

**GUARANTEED EDUCATION TUITION
COMMITTEE MEETING
August 10, 2009**

Capitol Campus - Insurance Building
4th Floor Conference Room
2:00 p.m. – 4:00 p.m.

AGENDA

- | | | |
|---|-----------------------|-------|
| <ul style="list-style-type: none"> • Call to Order | | |
| <ul style="list-style-type: none"> • Report from the Chair <ul style="list-style-type: none"> ○ Update on state actuary program evaluation | INFORMATION | |
| <ul style="list-style-type: none"> • Approval of May 11, 2009 minutes • Approval of proposed 2010 meeting calendar | ACTION | Tab 1 |
| <ul style="list-style-type: none"> • Director's report <ul style="list-style-type: none"> ○ Contract statistics ○ Marketing report | INFORMATION | Tab 2 |
| <ul style="list-style-type: none"> • Committee information requests | INFORMATION | Tab 3 |
| <ul style="list-style-type: none"> • Staff Reports <ul style="list-style-type: none"> ○ Master Agreement changes ○ 2009-2010 enrollment dates approval | ACTION | Tab 4 |
| <ul style="list-style-type: none"> • GET investment update • Diana Will, Investment Officer • Washington State Investment Board | INFORMATION | Tab 5 |
| <ul style="list-style-type: none"> • GET actuarial update <ul style="list-style-type: none"> ○ Unit and contract price elasticity review ○ Actuarial analysis & unit price update • Alan Perry, Principal & Consulting Actuary • Milliman | INFORMATION
ACTION | Tab 6 |
| <ul style="list-style-type: none"> • Adjournment | | |

Next Regular GET Committee Meeting (pending approval of proposed calendar)
November 9, 2009, 2:00 – 4:00 p.m.
Capitol Campus – Insurance Building
4th Floor Conference Room

Guaranteed Education Tuition Committee Meeting
Monday, May 11, 2009
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
Diana Hurley, GET Customer Service
Manager
Jackie Ferrado, GET Outreach Manager
Betsy Hagen, Special Assistant to the
GET Director
Katie Gross, GET Administrative Assistant
Mallorie Rich, GET Customer Service
Chris Thompson, HECB

Guests in attendance:

Gary Bruebaker, State Investment Board
Terry Ryan, Attorney General's Office
Alan Perry, Milliman, Consulting Actuary
Tim Yowell, State Ways and Means
Lisa Won, OSA
Laura Harper, OSA
Curt Woodward, Associated Press
Sean Davis, Senate Caucus
Scott Copeland, SBCTC
Shad Pruitt, State Treasurer's Office
Marc Davis, Office of Financial
Management

WELCOME

GET Committee Chair Ann Daley called the meeting to order at 1:00 p.m. Members of the GET Committee in attendance were Ann Daley, Chair; Victor Moore, Director of the Office of Financial Management; James L. McIntire, State Treasurer; and Beth Stecher Berendt, citizen member. Mooi Lien Wong, citizen member attended via teleconferencing.

APPROVAL OF FEBRUARY 2009 MEETING MINUTES

Committee members reviewed the minutes of the February 11, 2009 meeting. Berendt moved to adopt the minutes as presented. Moore seconded the motion. The motion was approved unanimously as presented.

REPORT FROM THE CHAIR

Ann Daley presented a legislative update. The Guaranteed Education Tuition Program was the subject of much interest and discussion of this legislative session. This resulted in \$175,000 being appropriated from the general fund to the state actuary's office to conduct an independent assessment of alternatives for assuring the long-term financial solvency of the GET program. The report is due to the legislature by November 15.

DIRECTOR'S REPORT

Betty Lochner offered current enrollment information as of April 30, 2009:

- 106,414 accounts since inception
- Over 15,000 new enrollees for the 08-09 enrollment year

Lochner provided an overview for the following enrollment statistics for the 08-09 enrollment year:

- Active Accounts by Enrollment Year
- How Account Owners Learned about GET
- Relationship of Student Beneficiary to Account Owner
- Age Range of Account Owner at the Time of Enrollment
- Age of Student Beneficiary at the Time of Enrollment
- Expected Number of New Students Eligible to Use Units
- Household Income of Account Owner at the Time of Enrollment
- Active Contracts by County, Enrollment Years 1998-2008

Lochner and Larry Lee will be attending the National Association of State Treasurers – 2009 College Savings Plan Network Conference in Atlanta this week. Lochner is the conference program chair and Lee is facilitating the session for states with prepaid tuition programs. Lochner added that Texas is beginning a new prepaid program as well. Oregon and California are considering adding prepaid programs.

Conversation regarding enrollment information continued. Clarifying information will be provided at the August meeting regarding the following:

1. Provide additional information regarding student unit usage, including number of contracts in payout status, projected number of tuition units paid by year, and projected annual payout amount based on tuition growth assumptions.
2. Compare year to year, the number of accounts that are opened during an enrollment period that are fully funded to 500 units.
3. Identify the appropriate language into the Master Agreement that increases the committee's flexibility and oversight regarding restricting new enrollments, changing the unit price, and halting unit sales during the enrollment year.

INVESTMENT UPDATE

Gary Bruebaker, Chief Investment Officer from the State Investment Board, presented the GET investment update. The report's numbers are as of March 31, 2009. Regarding asset allocation, the fund is above in cash and below in equities, both US and International.

The total return for the portfolio, equities and treasury inflation protection securities, for the quarter was -3.26%.

Bruebaker led a discussion on the history of the market, bear market rallies, rebalancing asset allocations, and capital markets. He stated that history shows that markets will come back (long term – 15 years).

APPROVAL OF CHANGES TO THE GET MASTER AGREEMENT

GET ENROLLMENT DATES REVIEW

Lee summarized the staff report that recommends the enrollment dates for the 09-10 enrollment period be September 15, 2009 to March 31, 2010.

Active discussion ensued regarding price setting date changes, having flexibility to allow the committee to make changes during economic hardships, statutory changes, and having safeguards in place.

McIntire moved to adopt the staff recommendation as presented. Wong seconded the motion.

Discussion continued. Berendt asked that staff research the benefits and implications of year-round enrollment and present the information at the August meeting. McIntire requested this item be tabled until the August meeting. The committee agreed to table this agenda item until the August committee meeting.

EXPANDING ENROLLMENT PERIOD FOR NEWBORNS

Lee presented the staff report that recommends year round enrollment for children newborn to 12 months.

McIntire moved to adopt the staff recommendation as presented. Berendt seconded the motion. The motion was approved unanimously as presented. The new program will begin September 15, 2009.

APPROVAL OF FY10 ADMINISTRATIVE BUDGET

Lee reviewed the proposed FY10 GET administrative budget with the Committee. The preliminary budget was reviewed at the February 2009 meeting. The budget is based on projected sales of 9,500 new accounts. Additional funds were added to the marketing budget to fund preliminary work needed for the 2010-11 enrollment year ad campaign.

Moore noted an error in footnote #2 – medical insurance should be listed as a 3.8% increase not a 38% increase. Lee will research. The total budget amount would remain the same.

Moore moved to adopt the FY10 administrative budget as presented. McIntire seconded the motion. The motion was approved unanimously as presented.

GET ACTUARIAL ANALYSIS AND UNIT PRICE SETTING

Lochner reviewed the hand-outs with the committee:

- Preliminary Unit Prices for May 2009 through April 2010

- Summary of Modeled Unit Prices and Relevant Factors – May 2009
- Average Unit Purchases by Enrollment Year
- Comparison of Unit Prices for Fall 1998 through Spring 2010

Daley reiterated information about long-term stability of the program, and pricing elasticity for the program. She recommended considering a \$97.00 unit price to begin the discussion. Active discussion ensued.

Alan Perry reviewed the actuarial analysis and price adjustment options for the 2009-10 enrollment year and a review of price-setting guidelines. The most important issue is how quickly the committee would like to rebuild the program reserve.

Discussion continued on suggested price-setting amounts - \$92, \$97, \$101, \$113. Moore stated he is more comfortable with a higher number. After further discussion all committee members were comfortable with the \$101 price. This is a 33% increase over today's price.

GET staff were asked to provide additional research on unit/contract pricing elasticity at the August meeting.

Daley presented the motion: Adopt the \$101 unit price and review the price at the August meeting. The August meeting will include information on pricing elasticity and market valuation. Berendt moved to adopt the new unit price information as presented. McIntire seconded it. The motion was approved unanimously as presented.

Lochner clarified staff work to be completed by the August meeting:

- Demographics for projected target areas forecast
- Pricing elasticity – price sensitivity
- Implications of changing enrollment year
- Master contract proposed changes

Committee members expressed a conflict with the August 12 meeting date. Betsy will work on an alternative date that ensures all committee members can attend.

ADJOURNMENT

The meeting adjourned at 2:50 p.m.

Respectfully Submitted,

Betsy Hagen
Special Assistant to the GET Director

NEXT GET COMMITTEE MEETING:
Monday, August 10, 2009 – (date change from August 12)
Capitol Campus, Insurance Building
4th Floor Conference Room, 2:00 p.m. – 4:00 p.m.

**Proposed Regular Meeting Schedule
2009 - 2010 Calendar Year**

August 10, 2009

Background

As outlined in RCW 28b.95.030, WAC 14-104-010, the GET Committee shall hold regular meetings as needed. Additional special meetings may be scheduled if needed. The following is a proposed regular meeting schedule for the 2009-2010 calendar year.

DATE	TIME	PLACE
Monday, November 9, 2009	2:00 – 4:00 p.m.	Insurance Building, 4 th Floor Conference Room
Monday, February 8, 2010	2:00 – 4:00 p.m.	Insurance Building, 4 th Floor Conference Room
Monday, April 26, 2010	2:00 – 4:00 p.m.	Insurance Building, 4 th Floor Conference Room
Monday, August 9, 2010	2:00 – 4:00 p.m.	Insurance Building, 4 th Floor Conference Room

Recommendation

Staff recommends adopting the proposed regular GET Committee Meeting schedule for the 2009-2010 calendar year.

Guaranteed Education Tuition

As of June 30, 2009

CONTRACT STATISTICS: Number of Contracts

Contract Statistics by Plan Year	1998-2007	2008	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	21,924	4,503	26,427
Lump Sum Contracts (LS)	59,207	11,016	70,223
Total # of Active Contracts	81,131	15,519	96,650
# of Inactive Contracts	5,282	166	5,448
# of Depleted Contracts	4,303	18	4,321
Total # of Contracts	90,716	15,703	106,419

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units

	1998-2007	2008	TOTAL
Contracted Units (Active Accounts)	4,231,776	751,500	4,983,276
Lump Sum Units (Active Accounts)	13,444,105	1,462,962	14,907,067
Total Active Accounts	17,675,881	2,214,462	19,890,343
Contracted Units (Inactive Accounts)			233,241
Lump Sum Units (Inactive Accounts)			914,325
Grand Total Contracted and LS Units Purchased			21,037,909

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,743,708
Total Paid Out Units Since Inception (Active and Inactive Accounts)	2,306,216

CONTRACT PAYMENTS SINCE INCEPTION

	1998-2007	2008	TOTAL
Total Payments Received (All Accounts)	\$ 1,001,841,429	\$ 111,843,806	\$ 1,113,685,235
Total Fee Payments Received (All Accounts)	\$ 4,769,428	\$ 665,343	\$ 5,434,771
Total Contract-Related Payments Received	\$ 1,006,610,857	\$ 112,509,149	\$ 1,119,120,006

Future Custom Monthly Payments Due (Active Accounts)	\$ 201,193,307	\$ 82,539,327	\$ 283,732,634
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ITEMS OF INTEREST

Number of Students Who Have Used Benefits	13,456
Benefits Paid	\$ 125,685,985
Refunds Paid	\$ 11,736,340
Total Paid Out In Benefits and Refunds	\$ 137,422,325

Current SIB Assets	\$ 1,066,464,282
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**GET Committee Meeting
August 10, 2009**

Marketing Report

1. **Contracts** have been signed with
 - Susan Ferguson Media LLC (media buyer) of Seattle (1 year extension).
 - Olympic Web Design (external Web site programming) of Spokane (1 year).
 - Group Davis of Bellevue who won a two year contract to provide GET with graphic design. Chris Barbee of Group Davis has provided graphic design for GET in the past and we are pleased to continue working with him.
 - An RFQQ for creative and television/radio production for the 2010-2012 campaign will be posted in late fall.
2. **Marketing plans for the 2009 -10 enrollment year** kick-off are underway.
 - Radio advertising has been secured
 - Media tours are being arranged for both Eastern and Western Washington during the last two weeks of September.
 - Print advertising contracts have been signed.
 - Materials for the 2009-10 enrollment year are being updated. GET is in the second year of its current creative campaign.
 - This enrollment year has a budgeted goal of 9500 new accounts and \$1.35 million units contracted or purchased.
3. **The GET Web site** www.get.wa.gov is undergoing a major revision and will be up before the enrollment kickoff (screenshots attached). The new home page will feature:
 - Links to vital resources for college planning
 - Direct access to the GET's most visited Web pages
 - A tuition planning calculator
 - Links to social networking, blogs or recent articles about GET
 - Space for adding a video or PowerPoint presentation about GET
 - As well as other improvements, and the ability to keep more of the site updated.



.... Could run a current info/news ticker up here for important info or open enroll date, current unit price....

Washington State's 529
Prepaid College Tuition Program

OVERVIEW | CURRENT CUSTOMERS | USING UNITS | RESOURCES | CONTACT US

Search:

GO>

GET helps families save for college. With GET you prepay for your child's college tuition today. Your account is guaranteed to keep pace with rising tuition and you can use it at nearly any public or private college in the country.

How GET Works



Did You Know?

You can use your GET account at nearly any college, university or vocational school in the country... [more](#)

Washington's Guaranteed Education Tuition Program is on Facebook. Become a fan!... [more](#)



Give the Gift
of Education



Guarantee college tuition
Guarantee peace of mind

Log in to my GET account
Access your secure GET account

Plan Ahead!

Enrollment opens
September 15, 2009



Quick Links

- > FAQs
- > Important dates to remember
- > GET forms and publications
- > Payroll Deduction for Employers
- > Higher Education in Washington
- > Community events – *Meet us!*

Online Tools

- > Compare college savings plans
- > Tuition planning calculator (coming soon)
- > GET cost and payment options
- > Find a college (FAFSA)

NEWS

Press Release 5/11/09 - GET Committee approves FY 2010 budget and... [more](#)

Press Release 7/10/09 - New GET home page provides easy access to... [more](#)

GET and the Current Economy - Publication confirms SIB's conservative... [more](#)



.... Could run a current info/news ticker up here for important info or open...

Washington State's 529
Prepaid College Tuition Program

LOG IN TO MY GET ACCOUNT

OVERVIEW | CURRENT CUSTOMERS | USING UNITS | RESOURCES | CONTACT US

Search:

GO>

New Customers

State Guarantee
Choice of Colleges
Tax Benefits
Flexibility
Payment Plans
Our Philosophy
FAQs

Quick Links

Important Dates
Forms and Brochures
Compare Plans
Charts and Tools
Find a College
Community Events

Guarantee Your Peace of Mind, Prepay for College Now

The GET Program is Washington's 529 prepaid college tuition plan. You prepay for your child's future college tuition and have peace of mind knowing that the value of your account is guaranteed by the state to keep pace with rising college tuition.

STATE GUARANTEE

The State of Washington guarantees that if you buy one year of college tuition today (100 GET units), you'll have one year of college tuition when your child is ready for college.

Your GET units are guaranteed to keep pace with tuition at Washington's most expensive public university, either the University of Washington or Washington State University.



CHOICE OF COLLEGES NATIONWIDE

You can use your account at nearly any public or private college in the country and some schools around the world.

The value of your account is the same, whether your child attends a public in-state university or a private or out-of-state college.

TAX-FREE SAVINGS AND WITHDRAWALS

The after-tax money you put into your GET account will grow tax-free.

The money you withdraw will be tax-free too as long as you use it for qualified higher education expenses.



Tell a Friend about GET

REMINDER

The current unit price is \$101.00, effective through August 31, 2009. Enrollment is closed but will re-open on September 15, 2009.

Click here to read The Olympian article on the price change.



Enroll Now!
Enrollment is now open

*"Amcsequam incillan
endmconum at. Ut lor
sustrud magnit accum
velese core del."*

Ellie and Mom
Bellevue, WA



Give the Gift
of Education

GET Committee Meeting
August 10, 2009

Committee Information Report Requests:

1. Projected Annual Payout

- a. Provide additional information regarding student unit usage, including number of contracts in payout status, projected number of tuition units paid by year, and projected annual payout amount based on tuition growth assumptions. (yellow)

2. Comparison of Fully Funded Accounts

- a. Compare year to year, the number of accounts that are opened during an enrollment period that are fully funded to 500 units. (blue)

3. Target Demographics

- a. How is GET's target demographic projected to change in the future? (green)

4. Enrollment Year Comparison

- a. Comparing most recent enrollment year to prior years to see if enrollment numbers were deeply impacted by the anticipated tuition increase. (salmon)

5. Research Enrollment (Master Agreement language for pricing & flexibility)

- a. Identify the appropriate language into the Master Agreement that increases the committee's flexibility and oversight regarding restricting new enrollments, changing the unit price, and halting unit sales during the enrollment year.
Note: Information on Master Agreement changes to accommodate enrollment year alterations will be distributed as necessary at the committee meeting.
- b. Changing the unit price more often would require a statutory change.
(no attachment)

Projected Annual Payout

August 10, 2009

At the May 11th meeting, staff prepared and distributed a chart showing a count of the number of students expected to use units by year. The committee requested that in addition to a count of students, we show the unit usage represented by those students.

Data as of June 30, 2009*

<u>Fiscal Year</u>	<u>Projected Number of Contracts in Payment Status</u>	<u>Projected Number of Tuition Units Paid in Year</u>	<u>Projected Annual Payout</u>
2009	10,390	699,785	\$ 53,183,697
2010	10,098	752,124	\$ 65,164,020
2011	10,531	882,595	\$ 81,820,830
2012	10,378	948,264	\$ 94,062,223
2013	9,367	978,288	\$ 103,833,311
2014	8,948	984,456	\$ 111,802,056
2015	8,906	989,233	\$ 120,208,733
2016	9,034	980,773	\$ 127,523,300
2017	9,117	970,671	\$ 135,044,449
2018	9,024	921,612	\$ 137,194,534
2019	8,935	886,480	\$ 141,202,218
2020	8,716	843,806	\$ 143,813,169
2021	8,471	797,969	\$ 145,521,049
2022	8,299	757,858	\$ 147,880,663
2023	7,974	702,783	\$ 146,733,437
2024	7,535	640,390	\$ 143,065,704
2025	7,012	570,517	\$ 136,377,834
2026	6,342	493,938	\$ 126,337,121
2027	5,352	398,918	\$ 109,175,698
2028	4,072	295,961	\$ 86,668,369
2029	2,905	203,661	\$ 63,814,172
2030	2,068	139,733	\$ 46,848,064
2031	1,441	91,457	\$ 32,809,120
2032	797	48,032	\$ 18,436,906
2033	253	14,106	\$ 5,793,669
2034	1	17	\$ 7,614
Total		15,993,425	\$ 2,524,321,963

*Based on 83,643 total contracts

Assumed tuition growth of 14% for 2010 and 7% for each year thereafter

Comparison of Fully Funded Accounts

August 10, 2009

At the May 11th meeting, the Committee requested a breakdown by enrollment year of accounts that fully funded to the maximum number of units per student beneficiary.

Comparison of fully funded accounts by plan year.

Enrollment Year	Maximum units per student	Number of students fully funded		All accounts by Enrollment Year	% of fully funded accounts by year
		MON Contract Only	MON Contract + LS		
1998	500	518	1213	7913	15.3%
1999	500	38	68	2508	2.7%
2000	500	19	80	2855	2.8%
2001	500	115	709	10819	6.6%
2002	500	91	754	12166	6.2%
2003	500	50	595	8014	7.4%
2004	500	92	515	11028	4.7%
2005	500	87	500	11211	4.5%
2006	500	102	499	12703	3.9%
2007	500	95	383	11961	3.2%
2008	500	128	763	15703	4.9%
Total		1335	6079		

Results represent account owners who fully funded their student beneficiary's account within 7 months of opening the account to allow for September enrollments to fully fund their accounts by the April 30th deadline.

Target Demographics – Projection

August 10, 2009

How is GET's target demographic projected to change in the future?

GET's target demographic is currently considered to be college-educated parents between ages 25 – 45 with a household (HH) income of greater than \$50,000/year. Information on age, income and education level of account owners is requested during the enrollment process but the response is voluntary. Many choose not to answer demographic questions, especially concerning household income, where 25% "Decline to Answer." Our current statistics show:

Category	Description	% of All GET Account Owners
Household income	Greater than \$50,000 / yr	42%
Education level	B.A. or greater	52%
(Combined)	B.A. + \$50K or more	29%
Age range	25-44	57%

Based on the 2008 Washington State Population Survey v2, there were 579,269 residents aged 25-45 with at least a B.A. and with household income of \$50,000/yr. This comprised 30.9% of the total Washington population in this age group (1,871,856). This age group (25-45) is predicted to grow an average of 1.2% annually.

Projected growth of Washington State population ages 25-45 from 2009

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1,931,067	1,944,153	1,961,161	1,986,613	2,015,972	2,043,713	2,071,341	2,089,761	2,109,836	2,134,552	2,161,588	2,189,291
	.7%	1.6%	2.9%	4.4%	5.8%	7.3%	8.2%	9.3%	10.5%	11.9%	13.4%

If we assume that 30.9% of future state residents in this age group will continue to be in our target demographic, we would see continued growth.

Projected growth of target age group with ≥ B.A. and HH Income >\$50,000 if % remains the same

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
596,700	600,700	606,000	613,900	622,900	631,500	640,000	645,700	651,900	659,600	667,900	676,500

However, the population with a B.A. or greater and HH Income of > \$50,000 may become less than 30.9% of the target age group in future years. This is due to the growing influx of immigrant and minority populations in the state of Washington who are generally less likely to be college educated. Incomes may also show decline relative to the cost of living due to ongoing recessionary pressures. And, while the target market of purchasers may increase, the number of potential beneficiaries (college age students) is projected to decrease between 2015-2020 before resuming an upward trend.

Note: These numbers are preliminary and represent an introductory study on this topic. Should similar data be used to build actuarial formulas, more research will need to be done.

Enrollment Year Comparison

August 10, 2009

Enrollment Year	Total	March	% received in March	Units purchased in April	price change
2004-2005	10912	7704	71%	531,773.00	\$5.00
2005-2006	11158	6942	62%	551,293.00	\$4.00
2006-2007	12536	7246	58%	615,779.00	\$4.00
2007-2008	11883	7178	60%	1,039,480.00	\$2.00
2008-2009	15550	10242	66%	890,444.00	\$25.00

Based on the past 5 years, the large influx of enrollment received in March of 2009, is similar with past year's trends. We typically receive between 60-71% of our enrollments in the last month of the enrollment period. As shown by the units purchased in April, we were actually below our unit sales when compared to the 2007-2008 enrollment period.

**Proposed Changes to the Master Agreement
Related to Year-Round Enrollment for Children From Birth to 12 Months**

August 10, 2009

Background

At the May 11, 2009 meeting the GET Committee approved year-round enrollment for children from birth to 12 months of age. This is being offered as a way to encourage parents of newborns to enroll as soon as they hear about the program and to allow family members to make immediate contributions rather than having to wait for the GET enrollment period.

Pending Committee approval, the following language will be inserted into the existing Master Agreement in two places (see attached):

1. Section II. Establishing an Account, A. Submitting an Enrollment Form
2. Section III. Purchasing Tuition Units, A. Annual Enrollment Period

“An Account Owner with a child from birth to twelve months of age may enroll that child at any point during the year. From April 1st through September 14th, a copy of the child’s birth certificate must be provided to verify that the child is 12 months or younger at the time of enrollment.”

Recommendation

Staff recommends approval of the additional language to allow year-round enrollment for children from birth to 12 months.

Master Agreement – possible changes for 2009-2010:

- BB. “Qualified Refunds” means (1) refunds made because the Student Beneficiary received a scholarship, provided that the scholarship is greater than or equal to the amount distributed or (2) refunds made as a result of the Student Beneficiary’s death or disability.
- CC. “Resident Student” means an individual who has met the requirements at a State Institution of Higher Education to be classified as a resident of the State of Washington in order to qualify for resident undergraduate tuition and fees.
- DD. “State” means the State of Washington.
- EE. “State Institution of Higher Education” means a public college or university in the State of Washington, as defined in RCW 28B.10.016.
- FF. “Student” or “Student Beneficiary” means the beneficiary for whom Tuition Units will be distributed for attendance at an Institution of Higher Education.
- GG. “Tuition and Fees” means resident undergraduate tuition and mandatory services and activities fees, as defined in RCW 28B.15.020 and 28B.15.041 rounded to the nearest whole dollar. State-mandated fees are those provided by statute, including operating, building and student activity fees. They do not include institutionally mandated fees that may be required at each individual school. Schools may impose their own fees, such as technology, library, recreation and fees to secure repayment of bonded indebtedness, and other types of fees. These fees are not considered state-mandated fees and, therefore, are not covered in the payout value amount.
- HH. “Tuition Unit” or “Unit” means 1/100th of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year of distribution.
- II. “Unit Payout Value” means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time of distribution. This value is known at the beginning of each Academic Year after the state public universities set their tuition rates (usually available after August 1). The Unit Payout Value is different from the Unit Purchase Price.
- JJ. “Unit Purchase Price” means 1 percent of the highest resident undergraduate Tuition and Fees at four-year State Institutions of Higher Education for the Academic Year at the time of purchase, rounded to the nearest whole dollar, AND adjusted for the costs of Program administration and to ensure the actuarial soundness of the Program. The Unit Purchase Price is based on an actuarial formula, which incorporates several factors, including the current cost of tuition, estimated future tuition, inflation, investment returns and administrative costs, and the need for a reserve to assist in periods of fluctuating returns or higher than average tuition. The Unit Purchase Price is different from the Unit Payout Value.

II. ESTABLISHING AN ACCOUNT

A. Submitting an Enrollment Form

1. *Completed Enrollment form.* The Enrollment form submitted to the Program must be completed according to the Enrollment form instructions. A separate Enrollment form is required for each Student. The Enrollment form must be completed online by midnight on the last day of the enrollment period or postmarked by the last day of the enrollment period in order to be processed. **An Account Owner with a child from birth to 12 months of age may enroll that child at any point during the year. From April 1st through September 14th, a birth certificate must be provided to verify that the child is less than 12 months of age at the time of enrollment.**

previously designated Student. No Account Owner or Student may receive payment or other consideration in connection with such a change. The Program may require a court order to change or disallow changes in the designated Student for Blocked Accounts.

4. *Designation of the Benefit Use Year.* The Account Owner must designate a Benefit Use Year for the Student. Units may not be used until this date or later. Changing this date affects the accumulation of eligible units and is allowed only in certain circumstances. Please contact the Program for more information.

III. PURCHASING TUITION UNITS

A. Annual Enrollment Period.

Annually, the Program will announce an enrollment period. Enrollment forms to establish a new Lump Sum Plan or Custom Monthly Payment Plan may be submitted only during an enrollment period. **However, an Account Owner with a child from birth to 12 months of age may enroll that child at any point during the year. From April 1st through September 14th, a birth certificate must be provided to verify that the child is less than 12 months of age at the time of enrollment.**

Additional Lump Sum Plan purchases and Gift contributions may be made to existing Accounts at any time, including outside of an enrollment period.

B. Number of Tuition Units

1. *Minimum Purchase.* For Lump Sum Plan Accounts, the minimum purchase shall be one Tuition Unit. For each new or reinstated Lump Sum Plan Account, the Account Owner must purchase at least the minimum purchase amount within 90 days of opening the Account or the Account may be cancelled at the discretion of the Program. For Custom Monthly Payment Plan Accounts, the Account Owner must select between 50 and 500 Tuition Units, in increments of 50, to be purchased under the Agreement.
2. *Maximum Number of Tuition Units.* No Student designated on an Account or multiple Accounts may be the beneficiary in the aggregate of more than 500 Tuition Units.
3. *Overpayments.* If a Custom Monthly Payment Plan is paid in full and the Program receives additional payments to the Account from the Account Owner, the Program will do the following:
 - Overpayments of \$50 or less – The Program will NOT notify the Account Owner and will automatically apply the overpayment to purchase Lump Sum Units.
 - Overpayments of more than \$50 – The Program will notify the Account Owner that the payment was received and the Account Owner may elect to purchase Lump Sum Units, transfer the overpayment to another Account, or receive the funds back.If the Account Owner does not respond within 60 days, the funds will be posted as a Lump Sum Unit purchase. If the total Tuition Units in the Account exceed 500, the excess amount will be returned to the Account Owner. Funds will be returned no sooner than two weeks after their receipt.

C. Purchase Options

1. *General.* Tuition Units under an Agreement may be purchased under the Lump Sum Plan, the Custom Monthly Payment Plan, or a combination of the two. The Program's price chart sets

2009-2010 Enrollment Dates

August 10, 2009

Background

Although the committee reviews the enrollment period annually, it has maintained the September 15th through March 31st timeframe for the last 7 enrollment years.

From 1998-2000, the program operated with two enrollment periods: one for lump sum accounts and the other for custom monthly accounts. In 2001, the committee approved combining the two enrollment periods into one longer enrollment beginning in September and ending on May 31st due to the fact that two separate enrollment periods created customer confusion and the cost of marketing for two periods was excessive. The new single enrollment period allowed a brief span between the end of one year and the start of another to update materials, prepare for the next enrollment year, and process any remaining enrollments.

In 2002, following an unexpected 16% tuition increase, the committee again adjusted the enrollment period. This time, they reduced the enrollment period by 2 months, but maintained a long enough period so that it would end after the adjournment of the legislative session. This allowed time for an additional price adjustment in April with an effective date of May 1st.

Current Information

During the 2008-09 enrollment year, GET experienced its highest enrollment in the history of the program. The influx of accounts corresponded with a nationwide economic recession. Some legislators voiced concern over how the end-of-enrollment marketing push and potential large enrollment numbers increased the program's financial liability as citizens sought a guaranteed savings option. In economically stable years, the GET program's end-of-enrollment marketing push attracts positive notice. In the recent recessionary period, there was some concern over potential state liability since the state provides the Program's guarantee.

During the May 11th Committee meeting there was discussion on further adjusting the enrollment period and a request to research implications of year-round enrollment.

The September 15 – March 31 enrollment period for the 2009-2010 enrollment year was reviewed at the May meeting and tabled for final approval at the August meeting. Year-round enrollment was approved for children from birth to twelve months of age and will begin September 15, 2009.

Analysis

Staff affirm that having an end to the general enrollment period encourages action, creating a “do it now” reaction in potential account holders. The majority of our enrollments (66%) are received during the final four weeks of the period, and we are concerned that year-round enrollment would decrease the customer's motivation to enroll.

In addition, having a year-round enrollment puts a greater strain on our marketing resources. Rather than two limited marketing campaigns (one at the beginning of the enrollment year and one at the end), marketing would need to continue year-round.

A break in the enrollment period allows time to update materials as needed, retool the marketing campaign, adjust policies, and improve web functionality. It also avoids customer confusion when there is no firm line of demarcation between two enrollment and pricing periods.

In researching other state 529 plans, major deterrents for switching to year-round enrollment were the same: losing the sense of urgency felt by potential enrollees; stretching marketing and staff resources, and allowing sufficient time to create marketing and contractual materials. All recommend a limited enrollment period.

Recommendation

Staff strongly recommends confirming the **2009-2010 enrollment period** to be from **September 15, 2009 to March 31, 2010**. This recommendation is supported by our contracted actuary firm, Milliman.



GET Prepaid College Tuition Program

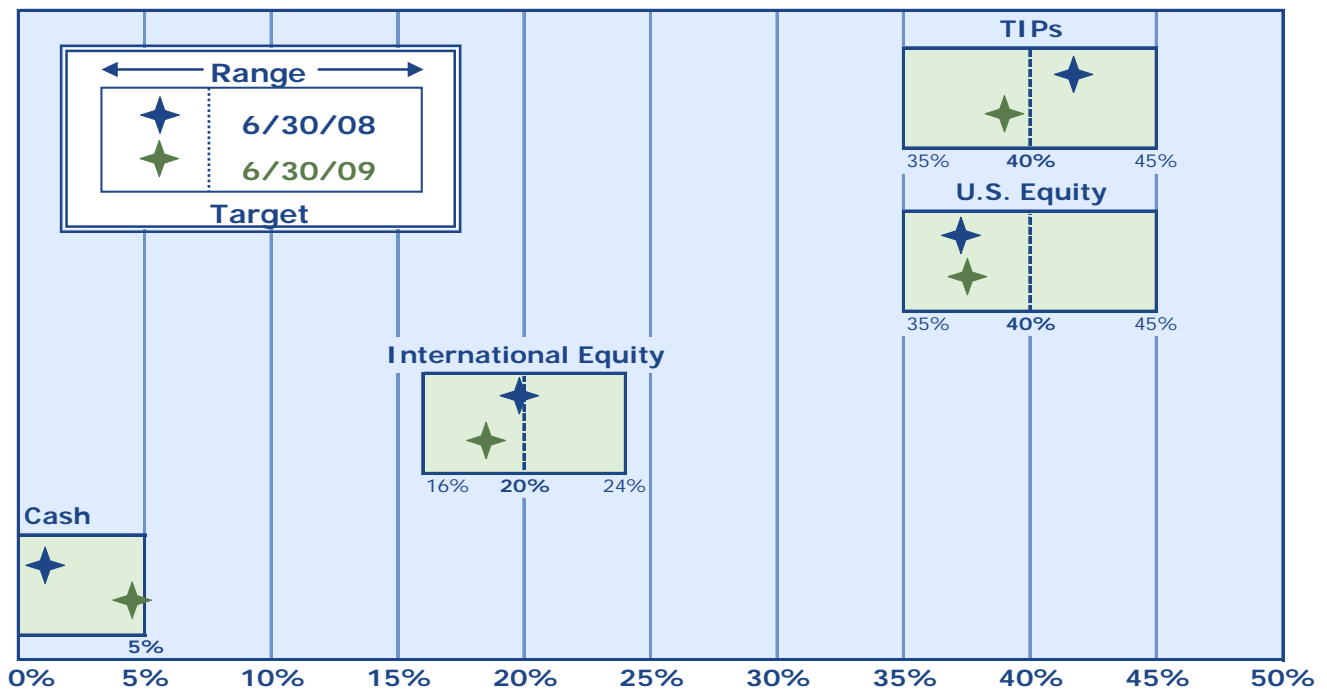
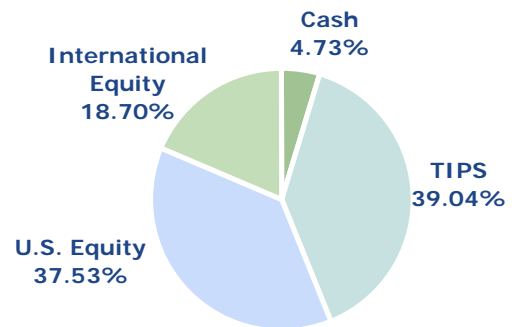
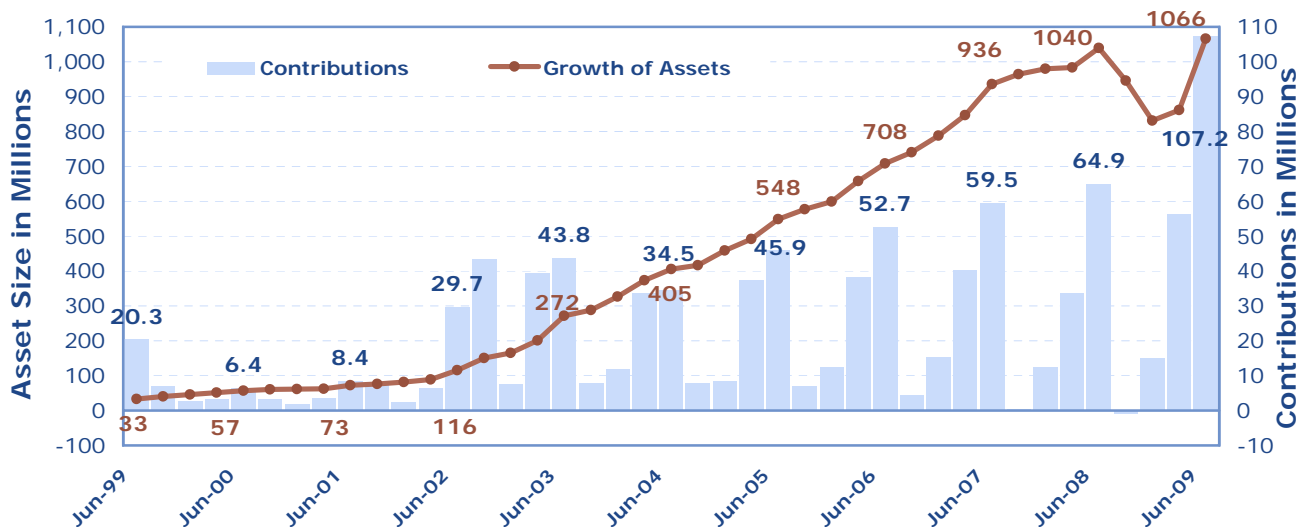
Quarterly Report – June 30, 2009

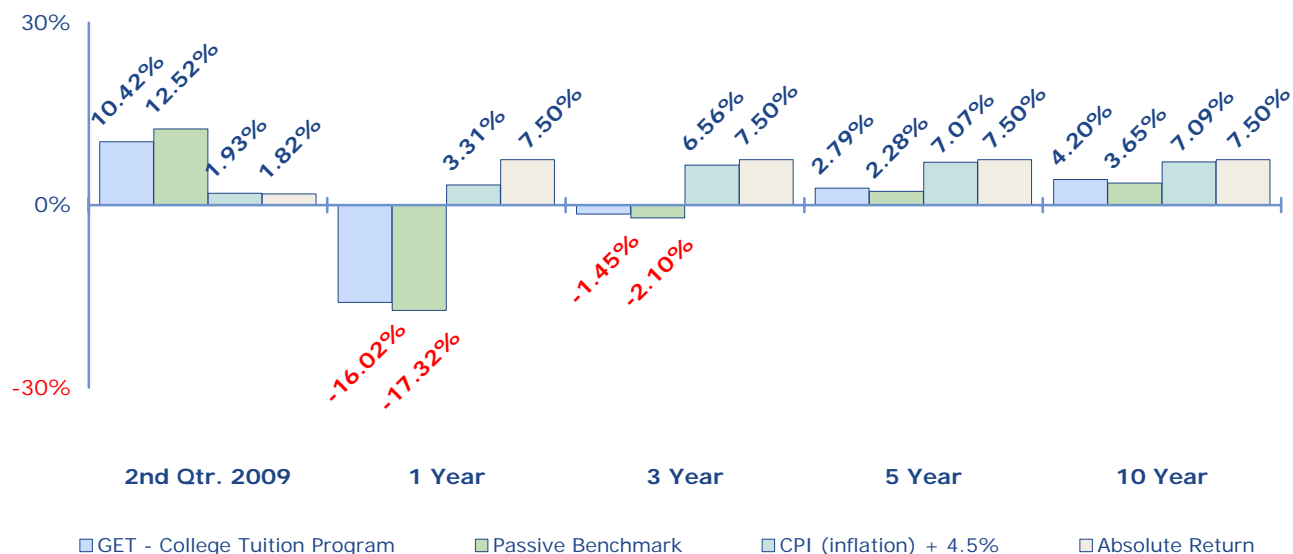
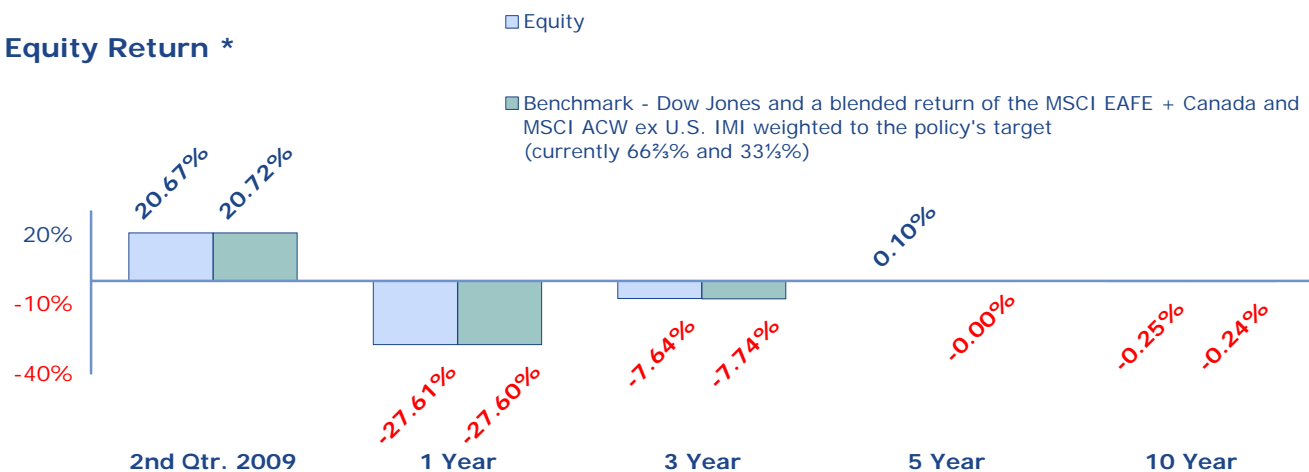
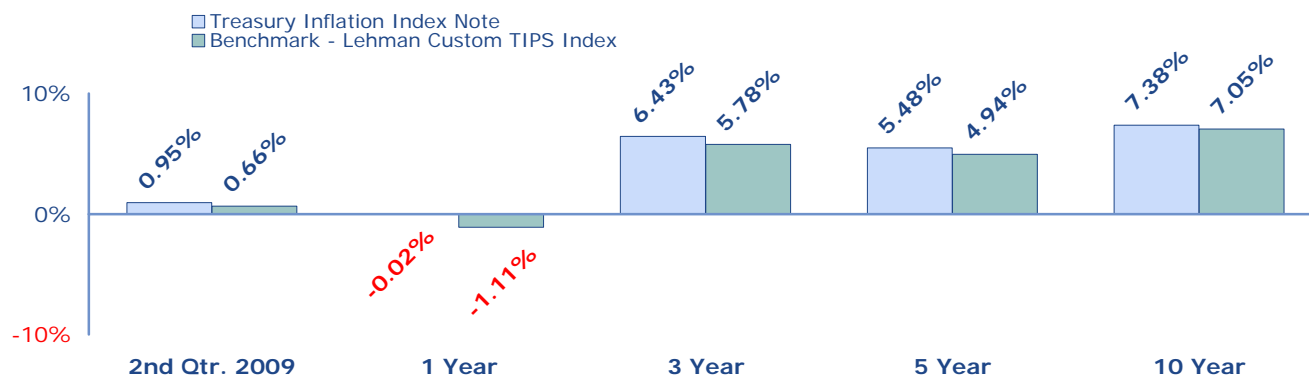
Portfolio size, Allocation, and Assets Under Management.....	1
Performance	2

Dated: June 27, 2009

Portfolio Size

Total	\$1,066,464,283
Cash	50,463,744
Treasury Inflation Index Note (TIPS)	416,342,824
U.S. Equity	400,277,510
International Equity	199,380,205

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.

GET Actuarial Analysis and Unit Price Setting Update for Enrollment Year 2009-2010

August 10, 2009

Background

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

At the April 23, 2008 meeting the GET Committee set the unit price at \$76. The Committee meeting scheduled for August 2008 was cancelled, so the unit price remained unchanged through April 30, 2009. Due to later than normal Legislative budget negotiations that affected tuition rates, the Committee meeting normally scheduled for April 2009 did not occur until May 11, 2009. At the May 11, 2009 GET Committee meeting, staff provided a range of potential unit price increases from \$90 to \$113 for sales between May 1, 2009 and April 30, 2010.

At the May 11, 2009 meeting, the Committee approved a unit price increase from \$76 to \$101. Due to the Program's funding deficit, the Committee chose to waive the pricing guidelines. The unit price selected included a stabilization reserve at the rate of 13.85 percent. At this level the Committee anticipates eliminating the deficit over a 15 year timeframe.

The current unit price of \$101 was based on the following assumptions:

- *Tuition would go up 14.00 percent in each of the next two years, then would return to an average of 7.00 percent annually in future years.*
- *Expected long-term investment returns would be 6.89 percent annually.*
- *During the 2009-2010 enrollment period, the program assumes that 9,500 new accounts will be opened and 1.35 million units sold.*

Current Information

Tuition increases at the University of Washington and Washington State University increased slightly below the allowed 14 percent annual rate used in program assumptions (13.1 percent). Consolidated investment returns for GET, while fluctuating on a daily basis, were 6.81 percent between January and June 2009. Returns were 10.42 percent between April 1 and June 30, and rose steadily in the month of July. The operating budget for the 2009-2010 enrollment year increased by \$256,202.

Staff Recommendation

Staff recommends that the unit price remain at \$101 through April 30, 2010. This recommendation is supported by Milliman. The Committee will have an opportunity at the April 2010 meeting to adjust the unit price, effective May 1, 2010.

Washington Guaranteed Education Tuition Program

Preliminary Draft Valuation Results for June 30, 2009

(amounts in millions)

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
	Actual	Preliminary Estimate
Total Assets	\$1,208	\$1,256
Present Value of the Obligations	<u>1,104</u>	<u>1,493</u>
Stabilization Reserve	\$104	(\$237)
Reserve as a % of Obligations	9.5%	-16.0%
<u>Assumptions:</u>		
Tuition Increases:		
Fall 2009	7.00%	13.10%
Fall 2010	7.00%	14.00%
Fall 2011 and after	7.00%	7.00%
Investment Return	6.55%	6.89%
Highest Tuition: 2009-2010	\$7,190	\$7,600

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.