

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Monday, February 7, 2011

State Investment Board
2100 Evergreen Park Drive SW
Olympia, Washington 98502
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order

- | | | |
|--|-------------|-------|
| • Approval of November 17, 2010 minutes | ACTION | Tab 1 |
| • Report from the Chair
Legislative update | INFORMATION | |
| • Director's report | INFORMATION | Tab 2 |
| • GET investment update
Diana Will, Investment Officer
Washington State Investment Board | DISCUSSION | Tab 3 |
| • Adjournment | | |

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

**Wednesday, November 17, 2010
Capitol Campus – Insurance Building
Olympia, WA 98501**

MINUTES

HECB staff in attendance:

Betty Lochner, GET Director
Don Bennett, HECB Executive Director
Larry Lee, GET Deputy Director
Heidi Auderer, GET Operations Manager
Susan Martensen, GET Marketing and
Communications Manager
Betsy Hagen, Special Assistant to the GET Director
Katie Gross, Administrative Assistant

Guests in attendance:

Scott Copeland, State Board of Community
and Technical Colleges
Diana Will, State Investment Board
John Graves, State Investment Board
Marc Webster, Office of Financial
Management

WELCOME

GET Committee Chair Don Bennett called the meeting to order at 2:00 p.m. Members of the GET Committee in attendance were Don Bennett, Marty, Brown, Director of Office of Financial Management, James L. McIntire, State Treasurer, Beth Stecher Berendt, citizen member, and Mooi Lien Wong, citizen member (via phone).

APPROVAL OF SEPTEMBER 28, 2010 MEETING MINUTES

Committee members reviewed the minutes of the September 28, 2010 meeting. Brown moved to adopt the minutes as presented. Berendt seconded the motion. The motion was approved unanimously as presented. Minutes adopted.

REPORT FROM THE CHAIR

GET Committee Chair Don Bennett provided an overview from the November Higher Education Coordinating Board meeting. He discussed the legislative outlook with regard to the recent election.

DIRECTOR'S REPORT

Betty Lochner reviewed the updated meeting schedule noting two dates for the spring meeting, April 26, 2011 or May 5, 2011. As the date gets closer, one of the dates will be chosen. Future meetings will be held at the State Investment Board or the Insurance Commissioner's Office.

Lochner presented current enrollment status of the Program.

- 2,215 new enrollments for the 2010-2011 enrollment period
- 121,905 accounts since inception
- Up 17% from this time last year

GET INVESTMENT UPDATE

Diana Will, State Investment Board, presented the GET Investment Update.

Will continued with the Guaranteed Education Tuition Asset Allocation Discussion presentation:

- WSIB Comparative Returns and Current Target Allocation
 - 1 year, 3 years, 5 years, 10 years
- WSIB Recommended Allocation
 - Combine U.S. Equity and International Equity to form Global Equity
 - Will automatically rebalance to a global weight
 - Currently 40.9% U.S. Equity and 59.1% International Equity
 - Split the Treasury Inflation Protection (TIPS) Portfolio evenly between TIPS and Fixed Income
 - Primarily for diversification but should have slightly higher returns in the future
 - Current Target Allocation
 - International Equity – 20%
 - U.S. Equity 40%
 - TIPS – 40%
 - Recommended Target Allocation
 - Global Equity – 60%
 - TIPS – 20%
 - Fixed Income 20%
- GET Expected Return and Volatility
 - Recommended target allocation is expected to provide slightly higher return
 - Volatility is higher during market extremes over short time periods due primarily to currency volatility but over the long run is, for modeling purposes, immaterial

Discussion continued on current markets, returns, equities, and portfolios.

The outcome of today's recommendation will be shared with the State Investment Board. A timeline will be created by Will and information will be shared with the Committee.

APPROVAL OF TARGET ALLOCATION CHANGES

Committee members discussed the information as presented. McIntire moved to adopt the recommended changes to the target allocation. Berendt seconded the motion. The motion was approved unanimously as presented. Recommendation approved.

GET AND TUITION

Larry Lee, GET Deputy Director, presented the updated version of GET and Tuition. This document provides the history of the program and scenarios for possible legislative action.

Pricing Projection Models – Estimated Surplus/(Deficit) in Future Years were reviewed:

Comparing Baseline

- 7.5% actual tuition growth, 6.63% actual investment return in all years

Scenario 1

- 7.5% actual tuition growth, 5.63% actual investment return in all years

Scenario 2

- 10% actual tuition growth for the next four years, 6.63% actual investment return in all years

Scenario 3

- 10% actual tuition growth for next four years, 5.63% actual investment return in all years

The committee participated in a thoughtful discussion about scenarios, cash flows, repricing, selling, and the state's obligation. Lee presented information about other state pre-paid 529 plans and their successes.

Lee stated that GET has limited resources to fund future modeling options.

Discussion continued on tuition setting and Program options.

McIntire requested staff continue to meet and create two to three options for a new structured program. He stated the legislative climate will be swift with decisions and wants to have options available in case an alternative structured program is requested. Brown added the need for the legislature to have complete confidence in the Program.

McIntire will research the possibility of finding resources to fund future modeling options.

Final decision: GET work group (representatives from GET, Treasurer's Office, and Office of Financial Management) will continue to meet and create the framework for future scenarios and options.

No action required.

ADJOURNMENT

The meeting adjourned at 3:00 p.m.

Respectfully Submitted,

Betsy Hagen
Special Assistant to the GET Director

Guaranteed Education Tuition

As of December 31, 2010

CONTRACT STATISTICS: Number of Contracts

Contract Statistics by Plan Year	1998-2009	2010	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	28,942	659	29,601
Lump Sum Contracts (LS)	77,301	2,353	79,654
Total # of Active Contracts	106,243	3,012	109,255
# of Inactive Contracts	6,762	40	6,802
# of Depleted Contracts	6,952	0	6,952
Total # of Contracts	119,957	3,052	123,009

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units

	1998-2009	2010	TOTAL
Contracted Units (Active Accounts)	5,330,663	91,400	5,422,063
Lump Sum Units (Active Accounts)	16,422,060	123,540	16,545,600
Total Active Accounts	21,752,723	214,940	21,967,662
Contracted Units (Inactive Accounts)			363,716
Lump Sum Units (Inactive Accounts)			1,502,353
Grand Total Contracted and LS Units Purchased			23,833,731

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,682,096
Total Paid Out Units Since Inception (Active and Inactive Accounts)	3,443,657

CONTRACT PAYMENTS SINCE INCEPTION

	1998-2009	2010	TOTAL
Total Payments Received (All Accounts)	\$ 1,390,207,502	\$ 14,428,743	\$ 1,404,636,245
Total Fee Payments Received (All Accounts)	\$ 6,219,377	\$ 123,870	\$ 6,343,247
Total Contract-Related Payments Received	\$ 1,396,426,879	\$ 14,552,613	\$ 1,410,979,492
Future Custom Monthly Payments Due (Active Accounts)	\$ 302,023,355	\$ 15,939,227	\$ 317,962,581

ITEMS OF INTEREST

Since Inception

Number of Students Who Have Used Benefits	20,084
Benefits Paid	\$ 210,092,627
Refunds Paid	\$ 18,534,713
Total Paid Out In Benefits and Refunds	\$ 228,627,340



GET Prepaid College Tuition Program

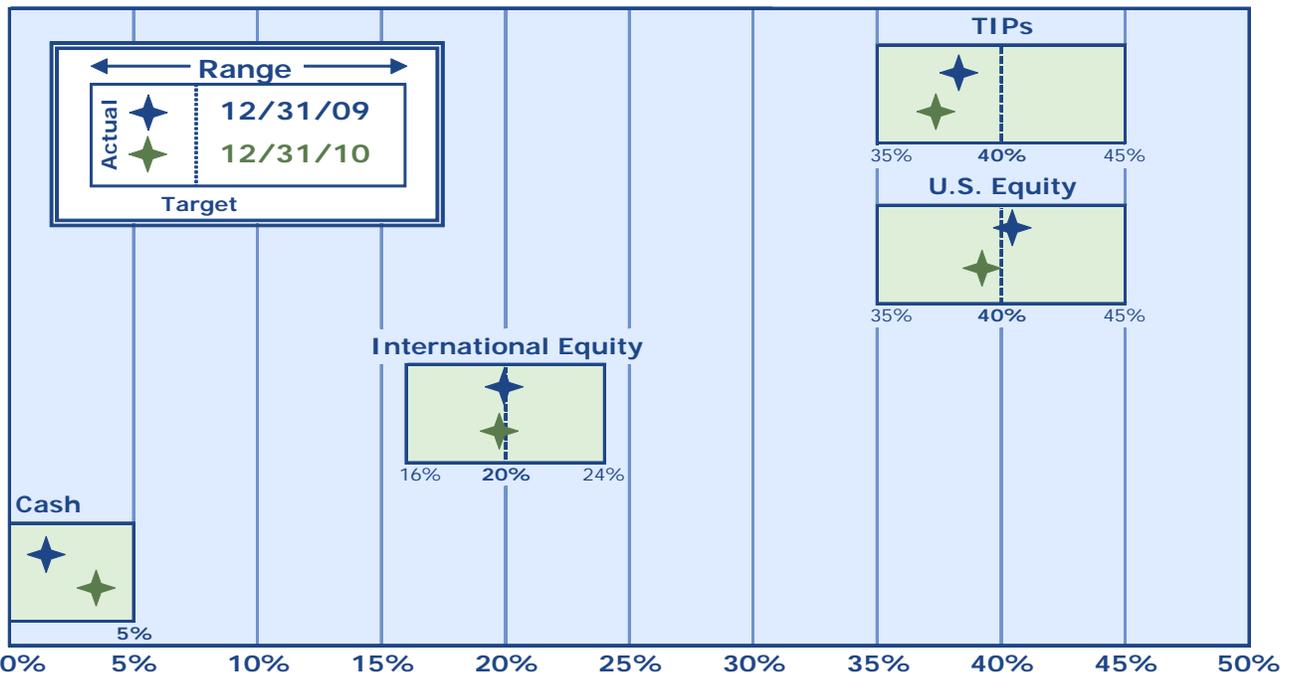
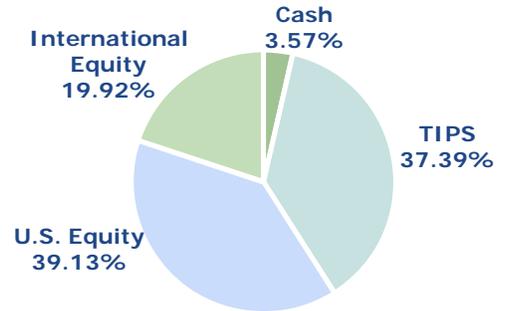
Quarterly Report – December 31, 2010

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

Dated: January 25, 2011

Portfolio Size Actual Asset Allocation

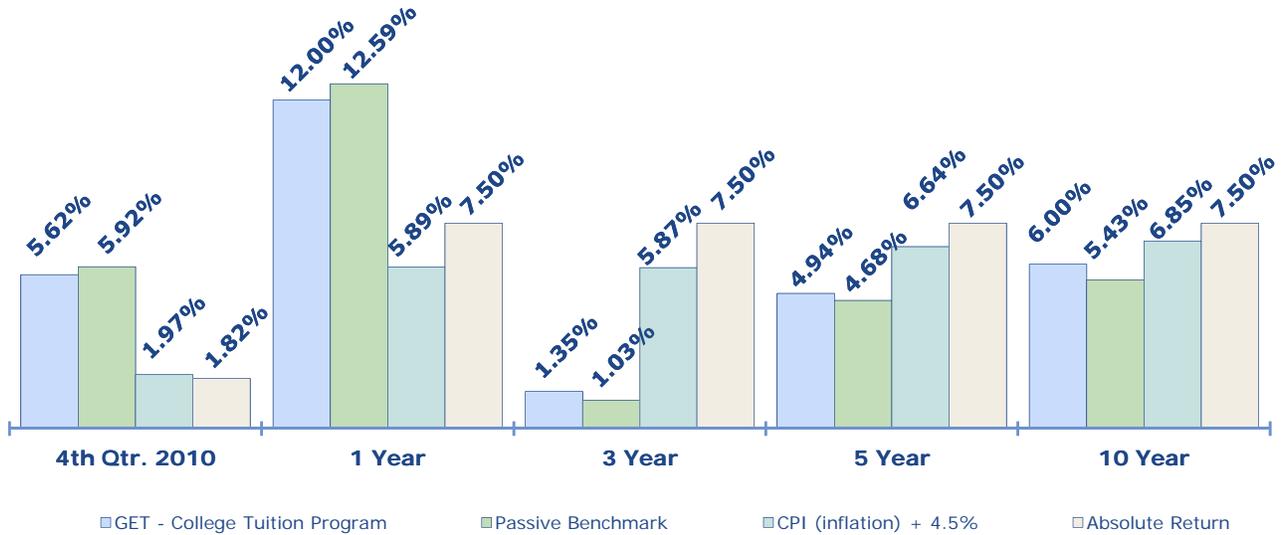
Total	\$1,587,041,406
Cash	56,610,479
Treasury Inflation Index Note (TIPS)	593,316,254
U.S. Equity	620,987,600
International Equity	316,127,073



Assets Under Management

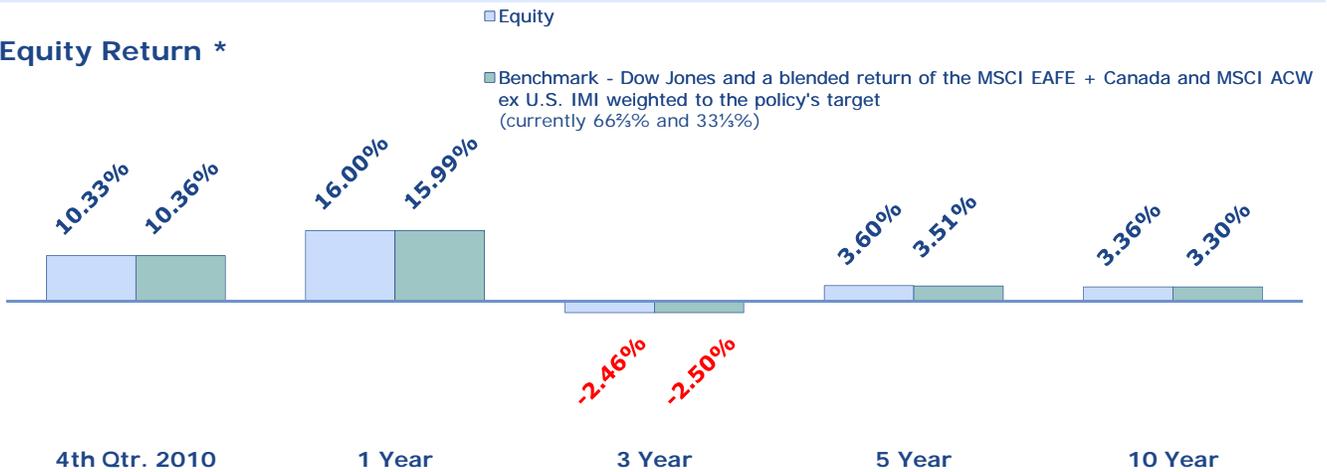


Total Return *

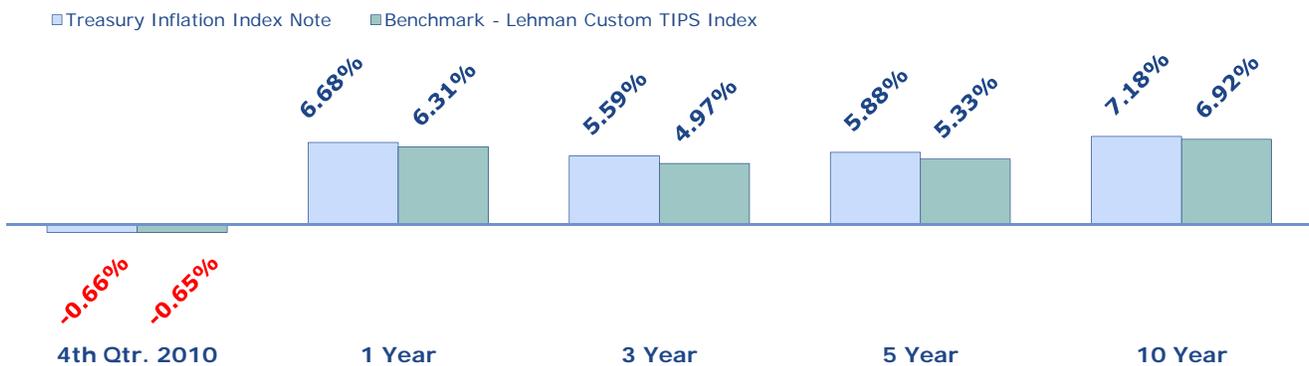


Return Breakdown

Equity Return *



Treasury Inflation Index Note Return *



* The return numbers above are net of manager fees and other expenses that can be directly debited from the account for portfolio management but do not include the WSIB management fee. Inception date is when the WSIB first invested in the asset class.