowest average asset-based fees out of 51 direct-sold 529 plans nationwide. This position does not account for the recent fee reductions. The fee reductions could cause DreamAhead to move up three to four positions in future analyses.

As of December 17, 2019, DreamAhead received its first “cap” rating from savingforcollege.com. Overall, DreamAhead received five out of five caps for in-state residents from the ratings outlet, which is the top score that a plan can receive. On “Costs,” DreamAhead scored 4.44 out of five caps. This metric considers all asset-based fees, as well as other fees such as enrollment and/or annual account maintenance fees. Note that DreamAhead has not yet been rated by Morningstar.

The Committee is encouraged by these positive plan ratings but is committed to continue reducing fees whenever possible. The Committee anticipates being able to start more significant fee reduction negotiations once DreamAhead plan assets reach \$1 billion. It is important to note that while Senate Bill 6087 helped grow plan assets quickly to over \$800 million, DreamAhead has already distributed over \$100 million to plan participants, as many accounts that rolled over from GET were for mature beneficiaries. This highlights the importance of securing a positive reputation for the program through sound program management and attractive investment offerings, while continuing marketing efforts to stimulate account openings and contributions.

**TABLE 3: ANNUAL ASSET-BASED FEES**

Portfolio	Underlying Fund Fee	Service Fee	State Administrative Fee	Total Annual Asset-Based Fee
<b>YEAR OF ENROLLMENT – CONSERVATIVE PORTFOLIOS</b>				
2036 Conservative	0.054%	0.12%	0.10%	0.274%
2034 Conservative	0.054%	0.12%	0.10%	0.274%
2032 Conservative	0.054%	0.12%	0.10%	0.274%
2030 Conservative	0.054%	0.12%	0.10%	0.274%
2028 Conservative	0.067%	0.12%	0.10%	0.287%
2026 Conservative	0.081%	0.12%	0.10%	0.301%
2024 Conservative	0.089%	0.12%	0.10%	0.309%
2022 Conservative	0.126%	0.12%	0.10%	0.346%
2020 Conservative	0.126%	0.12%	0.10%	0.346%
2018 Conservative	0.126%	0.12%	0.10%	0.346%
<b>YEAR OF ENROLLMENT – MODERATE PORTFOLIOS</b>				
2036 Moderate	0.045%	0.12%	0.10%	0.265%
2034 Moderate	0.045%	0.12%	0.10%	0.265%
2032 Moderate	0.055%	0.12%	0.10%	0.275%
2030 Moderate	0.055%	0.12%	0.10%	0.275%
2028 Moderate	0.054%	0.12%	0.10%	0.274%
2026 Moderate	0.054%	0.12%	0.10%	0.274%
2024 Moderate	0.060%	0.12%	0.10%	0.280%
2022 Moderate	0.067%	0.12%	0.10%	0.287%
2020 Moderate	0.082%	0.12%	0.10%	0.302%
2018 Moderate	0.096%	0.12%	0.10%	0.316%
<b>YEAR OF ENROLLMENT – GROWTH PORTFOLIOS</b>				
2036 Growth	0.045%	0.12%	0.10%	0.265%
2034 Growth	0.045%	0.12%	0.10%	0.265%
2032 Growth	0.045%	0.12%	0.10%	0.265%
2030 Growth	0.045%	0.12%	0.10%	0.265%
2028 Growth	0.055%	0.12%	0.10%	0.275%
2026 Growth	0.055%	0.12%	0.10%	0.275%
2024 Growth	0.054%	0.12%	0.10%	0.274%
2022 Growth	0.054%	0.12%	0.10%	0.274%
2020 Growth	0.053%	0.12%	0.10%	0.273%
2018 Growth	0.096%	0.12%	0.10%	0.316%
<b>STATIC PORTFOLIOS</b>				
Growth	0.035%	0.12%	0.10%	0.255%
Moderate Growth	0.055%	0.12%	0.10%	0.275%
Conservative Growth	0.054%	0.12%	0.10%	0.274%
Balanced	0.054%	0.12%	0.10%	0.274%
Income & Growth	0.054%	0.12%	0.10%	0.274%
Income	0.089%	0.12%	0.10%	0.309%
Cash Preservation	0.180%	0.12%	0.10%	0.400%

## Contact Information

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1 **SEC. 302. EXPANSION OF SECTION 529 PLANS.**

2 (a) DISTRIBUTIONS FOR CERTAIN EXPENSES ASSO-  
3 CIATED WITH REGISTERED APPRENTICESHIP PRO-  
4 GRAMS.—Section 529(c) of the Internal Revenue Code of  
5 1986 is amended by adding at the end the following new  
6 paragraph:

7 “(8) TREATMENT OF CERTAIN EXPENSES ASSO-  
8 CIATED WITH REGISTERED APPRENTICESHIP PRO-  
9 GRAMS.—Any reference in this subsection to the  
10 term ‘qualified higher education expense’ shall in-  
11 clude a reference to expenses for fees, books, sup-  
12 plies, and equipment required for the participation  
13 of a designated beneficiary in an apprenticeship pro-  
14 gram registered and certified with the Secretary of  
15 Labor under section 1 of the National Apprentice-  
16 ship Act (29 U.S.C. 50).”.

17 (b) DISTRIBUTIONS FOR QUALIFIED EDUCATION  
18 LOAN REPAYMENTS.—

19 (1) IN GENERAL.—Section 529(c) of such Code,  
20 as amended by subsection (a), is amended by adding  
21 at the end the following new paragraph:

22 “(9) TREATMENT OF QUALIFIED EDUCATION  
23 LOAN REPAYMENTS.—

24 “(A) IN GENERAL.—Any reference in this  
25 subsection to the term ‘qualified higher edu-  
26 cation expense’ shall include a reference to

1 amounts paid as principal or interest on any  
2 qualified education loan (as defined in section  
3 221(d)) of the designated beneficiary or a sib-  
4 ling of the designated beneficiary.

5 “(B) LIMITATION.—The amount of dis-  
6 tributions treated as a qualified higher edu-  
7 cation expense under this paragraph with re-  
8 spect to the loans of any individual shall not ex-  
9 ceed \$10,000 (reduced by the amount of dis-  
10 tributions so treated for all prior taxable years).

11 “(C) SPECIAL RULES FOR SIBLINGS OF  
12 THE DESIGNATED BENEFICIARY.—

13 “(i) SEPARATE ACCOUNTING.—For  
14 purposes of subparagraph (B) and sub-  
15 section (d), amounts treated as a qualified  
16 higher education expense with respect to  
17 the loans of a sibling of the designated  
18 beneficiary shall be taken into account  
19 with respect to such sibling and not with  
20 respect to such designated beneficiary.

21 “(ii) SIBLING DEFINED.—For pur-  
22 poses of this paragraph, the term ‘sibling’  
23 means an individual who bears a relation-  
24 ship to the designated beneficiary which is  
25 described in section 152(d)(2)(B).”.

1           (2) COORDINATION WITH DEDUCTION FOR STU-  
2       DENT LOAN INTEREST.—Section 221(e)(1) of such  
3       Code is amended by adding at the end the following:  
4       “The deduction otherwise allowable under subsection  
5       (a) (prior to the application of subsection (b)) to the  
6       taxpayer for any taxable year shall be reduced (but  
7       not below zero) by so much of the distributions  
8       treated as a qualified higher education expense  
9       under section 529(c)(9) with respect to loans of the  
10      taxpayer as would be includible in gross income  
11      under section 529(c)(3)(A) for such taxable year but  
12      for such treatment.”.

13      (c) EFFECTIVE DATE.—The amendments made by  
14      this section shall apply to distributions made after Decem-  
15      ber 31, 2018.

## 16                   **TITLE IV—REVENUE** 17                   **PROVISIONS**

### 18   **SEC. 401. MODIFICATION OF REQUIRED DISTRIBUTION** 19                   **RULES FOR DESIGNATED BENEFICIARIES.**

20      (a) MODIFICATION OF RULES WHERE EMPLOYEE  
21      DIES BEFORE ENTIRE DISTRIBUTION.—

22           (1) IN GENERAL.—Section 401(a)(9) of the In-  
23      ternal Revenue Code of 1986 is amended by adding  
24      at the end the following new subparagraph:



Please file this Supplement to the DreamAhead College Investment Plan Details Booklet with your records.

**DRAFT**  
**SUPPLEMENT DATED**  
**JANUARY 2020**  
**TO THE DREAMAHEAD COLLEGE INVESTMENT PLAN**  
**PROGRAM DETAILS BOOKLET**  
**DATED SEPTEMBER 2019**

**This Supplement describes important changes affecting The DreamAhead College Investment Plan. Unless otherwise indicated, defined terms used herein have the same meaning as those in the DreamAhead College Investment Plan Program Details Booklet.**

**FEDERAL TAX LAW CHANGES**

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law as part of the Further Consolidated Appropriations Act, 2020. This bill includes new 529 plan-specific provisions that allow 529 plan account owners to withdraw assets to pay for certain expenses associated with Apprenticeship Programs (defined in this Supplement), and for certain Education Loan Repayments (defined in this Supplement). Please read the revisions in this Supplement with care. As always, you should consult with your tax, investment and legal advisors about investing in DreamAhead in light of your personal circumstances.

**REVISIONS TO PROGRAM DETAILS BOOKLET**

This Supplement amends specific sections of the Program Details Booklet as follows:

- 1) The following replaces the first paragraph under Involuntary Termination of Accounts on page 20 of the Program Details Booklet:

DreamAhead is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. We may refuse to establish or may terminate an Account if we determine that it is in the best interest of DreamAhead or required by law. If we reasonably believe that you provided false or misleading information to the Program Administrators, an Eligible Educational Institution, Apprenticeship Program, or a K-12 School in establishing or maintaining an Account, or that you are restricted by law from participating in DreamAhead, we may close your Account.

- 2) The following replaces the ***DreamAhead Investment Options Not Designed for K-12 Tuition*** subsection on page 27 of the Program Details Booklet:

**DreamAhead Investment Options Not Designed for K-12 Tuition or Education Loan Repayment**

We have not designed the Investment Options we offer through DreamAhead to assist you in reaching your K-12 Tuition or Education Loan Repayment savings goals. Specifically, the Year of

Enrollment Options are designed for Account Owners seeking to automatically invest in progressively more conservative investments as their Beneficiary approaches college age. The Year of Enrollment Options time horizons and withdrawal periods may not match those needed to meet your K-12 Tuition or Education Loan Repayment savings goals, which may be significantly shorter. In addition, if you are saving for K-12 Tuition or Education Loan Repayments and wish to invest in the Static Portfolios, please note that we have not structured these Portfolios to automatically invest in progressively more conservative investments as the Beneficiary approaches college age. This means that your assets will remain invested in your selected Static Portfolio until you direct us to move them to a different Portfolio. You should consult a tax advisor and an investment advisor about investing in DreamAhead in light of your personal circumstances.

- 3) The following replaces the ***Meeting Education Expenses Not Guaranteed*** subsection on page 28 of the Program Details Booklet:

**Meeting Education Expenses Not Guaranteed**

Even if your Account(s) for a Beneficiary meet the Maximum Account Balance limit allowed under DreamAhead, we provide no assurance that the money in your Account will be sufficient to cover all the Qualified Expenses your Beneficiary may incur, or that the rate of return on your investment will match or exceed the rate at which higher education expenses, Apprenticeship Program expenses, or K-12 Tuition may rise each year.

- 4) The following replaces the ***All Distributions*** subsection on page 58 of the Program Details Booklet:

**All Distributions**

Distributions may be comprised of: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income tax. We determine the earnings portion based on IRS rules and report to the IRS and the recipient. However, we do not report whether the distribution is a Qualified Distribution, Non-Qualified Distribution, Other Distribution, Refunded Distribution or an Education Loan Repayment. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS.

- 5) The following paragraph is added immediately following the paragraph entitled ***Refunded Distribution*** on page 59 of the Program Details Booklet:

**Education Loan Repayments**

You may take a distribution from your Account to repay a Qualified Education Loan for your Beneficiary or a sibling (defined in Section 152(d)(2)(B) of the Code) of your Beneficiary, up to a lifetime limit of \$10,000 per individual. However, if you make an Education Loan Repayment from your Account, Section 221(e)(1) of the Code provides that you may not also take a federal income tax deduction for any interest included in that Education Loan Repayment.

It is important that you keep all records of your distributions. We do not separately report distributions made from your Account to repay a Qualified Education Loan for a sibling of your Beneficiary.



- 6) The following replaces the second paragraph under the ***Claims; Disputes*** subsection on page 62 of the Program Details Booklet:

Neither you nor your Beneficiary will have recourse against the Program Administrators, collectively or individually, in connection with any right or obligations arising out of an Account. Assets in your Account are not an obligation of the State, are not insured or guaranteed by the State, and neither the full faith and credit nor the taxing power of the State can be pledged to the payment of education expenses, including Qualified Expenses. Establishment of an Account does not guarantee that a Beneficiary will be admitted to an Eligible Educational Institution, Apprenticeship Program, or a K-12 School or be allowed to continue enrollment at or graduate from an Eligible Educational Institution or a K-12 School after admission. Establishing an Account does not establish Washington state residence for a Beneficiary. The State does not guarantee that amounts saved in an Account will be sufficient to cover the Qualified Expenses of a Beneficiary. All obligations under your Account, your Enrollment, and the Program Details Booklet are legally binding contractual obligations of the Program only.

- 7) The following definitions are added to the ***Glossary*** beginning on page 65 of the Program Details Booklet:

**Apprenticeship Program:** An apprenticeship program registered and certified with the U.S. Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).

**Education Loan Repayment:** Amounts paid as principal or interest on any Qualified Education Loan, of a Beneficiary or a sibling of a Beneficiary (up to a lifetime \$10,000 limit per Beneficiary or sibling of a Beneficiary). For this specific purpose, a sibling is defined as a brother, sister, stepbrother or stepsister, as described in section 152(d)(2)(B) of the Code. For purposes of defining a sibling, the terms “brother” and “sister” include half-brothers and half-sisters and a legally adopted child or a foster child of an individual is treated as the child of that individual by blood. You cannot claim a federal income tax deduction for interest paid on a Qualified Education Loan if you treat it as an Education Loan Repayment.

**Qualified Education Loan:** A loan to pay certain higher education expenses as defined in Section 221(d) of the Code.

- 8) The following replaces the entire definition for *Qualified Expenses* on page 66 in the ***Glossary*** of the Program Details Booklet:

**Qualified Expenses:** “Qualified higher education expenses” as defined in the Code, related to enrollment or attendance at an Eligible Educational Institution. Generally, these include the following:

- Tuition, fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution;
- Certain costs of room and board of a Beneficiary for any academic period during which the Beneficiary is enrolled at least half-time at an Eligible Educational Institution; and

- Expenses for “special needs” services needed by a special needs Beneficiary must be incurred in connection with their enrollment or attendance at an Eligible Educational Institution; and
- Computer or peripheral equipment, computer software, or Internet access and related services if it’s to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Eligible Educational Institution. Qualified Expenses also include K-12 Tuition (up to an annual \$10,000 limit).

Qualified Expenses also include:

- K-12 Tuition (up to an annual \$10,000 limit);
- Expenses for fees, books, supplies, and equipment required for the participation of a Beneficiary in an Apprenticeship Program; and
- Education Loan Repayments.

- 9) The following replaces list item number 12 on page 69 under the ***Representations, Warranties and Acknowledgements*** section of the Program Details Booklet:

12. I understand that the Portfolios are not designed to assist me in saving for K-12 Tuition or Education Loan Repayments.

- 10) The following replaces list item number 21 on page 70 under the ***Representations, Warranties and Acknowledgements*** section of the Program Details Booklet:

21. The Program Administrators, individually and collectively, do not guarantee that my Beneficiary: will be accepted as a student by any institution of higher education, other institution of post-secondary education, Apprenticeship Program, or a K-12 School; if accepted, will be permitted to continue as a student; will be treated as a state resident of any state for tuition purposes; will graduate from or complete the program requirements of, as applicable, any institution of higher education, other institution of post-secondary education, Apprenticeship Program, or a K-12 School; or will achieve any particular treatment under any applicable state or federal financial aid programs.

Please file this Supplement to the GET Program Details Booklet with your records.

## DRAFT

### SUPPLEMENT DATED JANUARY 2020 TO THE GUARANTEED EDUCATION TUITION (GET) PROGRAM DETAILS BOOKLET 2019 – 2020 ENROLLMENT YEAR

This Supplement describes important changes affecting the Guaranteed Education Tuition (GET) Program. Unless otherwise indicated, defined terms used herein have the same meaning as those in the GET Program Details Booklet.

#### FEDERAL TAX LAW CHANGES

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law as part of the Further Consolidated Appropriations Act, 2020. This bill includes new 529 plan-specific provisions that allow 529 plan account owners to withdraw assets to pay for certain expenses associated with Apprenticeship Programs (defined in this Supplement), and for certain Education Loan Repayments (defined in this Supplement). Please read the revisions in this Supplement with care. As always, you should consult with your tax, investment and legal advisors about participating in GET in light of your personal circumstances.

#### REVISIONS TO PROGRAM DETAILS BOOKLET

This Supplement amends specific sections of the Program Details Booklet as follows:

- 1) The following replaces the **Other Important Information** subsection at the bottom of page 2 of the Program Details Booklet:

**Other Important Information.** 529 Plans are intended to be used only to save for Qualified Higher Education Expenses. GET is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. In addition, GET is not designed to help you reach your K-12 Tuition or Education Loan Repayment savings goals. Taxpayers should seek tax advice from an independent tax advisor based on their own particular circumstances.

- 2) The following replaces the second paragraph under **About This Agreement** on page 6 of the Program Details Booklet:

This Agreement is not a promise or a guarantee that: (1) the Student will be admitted to any Eligible Institution or accepted into an Apprenticeship Program; (2) the Student will be allowed to continue enrollment at any Eligible Institution or participation in the Apprenticeship Program after admission; (3) the Student will be graduated from any Eligible Institution or complete any Apprenticeship Program; (4) the Student will be classified as an in-state student by any Washington

public college or university; (5) the Student will receive any particular treatment under any applicable state or federal financial aid programs; and/or (6) the Student's Tuition and State-Mandated Fees at any Eligible Institution will be covered in full for the number of Units purchased under this Agreement unless the Student attends a State Institution of Higher Education that determines the Student to be a Washington resident, as applicable, and all of the terms and conditions of this Agreement are satisfied.

- 3) The following definitions are added to the **Definitions** section beginning on page 6 of the Program Details Booklet:

**Apprenticeship Program** means an apprenticeship program registered and certified with the U.S. Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50)

**Education Loan Repayment** means amounts paid as principal or interest on any Qualified Education Loan, of a Student or a sibling of a Student (up to a lifetime \$10,000 limit per Student or sibling of a Student). For this specific purpose, a sibling is defined as a brother, sister, stepbrother or stepsister, as described in section 152(d)(2)(B) of the Code. For purposes of defining a sibling, the terms "brother" and "sister" include half-brothers and half-sisters and a legally adopted child or a foster child of an individual is treated as the child of that individual by blood. You cannot claim a federal income tax deduction for interest paid on a Qualified Education Loan if you treat it as an Education Loan Repayment.

**Qualified Education Loan** means a loan to pay certain higher education expenses as defined in Section 221(d) of the Code.

- 4) The following replaces the entire definition for **Qualified Higher Education Expenses** on page 8 of the Program Details Booklet:

II. **Qualified Higher Education Expenses** means eligible education expenses in connection with a Student's attendance at an Eligible Institution within the meaning of Section 529 of the Code. Generally, these expenses include: (1) tuition, fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a Student at an Eligible Institution; (2) the costs of room and board (subject to certain limits) during any academic period during which the Student is enrolled at least half-time at an Eligible Institution; (3) expenses for special needs services for a special needs Student that are incurred in connection with his or her enrollment or attendance at an Eligible Institution; (4) the purchase of computer or peripheral equipment, computer software, or Internet access and related services to be used primarily by a Student while enrolled at an Eligible Institution; and (5) fees, books, supplies, and equipment required for the participation of a Student in an Apprenticeship Program. Federal law also includes K-12 Tuition (up to an annual \$10,000 limit) and Education Loan Repayments. We do not determine what is considered a Qualified Higher Education Expense and recommend saving receipts.

- 5) The following replaces the ***GET Not Designed for K-12 Tuition*** subsection at the bottom of page 28 of the Program Details Booklet:

**GET Not Designed for K-12 Tuition or Education Loan Repayment**

We have not designed the GET Program to assist you in reaching your K-12 Tuition or Education Loan Repayment savings goals. You should consult a tax advisor and a financial advisor about saving with GET in light of your personal circumstances.

- 6) The following replaces the ***All Withdrawals*** subsection on page 30 of the Program Details Booklet:

**All Withdrawals**

Withdrawals may be comprised of: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income tax. We determine the earnings portion based on IRS rules and report to the IRS and the recipient. However, we do not report whether the distribution is a Distribution, Qualified Refund, Refunded Distribution, Rollover Distribution, Nonqualified Refund or an Education Loan Repayment. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS.

- 7) The following paragraph is added immediately following the paragraph entitled ***Refunded Distribution*** on page 59 of the Program Details Booklet:

**Education Loan Repayments**

You may take a withdrawal from your Account to repay a Qualified Education Loan for your Student or a sibling (defined in Section 152(d)(2)(B) of the Code) of your Student, up to a lifetime limit of \$10,000 per individual. However, if you make an Education Loan Repayment from your Account, Section 221(e)(1) of the Code provides that you may not also take a federal income tax deduction for any interest included in that Education Loan Repayment.

It is important that you keep all records of your distributions. We do not separately report distributions made from your Account to repay a Qualified Education Loan for a sibling of your Student.