

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

April 26, 2010

**Capitol Campus - Insurance Building
4th Floor Conference Room
Olympia, WA 98501
2:00 p.m. – 4:00 p.m.**

AGENDA

Call to Order

- | | | |
|---|-------------|-------|
| • Approval of January 6, 2010 minutes | ACTION | Tab 1 |
| • Report from the Chair | INFORMATION | |
| • Director's Report | INFORMATION | Tab 2 |
| • GET investment update
Diana Will
Washington State Investment Board | INFORMATION | Tab 3 |
| • Approval of FY11 administrative budget | ACTION | Tab 4 |
| • GET actuarial analysis and unit price setting
Alan Perry, Principal & Consulting Actuary
Milliman | ACTION | Tab 5 |
| • Adjournment | | |

Next Regular GET Committee Meeting
August 9, 2010, 2:00 p.m. – 4:00 p.m.
State Investment Board
2100 Evergreen Park Drive SW
Olympia, WA

Guaranteed Education Tuition Committee Meeting
Monday, January 6, 2010
Capitol Campus, Insurance Building
4th Floor Conference Room
Olympia, WA 98501

HECB staff in attendance:

Betty Lochner, GET Director
Don Bennett, HECB Deputy Director
Larry Lee, GET Deputy Director
Susan Martensen, GET Marketing and
Communication Manager
Heidi Auderer, GET Operations Manager
Jackie Ferrado, GET Outreach Manager
Betsy Hagen, Assistant to the GET Director
Katie Gross, GET Administrative Assistant
Scott Copeland, State Board of Community
and Technical Colleges

Guests in attendance:

Marc Webster, Office of Financial
Management
Matt Smith, Office of the State Actuary
Troy Dempsey, Office of the State Actuary
Laura Harper, Office of the State Actuary
Terry Ryan, Office of the Attorney General
Diana Will, State Investment Board
Steve Lerch, State Investment Board
John Graves, State Investment Board

WELCOME

GET Committee Chair Ann Daley called the meeting to order at 1:10 p.m. Members of the GET Committee in attendance were Ann Daley, Chair; James L. McIntire, State Treasurer; Beth Stecher Berendt, citizen member; and Mooi Lien Wong, citizen member. Victor Moore, Office of Financial Management was unable to attend.

APPROVAL OF AUGUST 2009 MINUTES

Committee members reviewed the minutes of the August 10, 2009 meeting. Berendt moved to adopt the minutes as presented. Wong seconded the motion. The motion was approved unanimously as presented.

REPORT FROM THE CHAIR

Daley reported that in spite of tough times, there seems to be a lot of pressure to raise college tuition. The budget will be resolved in mid-March and a better idea about college tuition will unfold.

DIRECTOR'S REPORT

Presentation:

Berendt presented a plaque on behalf of the GET Committee and Staff to Daley for her service and dedication to the GET Committee, 2007-2010.

Betty Lochner provided contract statistics information as of December 31, 2009:

- New enrollments are just shy of 3,000 for the 09-10 enrollment period
- 109,379 total contracts for the program
- On track to keep pace with last year's enrollment count (largest enrollment year to date)
- Participants continue to see value in GET

Lochner provided the marketing update:

- Media tours scheduled:
 - January, 2010 – Clark County
 - February, 2010 – Eastern Washington
 - Yakima
 - Tri-Cities
 - Spokane
- Advertisement
 - Additional TV ad buy beginning January 18 targeting the greater Puget Sound Area
 - The state-wide regular TV and radio ad buy begins in February

GET INVESTMENT UPDATE

Diana Will, investment officer from the State Investment Board presented an investment update. Investment reports are not available as this is the third day of the new quarter. Will provided preliminary numbers and reiterated they are unaudited through November 30, 2009:

- \$1.241 billion balance
- Returns for fiscal year to date (since June 30) is 14.22%
- One year return is a little above 23%
- Two year return is negative 3.59%
- Three year return is .55%
- 10 year basis is 4.93%

Growth in 2009:

- \$409 million
- \$175 from cash contributions
- '06, '07, '08 averages for cash contributions were \$112 million

Additional information:

- TIPS are up 11.41%
- TIPS have been helping the total portfolio
- Equities are up
- GET Asset Allocation
 - 40% TIPS
 - 60% Equities
 - 40% US
 - 20% International

Markets are still very fragile but we are in a recovery stage. A complete investment report will be available at the April 2010 meeting.

WORK SESSION

GET FINANCIAL SOLVENCY STUDY

The 2009 legislature directed the Office of the State Actuary to conduct an independent assessment of alternatives for assuring the long-term financial solvency of the GET Program. The study was presented at a legislative hearing in November 2009.

Matt Smith, State Actuary, Troy Dempsey, Actuary, and Laura Harper, Policy and Research Services Manager presented the study results in a PowerPoint presentation.

Active discussion ensued throughout the presentation.

McIntire expressed interest in purchaser buying behavior as well as demographics on current GET participants:

- Income level of customers
- Average age of the beneficiaries
- Population analysis, birth rates – expected new growth in 10 years
- Growth in families
- Penetration rate of other states
- Maximum penetration rate

Larry Lee, GET Deputy Director, will provide a comprehensive demographic report at the April Committee Meeting.

Daley thanked the actuary staff for the presentation of their findings.

PRICE SETTING ASSUMPTION REVIEW

Lochner presented the staff report for the annual price setting assumption review. She noted the price setting assumptions are based on the recommendation of the state actuary as a result of their GET Financial Solvency Study.

Background

Each year, the GET Committee reviews the assumptions used by the Program's contracted actuary to prepare the unit pricing models and exhibits. These assumptions include expectations for future tuition increases, expected returns on investments, projected new accounts and unit sales, and the operating budget for the Program. Some of the assumptions are based on historical averages, some are provided by Program staff, and others are provided by the State Investment Board.

The value of GET investments has increased over the last six months. While this has reduced the Program's projected long-term deficit, GET's funding status remains about 90%.

Current assumptions and information:

The current \$101 unit price (2009-10 enrollment year) was based on the following assumptions:

New contracts/accounts:	9,500
Unit sales:	1.35 million
Operating Budget:	\$4.5 million
Unit price stabilization reserve:	13.7 percent, or \$13.85 in each unit
Tuition increases:	14 percent 2009-10 and 2010-11, 7 percent annually thereafter

GET Committee pricing guidelines were established to provide intergenerational equity. They were to ensure that prices would not increase rapidly following a decline in the reserve saddling new purchasers with an inequitable share of replacement costs. The guidelines state that “the Committee should strive to make pricing adjustments gradually over multiple enrollment years wherever possible.” Due to the drastic economic situation, the GET pricing guidelines were not used to determine the current unit price.

In its legislatively mandated review of GET, the Office of the Washington State Actuary made two recommendations that directly impact the Program’s pricing assumptions and price setting guidelines.

The State Actuary determined that due to recent tuition spikes the long-term average tuition increase being used for unit price setting needed to be increased from 7.0 percent to at least 7.5 percent annually. They also recommended that the pricing guidelines be modified to “strengthen the program’s reserve while making it more responsive to changes in funding status.”

Staff recommendations (based on recommendations by the Office of the State Actuary) for 2010-11 enrollment year:

New contracts/accounts:	10,000
Unit sales:	1.50 million
Projected operating budget:	\$4.75 million

Unit price stabilization reserve component:

Funding Status (< 100 percent)	15 percent
Funding Status (100 – 150 percent)	10 percent
Funding Status (> 150 percent)	5 percent

Long-term tuition increase rate:	14 percent 2010-11, 7.5 percent annually thereafter
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Daley provided the history of the current price setting guidelines.

Active discussion ensued.

McIntire is very happy with the state actuarial model and hoped that the model can be used in a variety of ways.

APPROVAL OF GET PRICE SETTING

McIntire moved to approve the staff recommendations as presented. Berendt seconded the motion. The motion was approved unanimously as presented. The assumptions will be used in determining unit price setting recommendation at the April 26, 2010 meeting.

ADJOURNMENT

The meeting adjourned at 2:45 p.m.

Respectfully Submitted,

Betsy Hagen
Assistant to the GET Director



Director's Report April 26, 2010

Interesting 2009-10 Enrollment Year GET Facts:

- 13,151 new enrollments (as of April 14, 2010)
 - Over 8,214 new enrollments came in during the last month of enrollment
- 23,097 calls for the entire enrollment period (1.5% increase over prior year)
 - 7,230 total calls for March
 - 2,038 total calls for the last three days of enrollment
- 3,143 emails for the entire enrollment period (65% increase over prior year)
 - 930 total emails for March
 - 257 total emails for the last three days of enrollment

Since Inception:

- Total GET accounts opened: 119,642
- Total payments received: \$801 million
- Total units purchased: 16.2 million
- Total value of all contracts: \$1.06 billion

2010-2011 GET Information:

- 2010-2011 GET Enrollment Year: September 15, 2010 – March 31, 2011
- GET Ready for Math and Science Scholarship – the first cohort will begin using their scholarships, payable in GET units

Historical GET Unit Information

Year	Unit Price	Average Units Per Account
1998	\$35	216
1999	\$38	194
2000	\$41	195
2001	\$42	181
2002	\$52	210
2003	\$57	214
2004	\$61	213
2005	\$66	212
2006	\$70	209
2007	\$74	204
2008	\$76	204
2009	\$101	105
ALL	N/A	190

Guaranteed Education Tuition

As of March 31, 2010

CONTRACT STATISTICS: Number of Contracts

Contract Statistics by Plan Year	1998-2008	2009	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	25,528	2,931	28,459
<i>unprocessed CM contracts</i>		1,184	1,184
Lump Sum Contracts (LS)	68,742	7,432	76,174
<i>unprocessed CM contracts</i>		1,762	1,762
Total # of Active Contracts (<i>including unprocessed</i>)	94,270	13,309	107,579
# of Inactive Contracts	5,978	140	6,118
# of Depleted Contracts	5,894	1	5,895
Total # of Contracts (<i>including unprocessed</i>)	106,142	13,450	119,592

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units

	1998-2008	2009	TOTAL
Contracted Units (Active Accounts)	4,921,188	464,000	5,385,188
<i>unprocessed contracted units</i>		172,350	172,350
Lump Sum Units (Active Accounts)	14,921,951	553,311	15,475,262
<i>unprocessed LS units - projected</i>		212,339	212,339
Total Active Accounts - (<i>including unprocessed</i>)	19,843,139	1,402,000	21,245,139
Contracted Units (Inactive Accounts)			223,688
Lump Sum Units (Inactive Accounts)			1,266,171
Grand Total Contracted and LS Units Purchased - (<i>including unprocessed</i>)			22,734,998

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,809,114
Total Paid Out Units Since Inception (Active and Inactive Accounts)	2,906,647

CONTRACT PAYMENTS SINCE INCEPTION

	1998-2008	2009	TOTAL
Total Payments Received (All Accounts)	\$ 1,126,713,460	\$ 53,749,483	\$ 1,180,462,943
Total Fee Payments Received (All Accounts)	\$ 5,131,072	\$ 415,520	\$ 5,546,592
Total Contract-Related Payments Received	\$ 1,131,844,532	\$ 54,165,003	\$ 1,186,009,535

Future Custom Monthly Payments Due (Active Accounts)	\$ 245,901,365	\$ 69,501,512	\$ 315,402,877
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ITEMS OF INTEREST

2009-2010 Academic Year

Number of Students Who Have Used Benefits	8,108
Benefits Paid	\$ 45,711,230
Refunds Paid	\$ 3,169,743
Paid Out During the 2009-2010 Academic Year	\$ 48,880,973

Since Inception

Number of Students Who Have Used Benefits	16,678
Benefits Paid	\$ 167,257,462
Refunds Paid	\$ 14,537,583
Total Paid Out In Benefits and Refunds	\$ 181,795,045

Marketing Update

April 26, 2010

2009-2010 Enrollment Year Marketing included:

- Media relations, with articles appearing in online and print versions of local, regional and national publications
- Print ads purchased in selected parenting publications
- Web ads placed on parenting Web sites and Facebook
- Direct mail (including email) to varied constituent groups such as PTA groups, ESDs
- Community outreach events that provided direct contact with families of young children
- Fall and spring media tours that provided interview opportunities on radio and TV
- Regular communications via email with account holders, giftors and payroll employers
- Year-Round Newborn Enrollment implementation (began April 1, 2010). Four enrollments as of April 14

Highlights:

- Finalized partnership with CHILD Profile, the Washington State Department of Health mailer; GET information is now provided to all parents of 6 month olds and 2 year olds in Washington State, effective January 2010
- Launched a Facebook page for GET with an increasing fan base and positive testimonials
- Revised GET's Web site which resulted in an increase of online enrollments from 85% to 92%. New interactive capabilities have allowed daily updates, a tuition calculator, an instant translation tool, and posting of broadcast interviews as well as direct links to helpful sites and the most popular site pages. Search engine optimization was improved to increase exposure.
- Online customer survey was conducted to evaluate how families are motivated to save for college and to understand the best ways to provide information about GET to current and prospective customers. The response from 7,365 individuals provided valuable insight.

2010-11 Enrollment Year Marketing Plans:

- New contracts have been signed with Jones Advertising, Ferguson Media, Olympic Web Design, Group Davis Graphic Design and Victory Studios to continue with marketing and communications initiatives.
- Development of a new campaign concept is underway. The schedule calls for filming and recording to take place in late June, and new enrollment materials to be produced in early August to be ready for the September 15 opening.



GET Prepaid College Tuition Program

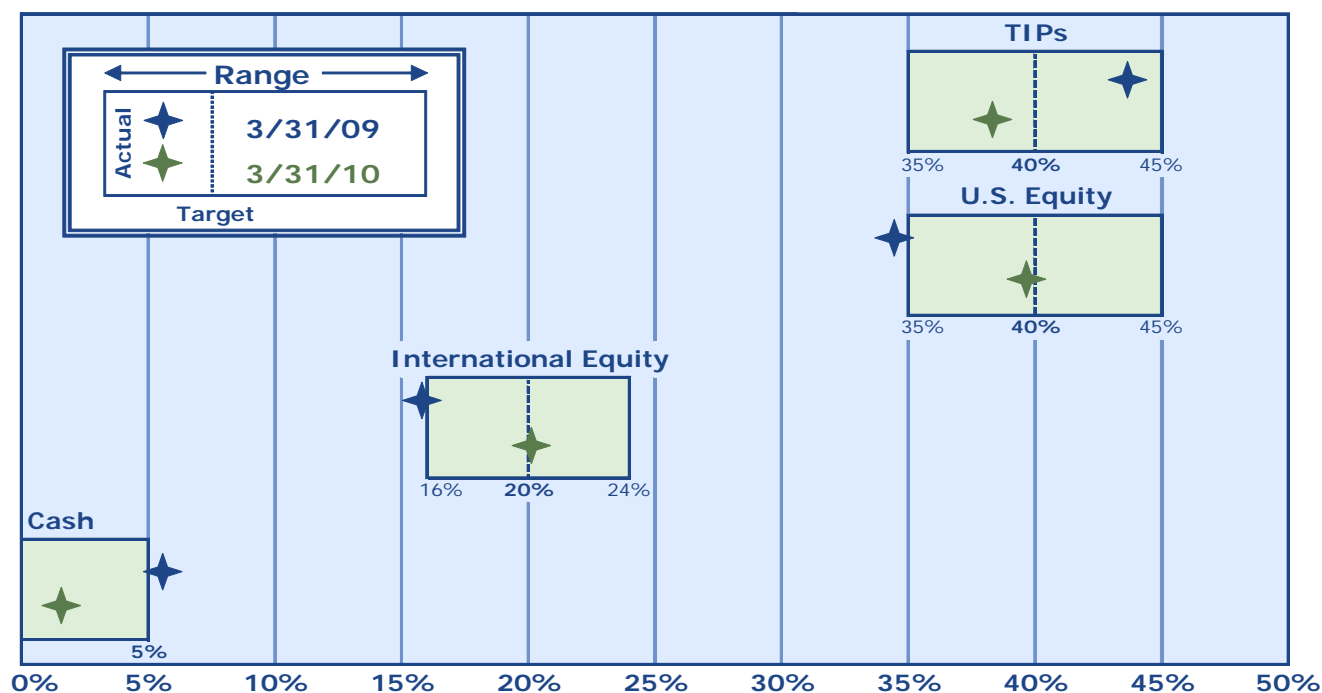
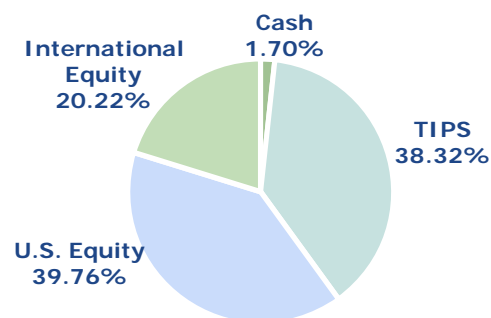
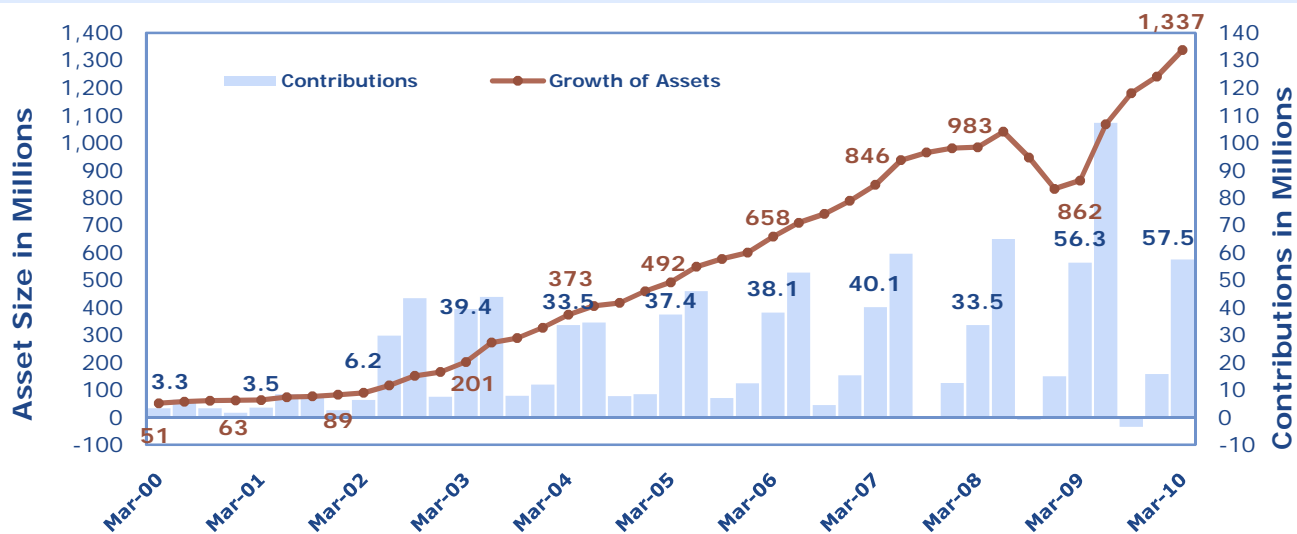
Quarterly Report – March 31, 2010

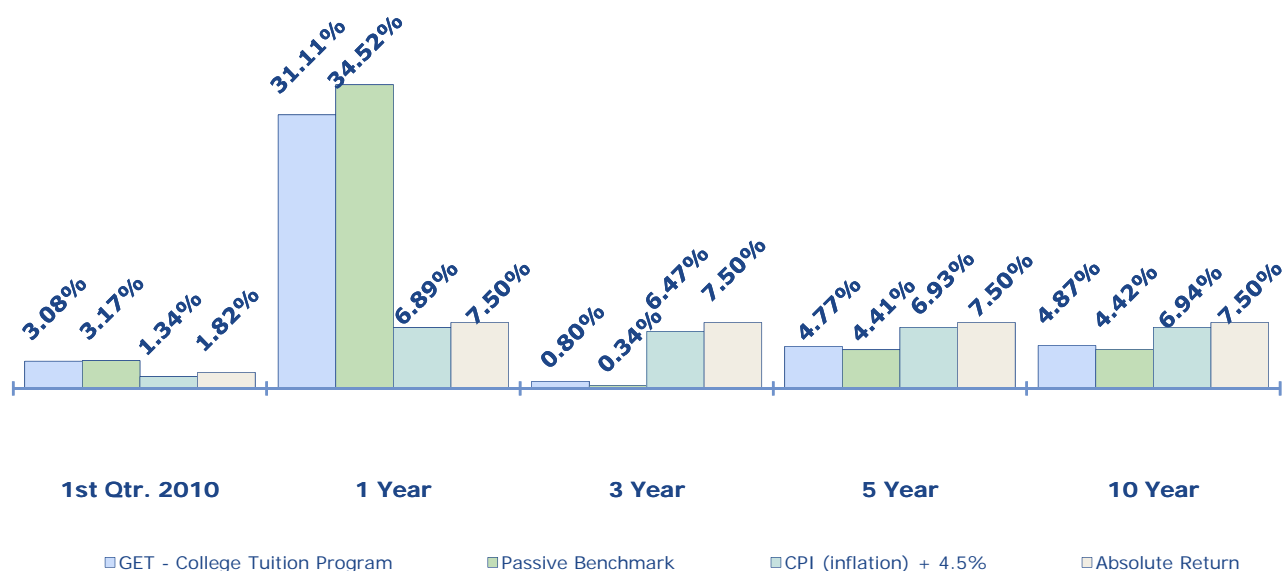
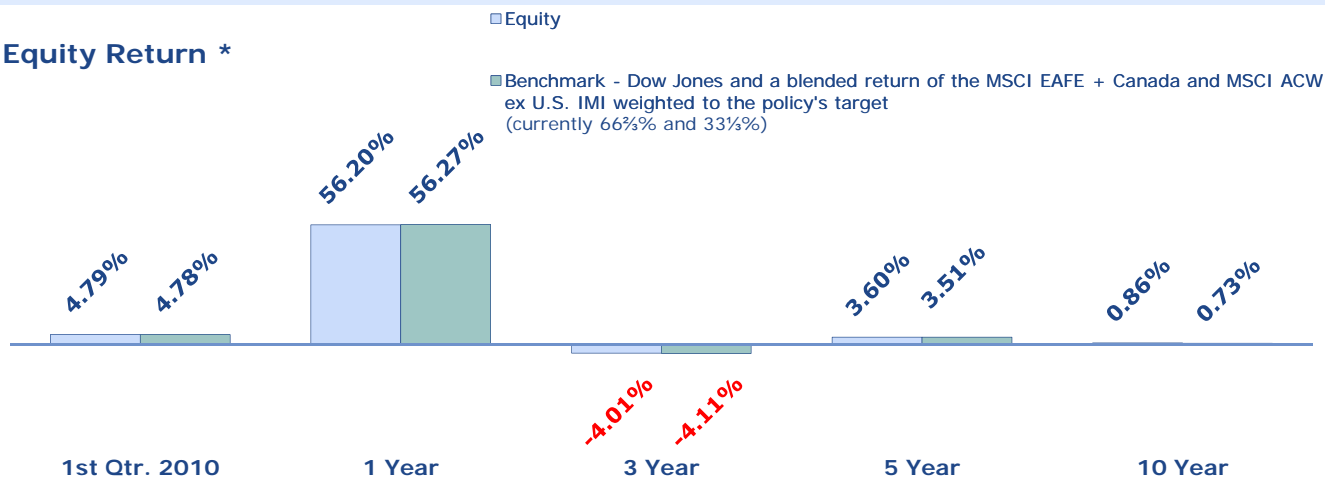
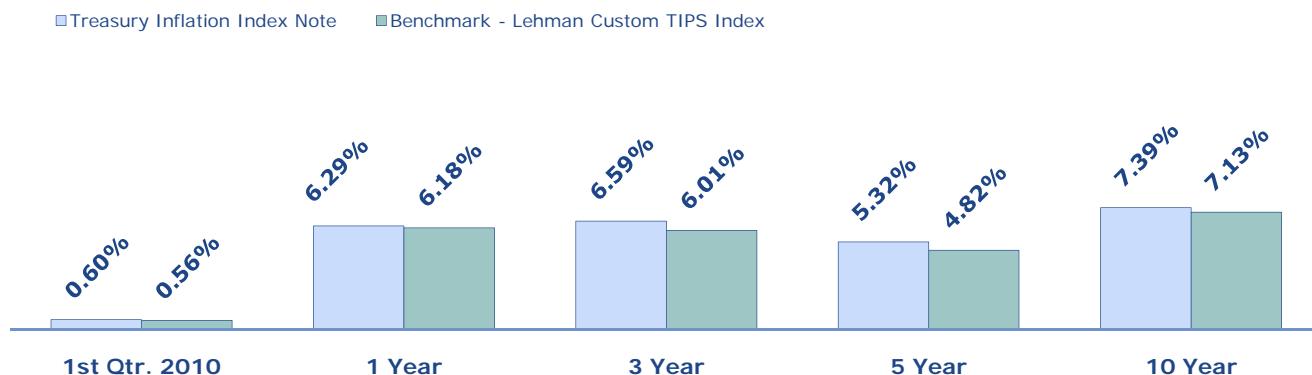
Portfolio size, Allocation, and Assets Under Management.....	1
Performance	2

Dated: April 15, 2010

Portfolio Size

Total	\$1,337,430,280
Cash	22,749,778
Treasury Inflation Index Note (TIPS)	512,489,972
U.S. Equity	531,775,888
International Equity	270,414,642

Actual Asset Allocation

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.

Guaranteed Education Tuition Program
FY 2011 Proposed Budget
July 1, 2010 - June 30, 2011

	<u>FY10 Approved</u>	<u>Projected Actual FY10 Expenditures</u>	<u>FY11 Proposed</u>
Budgeted/Actual Contract Sales	9,500		10,000
Actual Contract Sales		13,450	
Estimated/Actual Total Contracts	106,142	119,592	129,592
Enrollment & Other Fees	475,000	672,500	500,000
Administrative Fees in Unit Price	<u>4,218,000</u>	<u>4,206,000</u>	<u>4,500,000</u>
Projected Available Funds	\$4,693,000	\$4,878,500	\$5,000,000
Expenditures:			
Salary & Benefits - 26.8 FTE	\$1,887,000	1,887,000	\$1,958,175 (3)
HECB Indirect Cost Allocation	\$962,673	962,673	\$962,673
Goods & Services	456,800	456,800	479,640 (4)
Building Lease & Utilities	125,000	125,000	131,250
Travel	40,000	31,000 (1)	40,000
Actuarial Contract	63,000	63,000	80,021
Marketing	750,000	750,000	855,000 (5)
Records Admin Costs	<u>212,893</u>	<u>196,643 (2)</u>	<u>244,841 (6)</u>
Total Expenditures	\$4,497,366	\$4,472,116	\$4,751,600

Notes:

- 1) Out of state travel restrictions in place.
- 2) Includes purchase of \$85,000 scanner system, was able to delay purchase of additional hours for Banner software upgrades
- 3) Includes temporary staff, outreach staff, overtime and add'l benefits costs (medical insurance allowance up \$24,000)
- 4) Additional printing, postage for new accounts, replacement of computer equipment, expanded outreach expenses
- 5) Marketing \$850,000, Outreach \$5,000
- 6) CSS contract \$118,341, purchase of additional software programming hours \$108,500, imaging maintenance costs \$18,000

Actuarial Analysis and Price Adjustment for the 2010-11 Enrollment Year

April 26, 2010

Background

By statute, the GET Committee sets an annual unit price and may also adjust it annually, if necessary, to ensure the actuarial soundness of the program. The Program has contracted with Milliman for actuarial services.

At the May 11, 2009 meeting, the Committee approved setting the unit price at \$101 for May 1, 2009 through April 30, 2010 unless there was an unexpected change in any of the assumptions used in the pricing model. There were no changes in assumptions between May and July 2009; therefore, no price change was considered at the August 10, 2009 Committee meeting.

The current unit price of \$101 for the 2009-10 enrollment period was based on the following assumptions:

- *Tuition would increase 14.00 percent in each of the next two years.*
- *Tuition would increase no more than an average of 7.00 percent annually in subsequent years.*
- *Expected long-term investment returns would be 6.89 percent annually.*

Price-setting guidelines, which were adopted at the October 31, 2007 GET Committee meeting, were not followed in setting the \$101 unit price. The funding status of the program warranted a higher reserve component than that recommended by the guidelines.

Current Information

The results from our pricing model, prepared by Milliman and based on information available through March 31, 2010, are included to assist the Committee in setting a price for units to be sold from May 1 through August 31, 2010.

At the January 6, 2010 meeting, the GET Committee established the following assumptions to be used for this year's price setting.

- *Tuition will increase 14.00 percent this year.*
- *Tuition will increase at an average of 7.5 percent annually in subsequent years (as recommended in the Financial Solvency Study on GET completed by the Office of the State Actuary on November 13, 2009).*

The State Investment Board's proposed long-term investment return assumption for GET assets, which has not yet been adopted by their Board, decreased from 6.89 percent to 6.63 percent. Price recommendations reflect a 15 percent stabilization reserve component in each unit, and are calculated based on long-term tuition rate increases of 7.5 and 8.0 percent.

Milliman calculated, based on the increased long-term tuition rate coupled with the decrease in the long-term expected investment return, that GET is currently 89.4 percent funded. Applying the assumptions approved at the January 6, 2010 GET Committee meeting results in a unit price of \$117. Increasing the expected long-term tuition rate from 7.5 percent to 8.0 percent would increase the unit price to \$124. Though investment returns have been encouraging, the increased tuition assumption and the decrease in the expected return will result in a unit price increase of \$16 (15.8 percent) or \$23 (22.8 percent) depending on the long-term tuition increase rate selected by the Committee.

Recommendation

Staff recommends that a unit price of \$117 be set. The new unit price will be effective May 1, 2010 and remain in effect through April 30, 2011 unless there are unexpected changes in any of the assumptions used in the pricing model. Should the assumptions change, the Committee will determine whether an adjustment to the price will be needed for the 2010-11 enrollment year at its next meeting scheduled for August 9, 2010.

Washington Guaranteed Education Tuition Program

Preliminary Unit Prices for May 2010 through April 2011

	Unit Price	% Increase	Tuition Gr. Assumption 2011+	Pricing Stabilization Reserve	Unit Price as Percent of Highest Tuition	Expected IRR for a Lump Sum Purchase		
						<u>Oldest</u>	<u>Average</u>	<u>Youngest</u>
2009-10	\$101.00	32.9%	7.00%	16.00%	132.9%	2.09%	4.99%	5.96%
Washington Municipal Bond Yields on May 8, 2009 from MunicipalBonds.com								
						Maturity Year		
						2014	2023	2031
						2.80%	4.27%	5.07%
2010-11	\$117.00	15.8%	7.50%	15.11%	135.0%	0.67%	4.74%	6.06%
	\$124.00	22.8%	8.00%	14.75%	143.1%	-0.20%	4.67%	6.26%
Washington Municipal Bond Yields on April 20, 2010 from MunicipalBonds.com								
						Maturity Year		
						2015	2024	2032
						2.32%	3.99%	5.51%

In performing this analysis, we relied on data and other information provided by the Washington Guaranteed Education Tuition Program. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Milliman's work product was prepared exclusively for Washington Guaranteed Education Tuition for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning actuarial projections and uses information from GET which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

MILLIMAN

Washington Guaranteed Education Tuition Program

Comparison of Unit Prices for Fall 1998 through Spring 2011

Investment Policy:	Fall/Spring 2010-11	Fall/Spring 2010-11	Fall/Spring 2009-10	Fall/Spring 2008-9	Fall/Spring 2007-8	Fall/Spring 2006-7	Fall/Spring 2005-6	Summer 2005	Fall/Spring 2004-5	Summer 2004	2003	2002	2001	2000	1999	1998
	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	60% Stocks 40% Bonds	50% Stocks 50% Bonds	50% Stocks 50% Bonds	50% Stocks 50% Bonds	50% Stocks 50% Bonds	50% Stocks 50% Bonds
Price Components:																
Present Value of Tuition	\$ 98.66	\$ 105.08	\$ 83.90	\$ 72.58	\$ 67.91	\$ 63.28	\$ 58.89	\$ 56.85	\$ 54.58	\$ 50.72	\$ 48.32	\$ 42.76	\$ 36.96	\$ 34.46	\$ 33.36	\$ 30.80
Present Value of Expenses	2.98	2.98	3.17	3.27	2.48	2.60	2.63	2.74	3.06	2.92	2.30	3.28	2.93	3.20	2.14	1.80
Subtotal	\$ 101.64	\$ 108.06	\$ 87.07	\$ 75.85	\$ 70.39	\$ 65.88	\$ 61.52	\$ 59.59	\$ 57.64	\$ 53.64	\$ 50.62	\$ 46.04	\$ 39.89	\$ 37.66	\$ 35.50	\$ 32.60
Stabilization Reserve	15.36	15.94	13.93	0.15	3.61	4.12	4.48	6.41	3.36	7.36	6.38	5.96	2.11	3.34	2.50	2.40
Total	\$ 117.00	\$ 124.00	\$ 101.00	\$ 76.00	\$ 74.00	\$ 70.00	\$ 66.00	\$ 66.00	\$ 61.00	\$ 61.00	\$ 57.00	\$ 52.00	\$ 42.00	\$ 41.00	\$ 38.00	\$ 35.00
Unit Price as % of tuition	135.0%	143.1%	132.9%	113.1%	117.6%	118.8%	119.9%	119.7%	118.4%	117.9%	117.9%	115.0%	105.4%	112.6%	107.9%	103.6%
Assumptions:																
Tuition Increases																
Year 1:	7.50%	8.00%	14.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	8.00%	6.75%	6.75%	6.75%	6.75%
Year 2:	7.50%	8.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	8.00%	6.75%	6.75%	6.75%	6.75%
Thereafter:	7.50%	8.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	8.00%	6.75%	6.75%	6.75%	6.75%
Investment Returns	6.63%	6.63%	6.89%	6.55%	6.55%	6.55%	6.55%	6.55%	6.60%	7.00%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Stabilization Reserve	15.11%	14.75%	16.00%	0.20%	5.13%	6.25%	7.28%	10.76%	5.83%	13.72%	12.60%	12.95%	5.29%	8.87%	7.04%	7.36%
Highest WA Tuition*	\$ 8,664	\$ 8,664	\$ 7,600	\$ 6,720	\$ 6,290	\$ 5,891	\$ 5,506	\$ 5,515	\$ 5,154	\$ 5,175	\$ 4,836	\$ 4,520	\$ 3,898	\$ 3,641	\$ 3,521	\$ 3,378
Annual Contract Expense	\$ 18.81	\$ 18.81	\$ 18.31	\$ 18.29	\$ 17.58	\$ 17.29	\$ 16.72	\$ 16.72	\$ 16.39	\$ 16.39	\$ 15.84	\$ 11.04	\$ 15.00	\$ 10.25	\$ 14.30	\$ 5.00
Payout Expense	\$ 12.54	\$ 12.54	\$ 12.21	\$ 12.20	\$ 11.72	\$ 11.53	\$ 11.15	\$ 11.15	\$ 10.93	\$ 10.93	\$ 10.56	\$ 17.66	\$ 10.00	\$ 16.40	\$ 16.00	\$ 13.50
Purchase Expense	\$ 1.48	\$ 1.48	\$ 1.44	\$ 1.44	\$ 1.38	\$ 1.36	\$ 1.35	\$ 1.35	\$ 1.33	\$ 1.33	\$ 1.29	\$ 1.91	\$ 1.26	\$ 1.78	\$ 1.73	\$ 0.50
Enrollment Fee	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
GET Budget	\$4.75 Mil	\$4.75 Mil	\$4.5 Mil	\$4.4 Mil	\$4.0 Mil	\$3.5 Mil	\$2.9 Mil	\$3.1 Mil	\$3.1 Mil	\$3.1 Mil	\$3.5 Mil	\$2.6 Mil	\$2.1 Mil	\$1.8 Mil	\$1.6 Mil	\$1.6 Mil
New Contracts	10,000	10,000	9,000	9,000	8,000	6,000	5,000	5,000	5,000	5,000	5,000	4,000	4,000	3,000	4,500	10,000
Total Units	1.50 Mil	1.50 Mil	1.35 Mil	1.35 Mil	1.6 Mil	1.2 Mil	1.0 Mil	1.0 Mil	1.0 Mil	1.0 Mil	1.5 Mil	0.8 Mil	0.8 Mil	0.6 Mil	1.0 Mil	1.0 Mil
Avg Date of Unit Purchase	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Mar 15	Aug 15	Mar 1	Aug 15	Mar 31	Mar 31	Mar 31	Mar 31	Mar 31	Sept 30
Age Distribution	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Based on
	2008-10	2008-10	2007-09	2006-08	2005-07	2004-06	1998-2005	1998-2005	1998-2004	1998-2003	1998-2003	1998-2002	1998-2001	1998-2000	1998-1999	Ohio Sales

* \$8,664 is the expected highest tuition for 2010-2011 based on the actual highest tuition for 2009-2010 increased by 14.0%.

**Washington Guaranteed Education Tuition Program
Pricing Projection Model - Estimated Surplus / (Deficit) in Future Years**

Fiscal Year Ending June 30												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pricing Strategy: 15% Stab. Reserve each year												
Expected Year Deficit Eliminated: 2019												
Actual Tuition Increases		14.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Actual Investment Returns		18.74%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%
Number of Units Sold (millions)		1.79	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Stabilization Reserve in FY Pricing		17.29%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Program Surplus/(Deficit) at end of year (in millions)	\$ (235.7)	\$ (187.6)	\$ (177.0)	\$ (164.0)	\$ (148.4)	\$ (129.7)	\$ (107.7)	\$ (82.0)	\$ (52.1)	\$ (17.6)	\$ 22.0	\$ 67.2
Program Surplus/(Deficit) (pct of liab)	-15.8%	-10.6%	-9.0%	-7.6%	-6.3%	-5.1%	-3.9%	-2.7%	-1.6%	-0.5%	0.6%	1.7%
Highest Tuition		\$7,600	\$8,664	\$9,314	\$10,012	\$10,763	\$11,571	\$12,438	\$13,371	\$14,374	\$15,452	\$16,611
Approximate Unit Price		\$101.00	\$116.92	\$125.53	\$134.78	\$144.71	\$155.39	\$166.87	\$179.19	\$192.44	\$206.68	\$221.97
Approximate Premium over Tuition		32.9%	35.0%	34.8%	34.6%	34.5%	34.3%	34.2%	34.0%	33.9%	33.8%	33.6%

Fiscal Year Ending June 30												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pricing Strategy: 15% Stab. Reserve each year												
Expected Year Deficit Eliminated: 2021												
Actual Tuition Increases		14.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Actual Investment Returns		18.74%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%	6.63%
Number of Units Sold (millions)		1.79	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Stabilization Reserve in FY Pricing		17.29%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Program Surplus/(Deficit) at end of year (in millions)	\$ (235.7)	\$ (261.3)	\$ (254.1)	\$ (244.6)	\$ (232.3)	\$ (217.0)	\$ (198.2)	\$ (175.6)	\$ (148.6)	\$ (116.7)	\$ (79.5)	\$ (36.2)
Program Surplus/(Deficit) (pct of liab)	-15.8%	-14.1%	-12.4%	-10.8%	-9.4%	-8.0%	-6.7%	-5.5%	-4.3%	-3.1%	-2.0%	-0.8%
Highest Tuition		\$7,600	\$8,664	\$9,357	\$10,106	\$10,914	\$11,787	\$12,730	\$13,749	\$14,849	\$16,036	\$17,319
Approximate Unit Price		\$101.00	\$124.31	\$134.07	\$144.61	\$155.99	\$168.28	\$181.54	\$195.86	\$211.31	\$228.00	\$246.01
Approximate Premium over Tuition		32.9%	43.5%	43.3%	43.1%	42.9%	42.8%	42.6%	42.5%	42.3%	42.2%	42.0%

Reflects Actual GET Investment Returns through March 31, 2010.
Reflects units sold through mid-April.

In performing this analysis, we relied on data and other information provided by the Washington Guaranteed Education Tuition Program. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Milliman's work product was prepared exclusively for Washington Guaranteed Education Tuition for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning actuarial projections and uses information from GET which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.