

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, July 24, 2012

Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order

- Approval of April 16, 2012 minutes ACTION Tab 1
- Report from the Chair INFORMATION
Legislative Advisory Committee Update
Washington Student Achievement Council Update
- Director's Report INFORMATION Tab 2
Program statistics
- GET Investment Update INFORMATION Tab 3
Allyson Tucker, Senior Investment Officer
Washington State Investment Board
- Actuarial Analysis INFORMATION Tab 4
Matt Smith, State Actuary
- Unit Price Setting ACTION Tab 5
- Recess
- Executive Session – INFORMATION
To brief the Committee on personnel
matters. No action will be taken.
- Adjournment

Next meeting:
Monday, November 5, 2012
2:00 p.m. – 4:00 p.m.
Office of the Insurance Commissioner

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING
Monday, April 16, 2012**

**Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501**

MINUTES

HECB staff in attendance:

Don Bennett, HECB Executive Director
Betty Lochner, GET Director
Larry Lee, GET Deputy Director
Susan Martensen, Associate Director for GET Marketing and Communications
Jackie Ferrado, Community Relations Manager
Betsy Hagen, Associate Director for GET Administrative Services
Matthew Freeby, GET Finance Supervisor
Katie Gross, Special Assistant to the GET Director

Guests in attendance:

Troy Dempsey, Office of the State Actuary
Darren Painter, Office of the State Actuary
Gary Bruebaker, State Investment Board
Nona Snell, Office of the State Treasurer
Jane Wall, The Evergreen State College
Jane Sherman, Council of Presidents Staff
Maria Hovde, Senate Ways and Means Staff
Kim Cushing, Senate Committee on Higher Education and Workforce Development

WELCOME

GET Committee Chair Don Bennett called the meeting to order at 2:09 p.m. Members of the GET Committee in attendance were Don Bennett, Chair, Marty Brown, Director of the Office of Financial Management, James L. McIntire, State Treasurer, and Mooi Lien Wong, citizen member. Wong and McIntire attended via teleconference.

APPROVAL OF THE JANUARY 5, 2012 MEETING MINUTES

Committee members reviewed the minutes of the January 5, 2012 meeting. Brown moved to adopt the minutes as presented. Wong seconded the motion. The motion was approved unanimously as presented. Minutes adopted.

APPROVAL OF UPDATED COMMITTEE BYLAWS

Committee members reviewed the updated Committee bylaws. Brown moved to adopt the bylaws as presented. Wong seconded the motion. The motion was approved unanimously as presented. Bylaws adopted.

REPORT FROM THE CHAIR

Bennett gave a brief overview of the end of session.

DIRECTOR'S REPORT

Betty Lochner, GET Director, provided contract statistics. Susan Martensen, GET's Associate Director for Marketing and Communications went over GET's marketing strategies for the 2011-2012 enrollment period.

GET INVESTMENT UPDATE

Gary Bruebaker went over GET's quarterly performance report. Bruebaker noted that Diana Will has been promoted to the Senior Investment Officer for Tangible Assets. She will no longer be working with GET's portfolio.

ACTUARIAL UPDATE

Troy Dempsey stated that the State Actuary's office will be working on an annual valuation of the GET Program in the next few months. They will be using data through June 30, 2012.

2012-2013 ENROLLMENT PLANNING ASSUMPTIONS

- Lochner recommended we keep the current enrollment dates for at least another year. Current enrollment dates are November 1 to May 31.
- Lochner went over the program goals.
 - New contracts/accounts 10,000
 - Unit sales: 1.0 million.
 - Projected operating budget \$5.1 million
 - Unit price stabilization reserve 15 percent
 - Prior period amortization (30 yr) \$18.70 per unit
- Assumptions notes for future increases are:
 - Tuition increase 18 percent 2012-13
12 percent 2013-14
10 percent 2014-15 & 2015-16
8 percent 2016-17
5.5 percent annually thereafter

Bennett asked that the Actuary's office also look at a 16% tuition increase scenario for their evaluation of the 2012-2013 year.

- Lochner read a summary of the bill that passed regarding differential tuition. The Legislative Advisory Committee is planning to meet in May of 2012 to discuss this topic. Continued discussion ensued.
- The Committee agreed to the proposed goals for the 2012-13 enrollment year.

APPROVAL OF PROPOSED BUDGET

Larry Lee, GET Deputy Director, went over the FY 13 proposed budget, effective July 1, 2012 - June 30, 2013. Brown moved to adopt the proposed budget as presented. Wong seconded this motion. The motion was approved unanimously. Budget adopted.

REVISED MEETING SCHEDULE

Bennett reviewed the proposed meeting schedule. He would like an additional conference call meeting scheduled in May to discuss end of enrollment updates.

Brown moved to approve the revised meeting calendar. McIntire and Wong seconded the motion. The motion was approved unanimously. Revised schedule adopted.

Meeting adjourned at 3:18 p.m.

Guaranteed Education Tuition

As of June 30, 2012

	New accounts	Percentage of goal	Units sold	Percentage of goal
2011-12 Enrollment Goals	10,000		1.5 million*	
Status to date	9,611	96%	943,718	63%
Compared to 2010-11	15,236		1,999,124	
Increase/Decrease	-37%		-53%	

*The State Actuary identified a minimum of 900,000 units should be sold to maintain program solvency.

CONTRACT STATISTICS: Number of Contracts

Contract Statistics by Plan Year	1998-2010	2011	TOTAL
# of Active Contracts			
Custom Monthly Contracts (CM)	31,556	3,008	34,564
Lump Sum Contracts (LS)	84,818	6,444	91,262
Total # of Active Contracts	116,374	9,452	125,826
# of Inactive Contracts	8,511	146	8,657
# of Depleted Contracts	9,918	13	9,931
Total # of Contracts	134,803	9,611	144,414

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units

	1998-2010	2011	TOTAL
Contracted Units (Active Accounts)	5,674,012	362,900	6,036,912
Lump Sum Units (Active Accounts)	18,318,679	580,818	18,899,497
Total Active Accounts	23,992,692	943,718	24,936,410
Contracted Units (Inactive Accounts)			530,106
Lump Sum Units (Inactive Accounts)			2,221,790
Grand Total Contracted and LS Units Purchased			27,688,306

Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,771,913
Total Paid Out Units Since Inception (Active and Inactive Accounts)	4,629,082

CONTRACT PAYMENTS SINCE INCEPTION

	1998-2010	2011	TOTAL
Total Payments Received (All Accounts)	\$ 1,787,679,424	\$ 94,907,471	\$ 1,882,586,895
Total Fee Payments Received (All Accounts)	\$ 7,049,401	\$ 386,956	\$ 7,436,357
Total Contract-Related Payments Received	\$ 1,794,728,825	\$ 95,294,427	\$ 1,890,023,252

Future Custom Monthly Payments Due (Active Accounts)	\$ 318,852,326	\$89,636,016	\$ 408,488,342
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ITEMS OF INTEREST

Since Inception

Number of Students Accounts Used For Benefits	25,485
Benefits Paid	\$ 315,258,310
Refunds Paid	\$ 25,826,240
Total Paid Out In Benefits and Refunds	\$ 341,084,550

Unit Price Setting for the 2012-13 Enrollment Year

July 24, 2012

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 Office of the State Actuary provides actuarial services to the program, and Milliman is under contract for supporting and review services, as needed.

At the September 8, 2011 meeting, the Committee approved setting the unit price at \$163 for unit sales from May 1, 2011 through June 30, 2012, unless an unexpected change in any of the assumptions used in the pricing model necessitated an additional review. Funds received by the program from May 1, 2011 to September 8, 2011 were posted to individual accounts, but did not purchase units. Once the new unit price was set, program staff reposted each payment to purchase the appropriate number of units.

The current unit price of \$163 for the 2011-12 enrollment period was based on the following assumptions:

- *Tuition would increase 20% in the next year, followed by annual increases of 18%, 12%, 10%, 10%, and 8% respectively, and 5.5% annually thereafter.*
- *The cost of unanticipated tuition increases on units already sold would be amortized and built into the unit price over the next 30 years. The program was expected to reach a fully funded status by 2029.*
- *Expected long-term investment returns would be 6.32% annually.*
- *Differential tuition was not considered in the setting of the unit price.*

Price-setting guidelines, which require a 15% reserve when the program is less than 100% funded, were followed in setting the \$163 unit price.

Account and Unit Sales Statistics

	2010-11 Enrollment Period 05/01/10 - 04/30/11 \$117 Unit Price	2011-12 Enrollment Period 05/01/11 - 06/30/12 \$163 Unit Price	2011-12 Enrollment Period 05/01/11 - 06/30/12 Actuarial Projection
New Accounts Opened	15,280	9,452	N/A
Contracted Units Sold	643,250	362,900	
Lump Sum Units Sold	1,303,662	580,818	
Total Units Sold	1,946,912	943,718	

Current Information

The Office of the State Actuary is completing its analysis and making a recommendation on a unit price.

This price will be in effect for all unit sales from July 1, 2012 through June 30, 2013, unless changes in assumptions necessitate an additional adjustment.

At the April 16, 2012 meeting, the GET Committee established the following assumptions to be used for the 2012-13 enrollment year's price setting.

- *Tuition will increase 18% this year, and 12%, 10%, 10%, 8% and 5.5% thereafter.*
- *10,000 new accounts will be opened and 1.0 million units will be sold.*

The State Investment Board's proposed long-term investment return assumption for GET assets has decreased from 6.32% to 6.01%. Price recommendations reflect a 15% stabilization reserve component in each unit, and the amortization over the next 29 years of unexpected tuition increases on units already sold.

An actuarial analysis recently completed by the Office of the State Actuary shows a projected GET funded status of 81% as of June 30, 2012.