

Guaranteed Education Tuition (GET) Committee Special Meeting

Thursday, January 19, 2017

Washington Student Achievement Council
3rd Floor Conference Room
917 Lakeridge Way SW
Olympia, WA 98502
3:30 p.m. – 4:30 p.m.

AGENDA

Call to Order & Welcome

- Chair's Report INFORMATION
529 Savings Plan Procurement Update
- Review 529 Savings Plan Options INFORMATION
- Approve Next Steps for 529 Savings Plan Development INFO/POSSIBLE ACTION
- Public Comment
- Adjournment

Next Meeting:
Wednesday, February 22, 2017
J.A. Cherberg Building, Capitol Campus
Senate Hearing Room 3
Olympia, WA 98504
2:00 p.m. – 4:00 p.m.

GET Committee Meeting

January 19, 2017



Chair's Report

Today's Agenda Items

- **529 Savings Plan Procurement Update**
 - **Rachelle Sharpe**, GET Committee Chair
- **Review 529 Savings Plan Options**
 - **Betty Lochner**, GET Director
- **Next Steps for 529 Savings Plan Development**
 - **Rachelle Sharpe**, GET Committee Chair



Savings Plan Procurement Update

- **Process Overview**
- **Recap of Activities to Date**
- **Vendor Feedback**



Savings Plan Procurement Update

Process Overview

New Legislative Direction	<ul style="list-style-type: none"> • Directed Committee to explore the feasibility of a savings plan (SB 5954; 2015 Session) • Strengthened framework and identified funding mechanisms for developing a savings plan (SB 6601; 2016 Session)
Services Needed to Operate Savings Plan	<ul style="list-style-type: none"> • Program Administration • Investment Management • Account Administration • Customer Service • Marketing & Outreach
Possible Approaches to Providing Services	<ul style="list-style-type: none"> • In-House (state provides all services) • Hybrid (partial vendor support) • Turn-Key (full vendor support) • State Partnership

Savings Plan Procurement Update

Recap of Activities to Date

Evaluated In-House Approach (Summer 2015 – Spring 2016)	<ul style="list-style-type: none"> • Explored WSAC as program manager; SIB as investment manager • SIB concluded it was not best suited to provide investment management (April 2016)
Issued Request for Information (May – June 2016)	<ul style="list-style-type: none"> • 11 responses showing interest; four with thorough responses
Cross Agency Advisory Team Formed (May 2016 – Jan 2017)	<ul style="list-style-type: none"> • WSAC and GET Program Staff • Special AAG/National 529 Industry Experts • Partner Agencies: SIB, OCIO • Consulted as needed w/ OFM & DES procurement experts
Issued Request for Proposals (Oct 2016 – Jan 2017)	<ul style="list-style-type: none"> • Per Committee direction, WSAC issued an RFP seeking comprehensive proposals (October – November 2016) • One proposal submitted that was later withdrawn • WSAC gathered feedback from vendor community on RFP challenges

Savings Plan Procurement Update

Vendor Feedback – RFP Challenges

Costs/Profitability	<ul style="list-style-type: none"> • Annual 50 basis point fee cap • Limited start-up funds for program development • Bundled RFP excluded bids for a specific services • No existing plan assets
Timing	<ul style="list-style-type: none"> • Fall 2016 coincided with RFPs, contract renewals, and ABLE plan launches in other states
Plan Competitiveness	<ul style="list-style-type: none"> • No state income tax (many states use state tax break incentives on contributions) • Currently no participation incentives/matching programs • Competitive 529 industry w/ low fee options already available

Review 529 Savings Plan Options



- Three approaches to consider
- Evaluate tradeoffs between options



Option A – Partial In-House

Contract for Investment Management Only

Brief Description	WSAC would provide all program management services; seek to contract with a third-party (non-SIB) provider for investment management.
Estimated Costs	Startup: \$750K On-going: \$1.5M/annually
Fees to Customers	At startup, fees will be higher than those of lowest priced 529 plans; fees may go down as assets under management grow.
Consideration	State controls all plan components and policies.
Estimated Opening	Late 2017/Early 2018: Time needed to build out internal services and hire investment manager.

Option B – Modified Turn-Key Contract for all Services Except Marketing

Brief Description	WSAC would seek to contract with third party(ies) for all 529 savings plan services, except for marketing and administrative oversight.
Estimated Costs	Startup: \$500K On-going: \$1M/annually
Fees to Customers	At startup, fees will be higher than those of lowest priced 529 plans; fees may go down as assets under management grow.
Consideration	Vendors responsible for all services (less state control than in-house).
Estimated Opening	Late 2017: Time needed to reissue RFP, evaluate proposals and negotiate contract.

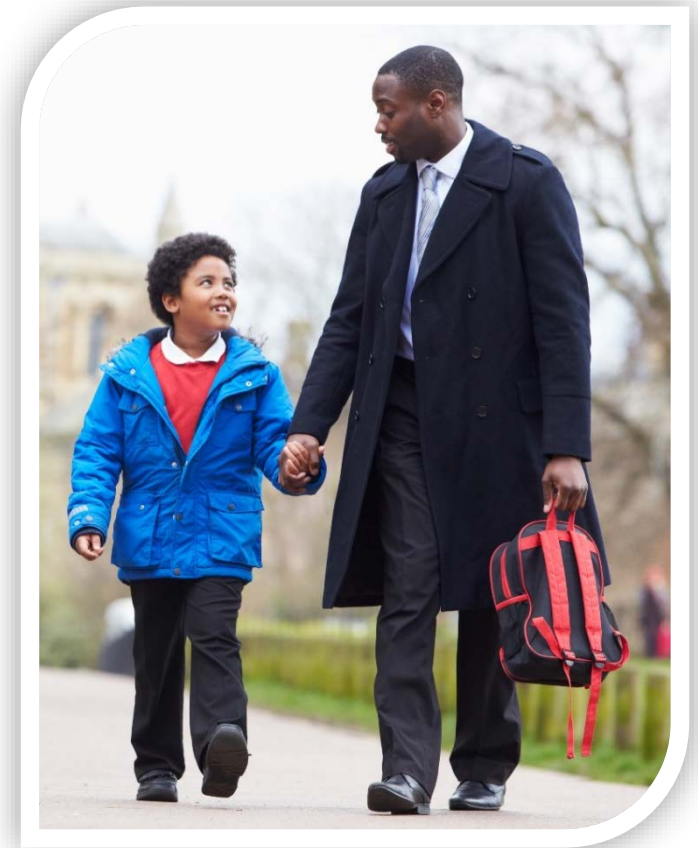
Option C – State Partnership

Explore Partnering with Existing State Plan

Brief Description	WSAC would seek to contract with an existing state plan for all 529 savings plan services, except for marketing and administrative oversight.
Estimated Costs	Startup: \$500K On-going: \$500K/annually
Fees to Customers	At startup, fees could be competitive with lowest priced fee 529 plans, due to existing scale within host state’s plan; fees may go down as assets under management grow.
Considerations	Build off existing well-established plan; limited input in investment options (must choose from existing lineup/provider).
Estimated Opening	Late 2017: Time needed to negotiate contract and build interfaces.

Next Steps for Committee

- Review three options
- Advise WSAC on Committee's preferred approach(es)



Next Steps for Committee

WSAC Seeking Committee Guidance

Summary of Options

Options	A: Partial In-House	B: Modified Turn-Key	C: State Partnership
Estimated Costs	Startup: \$750K On-Going: \$1.5M	Startup: \$500K On-Going: \$1M	Startup: \$500K On-Going: \$500K
Fees to Customers	May be higher than lowest priced 529 plans at startup	May be higher than lowest priced 529 plans at startup	May be competitive with lowest priced 529 plans at startup
Other Considerations	Most State control	Vendor(s) responsible for services	Leverage existing infrastructure; limited input on investments
Timeline	Late 2017/Early 2018	Late 2017	Late 2017

Public Comment



- Sign-up sheet
- If you would like to submit a written comment, please send your input to: GETInfo@wsac.wa.gov, and include the subject line: “GET Committee Statement”



Meeting Adjournment



Next Meeting

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Capitol Campus, Olympia
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2:00 p.m. to 4:00 p.m.



Washington State's
529 Prepaid College
Tuition Program