

GUARANTEED EDUCATION TUITION COMMITTEE MEETING

December 3, 2002
Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, Washington
2:00 pm – 5:00 pm

AGENDA

Call to Order

- | | | |
|---|--|-------|
| 1. Approval of July 30, 2002 minutes
Approval of 2003 GET calendar
Approval of weighted average tuition for 2002-03 | ACTION | Tab 1 |
| 2. Director's report | INFORMATION | Tab 2 |
| 3. GET investment update
Diana Will, investment officer
Washington State Investment Board | INFORMATION | Tab 3 |
| 4. GET Actuarial Valuation Report
Jeff Van Orden
Milliman USA | INFORMATION | |
| 5. GET marketing update
Wendy Dore and Cathy Stevens
The Marketing Partners | INFORMATION | |
| 6. Establishment of a college savings plan | PRESENTATION
DISCUSSION
PUBLIC COMMENT
ACTION | Tab 4 |
| 7. Possible executive session
May be held for any of the purposes set forth in RCW 42.30.110 | | |
| 8. Action items, if any, made necessary by executive session | | |
| 9. Adjournment of regular meeting | | |

Guaranteed Education Tuition Committee Meeting

July 30, 2002

10:00 a.m. – 12:00 p.m.

Washington State Investment Board

MINUTES

CALL TO ORDER

Marc Gaspard, HECB Executive Director and GET Committee Chair, called the meeting to order at 2:00 p.m. Committee members in attendance in addition to the Chair included, Michael J. Murphy, State Treasurer, Marty Brown, Director of OFM, Beth Stecher Berendt, Citizen Member and Mooi Lien Wong, Citizen Member.

HECB Staff in attendance:

Larry Lee, GET Operations Manager
Betty Lochner, GET Director
Debra Blodgett, Office Manager

Guests in attendance:

Joe Dear, Frank Russell
William Reimert, Milliman USA
Elaine Emans, Office of the State Treasurer

WELCOME

Marc opened the meeting with introductions from committee members, staff and guests in attendance. Betty Lochner gave a brief overview of the agenda and indicated there were no changes.

APPROVAL OF MINUTES

It was moved by Marty Brown to adopt the July 15, 2002 minutes as presented, which was seconded by Mike Murphy. The motion was approved and carried unanimously.

APPROVAL OF REQUEST FOR PROPOSALS (RFP)

Marc began the discussion of the RFP for establishment of a college savings plan and asked Betty to give some background on this effort. Betty directed the committee to the final draft of the RFP, which staff developed with our consultant, Jeff Van Orden of Milliman USA. Betty pointed out the changes in this RFP from the previous RFP, including offering a longer contracting period and requiring a bundled approach. Upon approval by the committee, the RFP would be issued this week through an advertisement and a distribution list that has been established with the help of the consultant. Letters of intent are due Aug. 16th with a proposal due date of Sept. 6th. Site visits will be conducted if necessary. Final interviews would be conducted around Sept. 30th with a recommendation being taken to the Committee in late October. The timeline includes a tentative launch date by the end of the year or the first of next year.

Mike asked if the proposer could offer a longer contract period than five years. Betty indicated that the language in the RFP is flexible and allows for a longer contracting period to be proposed.

Marc thanked Betty and the staff, along with Milliman for their work with the RFP. Marc opened the meeting to any public comment. With no public comment presented, Marc moved on to the motion.

Beth moved to approve the RFP for distribution as presented, which was seconded by Mooi Lien. The motion was approved and carried unanimously

GET UNIT PRICE SETTING

Marc asked Betty to update the committee on new information regarding setting the unit price for the 2002-03 enrollment year. Betty directed the committee to the documents in their packets that included information prepared by Milliman USA. Bill Reimert gave an overview of the materials and highlighted new pricing options that have been developed and updated since the July 15, 2002 meeting, as reflected in exhibits A, B, & C. The options examine proposed unit prices of \$50, \$52, \$54, \$56, and \$58. Bill stated that their recommendation is that the unit price should be no lower than \$56. This recommendation would provide for the possibility of 10% increases in tuition in 2003 and 2004 (and 6.6% thereafter) if future investment returns average 7.25% as well as provide a stabilization reserve of 14.8% to cover adverse future investment or unexpected tuition increases or to pay down the current program deficit. This unit price would be 24% higher than 2002-03 actual tuition.

Marc suggested that the committee look at a specific scenario as a place to begin the discussion. He suggested we start at the \$52 price. This would assume 8% tuition increases for the next two years (and 6.6% thereafter) and a 7.25% return on investments. It allows for a 10.29% stabilization reserve.

Mooi Lien indicated that she had reviewed the information carefully and \$52 is the unit price she sees as the most viable option.

Beth agreed with Mooi Lien's assessment and said she would like to start re-building the reserve now rather than later. She referred to the Ohio program that did not have sales affected after three significant increases in one year. Beth supported an increase to \$52.

Marty indicated that he preferred to go to \$50 per unit. At \$50, we would be 10% over current tuition.

Mike pointed out that \$52 is a 23% increase over the current unit price, and 15% higher than current tuition. He felt this type of increase would affect sales. Mike could support \$51 as a price, splitting the difference between \$50 and \$52.

Beth expressed her concerns about overcoming the current deficit, and keeping the price high enough to do that without lowering sales.

Marc asked Marty if he could comment on what the Governor might be looking for in next year's tuition increase. Marty replied that it was too early to know what tuition increases to expect in the next year.

Marc pointed out that the overall numbers could be lower if you only look at the tuition portion, but by statute the committee must be fiduciarily responsible and examine assumptions about investment returns as well as re-building the stabilization reserve. The committee has the responsibility in managing the deficit and making sure that the fund is stable.

There was further discussion of whether the unit price should be \$50, \$51 or \$52.

Marc asked for a motion to be presented. Mooi Lien Wong moved to adopt the unit price at \$52. The motion was seconded by Beth Stecher Berendt. Mike Murphy and Marty Brown voted no. The motion carried with a three to two vote.

Bill asked the committee to advise him on what tuition increase assumption that they should use for a long-term average. Marty indicated that the 6.75% average that has been used should remain the average over time, even with the higher tuition increases for a few years. The other members agreed with using the 6.75% average for future assumptions.

PROPOSED ENROLLMENT DATES FOR 2002-2003

Marc directed the committee to the recommendation presented in the packet. Betty gave an overview of the discussion that took place at the July 15 committee meeting, and what the new enrollment dates would be under the proposed change. Staff reviewed all of the options and found the best option is to recommend that the enrollment for the 2002-03 enrollment be set to begin Sept. 15, 2002, and end March 31, 2003 and that the unit price be adjusted May 1, if necessary. The committee would meet to decide on any increase prior to May 1. Existing account holders would be able to purchase additional units on a lump sum basis at the adjusted unit price through August 31, 2003. A new unit price, for the 2003-04 enrollment year, would be set in the summer and effective September 1, 2003.

Marty moved to adopt the new enrollment dates of September 15 – March 31. The unit price would be adjusted, if necessary, on May 1. The motion was seconded by Mike. The motion carried unanimously.

INVESTMENT REALLOCATION

Marc introduced Gary Bruebaker, Chief Investment Officer for the Washington State Investment Board (WSIB), who presented three options for adjusting the asset allocation for the fund. Gary reviewed all of the options available with the committee. He asked the committee which option he should present to the State Investment Board for review. The WSIB has the final decision authority, but welcomes recommendations from their stakeholders.

There was active discussion regarding how aggressive the allocation should be and how much should be invested in non-US equities.

Marty made a motion to adopt a new asset allocation of 60/40 (60% invested in equities and 40% invested in TIPS) with no greater than 50% of the equities invested in non-US equities. The motion was seconded by Mike. Mooi Lien expressed concern about using this model. She felt 60/40 seemed a little aggressive and was not comfortable with it. Motion carried with four in favor and one voting no (Mooi Lien).

DIRECTOR'S REPORT

Betty updated the committee on the outreach plans for the summer, which included participation in 5 county fairs. Larry distributed GET payout information, which included when students anticipate using GET units. Two new positions are in the process of being hired: customer service representative and student benefits coordinator.

There being no other business, the meeting was adjourned at 11:30 a.m.

**Proposal for Regular Meeting Schedule
Calendar Year 2003**

December 3, 2002

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.

DATE	TIME	PLACE
February 11, 2003 Tuesday	2:00 – 5:00 p.m.	Olympia, Washington State Investment Board (Board Room)
April 14, 2003 Monday	2:00 – 5:00 p.m.	Olympia, Washington State Investment Board (Board Room)
August 4, 2003 Monday	3:00 – 5:00 p.m.	Olympia, Washington State Investment Board (Board Room)
November 3, 2003 Monday	3:00 – 5:00 p.m.	Olympia, Washington State Investment Board (Board Room)

Recommendation

Staff recommends that the proposed regular GET Committee meeting be approved.

Approval of Weighted Average Tuition for 2002-03

December 3, 2002

Background

The GET committee is required by statute [RCW 28B.95.030(6)] to annually determine the value of the weighted average tuition. The weighted average tuition (WAT) is used in calculating the value of refunds in certain circumstances and is included in the current Cancellation and Refund Policy adopted by the committee. The approved WAT for the 2001-02 academic year was \$35.16 per unit.

WAT Calculation

At the January 23, 2001 committee meeting, the calculation methodology was approved as follows:

The committee shall set the value of the weighted average tuition annually, generally by September 30 of each year. “The amount shall be calculated as the sum of the undergraduate tuition and services and activities fees for each four-year state institution of higher education, multiplied by the respective full-time equivalent student enrollment at each institution divided by the sum total of undergraduate full-time equivalent student enrollments of all four-year state institutions of higher education, rounded to the nearest whole dollar.” RCW 28B.95.020(16)

For purposes of the calculation, undergraduate, tuition and services and activities fees shall be the tuition and services and activities fees established for the academic year commencing in the fall of the fiscal year for which the weighted average tuition is calculated.

For purposes of the calculation, resident undergraduate full-time equivalent student enrollments shall be calculated using the Higher Education Enrollment Report provided from the Office of Financial Management (OFM HEER Data), averaged over the previous three academic years.

Staff Recommendation

Staff recommends approval of the value of the WAT for the 2002-03 academic year as \$40.26 per unit (see attached spreadsheet).

**Weighted Average Tuition - Based on Annual Average Enrollment
Using Three-Year Average FTE Data
Calculated for 2002-03**

Calculation of Resident Enrollment:

"WAT shall be calculated as the sum of the UG tuition and S&A fees for each four-year institution multiplied by the respective full-time equivalent student enrollment at each institution divided by the sum total of UG FTE student enrollments of all four-year institutions rounded to the nearest whole dollar."

	(a) 3-Year Average Resident Undergraduate Student FTEs (academic years: 1999-2000, 2000-2001, 2001-2002)	(b) 2002-03 Resident Undergraduate Tuition & Fees	(a*b) Total Dollars
U of W - Seattle*	20,032	4,455	\$ 89,240,356
U of W - Bothell	955	4,416	4,216,145
U of W - Tacoma	1,100	4,440	4,885,100
WSU - Pullman	12,334	4,520	55,751,214
WSU - Spokane	140	4,520	631,407
WSU - TriCities	425	4,520	1,920,931
WSU - Vancouver	703	4,520	3,178,533
CWU	6,846	3,423	23,432,426
EWU	6,350	3,357	21,315,396
TESC	2,714	3,440	9,334,776
WWU	9,958	3,408	33,936,755
TOTAL/ AVERAGE	61,555 (c)		\$ 247,843,040.27 (d)

Calculated WAT 2002-03:	\$ 4,026
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The WAT is derived from the total of the 4-year institutions' most recent 3-year average resident undergraduate FTE's, divided into the total dollar amount of tuition and student & activities fees: (d) divided by (c).

Notes:

* Includes Seattle evening.

Source:

OFM: Annual Average FTEs calculated using Higher Education Enrollment Reports (HEER).

Calculation of Annual Average FTEs who are Washington residents is based on fall residency data from OFM's Higher Education Enrollment Reports. (HEER).

Director's Report

December 3, 2002

2001-02 Enrollment Year	2002-03 Enrollment Year	Stats this time last year:
As of August 31, 2002	As of October 31, 2002	As of October 31, 2001
Total GET accounts opened: 24,063	Total GET accounts opened: 24,645	Total GET accounts opened: 13,526
Total GET account opened: 10,819 (Sept. 15-Aug. 31, 2002)	Total GET accounts opened: 582 (Sept. 15-Oct.31, 2002)	Total GET Accounts opened: 248 (Sept.15–Oct. 31, 2001)
Total payments received: \$160.9 mil	Total payments received: \$165.2 mil	Total payments received: \$106.8 mil
Total units purchased: 5.1 mil	Total units purchased: 5.2 million	Total units purchased: 2.6 mil
Total value of contracts: \$226.1 mil	Total value of contracts: \$230.4 mil	Total value of contracts: \$107.4

MATRICULATION UPDATE FOR 2002-2003:

There are 1,043 students currently eligible to receive GET benefits during the 2002-2003 Academic Year. Of those, 489 are eligible but are not using their benefits this fall quarter. The breakdown of the 554 students who are attending school and accessing their benefits is as follows:

School	Number enrolled	Percentage
University of Washington	173	31.2%
Western Washington University	82	14.8%
Out of state	74	13.4%
Washington State University	68	12.3%
Community Colleges	67	12.1%
Private In-state	33	6.0%
Central Washington University	23	4.2%
Eastern Washington University	20	3.6%
The Evergreen State College	12	2.2%
Technical Colleges	2	0.4%

OUTREACH ACTIVITIES:

During the months of July through November, we have participated in 18 state benefit fairs, 9 municipal/school benefit fairs, 12 PTA and school open house presentations, 8 presentations at private businesses, 3 community festivals, 1 Rotary Club and 6 county and regional fairs.

PERSONNEL UPDATE:

Heidi Arneson has joined the GET team as the GET Student Benefits Coordinator.

Terrina Gadd and **Pam Holt** have also joined the team as GET Customer Service Representatives.

GET Account Information
As of 9/03/02

2001-02 Enrollment Year

Contract Statistics by Plan Year

	<u>2001-02</u>	<u>TOTAL</u>
# of Active Contracts		
Custom Monthly Contracts (CM)	3,237	6,152
Lump Sum Contracts (LS)	7,551	17,476
Subtotal # of Active Contracts	10,788	23,628
# of Inactive Contracts	31	402
# of Depleted Contracts	-	31
# of Incomplete Applications	-	2
Total # of Contracts	10,819	24,063

Unit Statistics (active contracts only)

Total # of Contracted Units (CM)	747,387	1,473,787
Total # of Lump Sum Units Purchased (LS)	1,550,161	3,648,816
Total # of Units - Both Plans	2,297,548	5,122,603

Account Value Statistics (active contracts only)

Payments Received (CM)	\$ 1,257,404	\$ 16,459,830
Payments Received (LS)	\$ 65,309,829	\$ 144,464,568
Total Payments Received (CM and LS)	\$ 66,567,233	\$ 160,924,398
Total Contract Value (CM)	\$ 44,826,726	\$ 80,604,097
Less Payments Received (CM) from above	\$ (1,257,404)	\$ (16,459,830)
Future Payments Due (CM)	\$ 43,569,322	\$ 64,144,267
Total Value of All Accounts	\$ 110,136,555	\$ 225,068,665
Fees Paid	\$ 470,478	\$ 1,078,711
Grand Total		\$ 226,147,376

GET Account Information
As of 9/03/02

Contract Statistics by Plan Year

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>1998-2000</u>	<u>2001</u>	<u>TOTAL</u>
# of Active Contracts						
Custom Monthly Contracts (CM)	1,691	664	560	2,915	3,237	6,152
Lump Sum Contracts (LS)	5,934	1,759	2,232	9,925	7,551	17,476
Subtotal # of Active Contracts	7,625	2,423	2,792	12,840	10,788	23,628
# of Inactive Contracts	248	85	38	371	31	402
# of Depleted Contracts	31			31		31
# of Incomplete Applications	-	-	2	2	-	2
Total # of Contracts	7,904	2,508	2,832	13,244	10,819	24,063

Unit Statistics (active contracts only)

Total # of Contracted Units (CM)	432,000	166,100	128,300	726,400	747,387	1,473,787
Total # of Lump Sum Units Purchased (LS)	1,384,624	302,669	411,362	2,098,655	1,550,161	3,648,816
Total # of Units - Both Plans	1,816,624	468,769	539,662	2,825,055	2,297,548	5,122,603

Account Value Statistics (active contracts only)

Payments Received (CM)	\$ 10,557,325	\$ 3,080,639	\$ 1,564,462	\$ 15,202,426	\$ 1,257,404	\$ 16,459,830
Payments Received (LS)	\$ 50,291,011	\$ 11,827,990	\$ 17,035,738	\$ 79,154,739	\$ 65,309,829	\$ 144,464,568
Total Payments Received (CM and LS)	\$ 60,848,336	\$ 14,908,629	\$ 18,600,200	\$ 94,357,165	\$ 66,567,233	\$ 160,924,398
Total Contract Value (CM)	\$ 20,559,407	\$ 8,296,040	\$ 6,921,924	\$ 35,777,371	\$ 44,826,726	\$ 80,604,097
Less Payments Received (CM) from above	\$ (10,557,325)	\$ (3,080,639)	\$ (1,564,462)	\$ (15,202,426)	\$ (1,257,404)	\$ (16,459,830)
Future Payments Due (CM)	\$ 10,002,082	\$ 5,215,401	\$ 5,357,462	\$ 20,574,945	\$ 43,569,322	\$ 64,144,267

Total Value of All Accounts	\$ 70,850,418	\$ 20,124,030	\$ 23,957,662	\$ 114,932,110	\$ 110,136,555	\$ 225,068,665
Fees Paid				\$ 608,233	\$ 470,478	\$ 1,078,711
Grand Total						\$ 226,147,376

**GET Account Information
As of 10/31/02**

	<u>(prior years)</u> 1998-2001	<u>(current year)</u> 2002	TOTAL
<u>Contract Statistics by Plan Year</u>			
# of Active Contracts			
Custom Monthly Contracts (CM)	6,076	170	6,246
Lump Sum Contracts (LS)	17,494	409	17,903
Subtotal # of Active Contracts	23,570	579	24,149
# of Inactive Contracts	447	2	449
# of Depleted Contracts	43	-	43
# of Incomplete Applications	2	2	4
Total # of Contracts	24,062	583	24,645
 <u>Unit Statistics (active contracts only)</u>			
Total # of Contracted Units (CM)	1,450,937	36,025	1,486,962
Total # of Lump Sum Units Purchased (LS)	3,680,831	31,485	3,712,316
Total # of Units - Both Plans	5,131,768	67,510	5,199,278
 <u>Account Value Statistics (active contracts only)</u>			
Payments Received (CM)	\$ 17,947,286	\$ 9,648	\$ 17,956,934
Payments Received (LS)	\$ 145,656,925	\$ 1,626,316	\$ 147,283,241
Total Payments Received (CM and LS)	\$ 163,604,211	\$ 1,635,964	\$ 165,240,175
Total Contract Value (CM)	\$ 79,342,735	\$ 2,648,693	\$ 81,991,428
Less Payments Received (CM) from above	\$ (17,947,286)	\$ (9,648)	\$ (17,956,934)
Future Payments Due (CM)	\$ 61,395,449	\$ 2,639,045	\$ 64,034,494
Total Value of All Accounts	\$ 224,999,660	\$ 4,275,009	\$ 229,274,669
Fees Paid	\$ 1,083,027	\$ 26,100	\$ 1,109,127
Grand Total			<u>\$ 230,383,796</u>

**GET Account Information
As of 10/31/02**

Contract Statistics by Plan Year

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1998-2001</u>	<u>2002</u>	<u>TOTAL</u>
# of Active Contracts							
Custom Monthly Contracts (CM)	1,676	656	545	3,199	6,076	170	6,246
Lump Sum Contracts (LS)	5,924	1,761	2,244	7,565	17,494	409	17,903
Subtotal # of Active Contracts	7,600	2,417	2,789	10,764	23,570	579	24,149
# of Inactive Contracts	261	90	41	55	447	2	449
# of Depleted Contracts	42	1	-	-	43	-	43
# of Incomplete Applications	-	-	2	-	2	2	4
Total # of Contracts	7,903	2,508	2,832	10,819	24,062	583	24,645

Unit Statistics (active contracts only)

Total # of Contracted Units (CM)	428,200	164,300	124,400	734,037	1,450,937	36,025	1,486,962
Total # of Lump Sum Units Purchased (LS)	1,386,251	304,070	414,551	1,575,959	3,680,831	31,485	3,712,316
Total # of Units - Both Plans	1,814,451	468,370	538,951	2,309,996	5,131,768	67,510	5,199,278

Account Value Statistics (active contracts only)

Payments Received (CM)	\$ 10,892,201	\$ 3,216,665	\$ 1,697,946	\$ 2,140,474	\$ 17,947,286	\$ 9,648	\$ 17,956,934
Payments Received (LS)	\$ 50,381,908	\$ 11,897,197	\$ 17,178,427	\$ 66,199,393	\$ 145,656,925	\$ 1,626,316	\$ 147,283,241
Total Payments Received (CM and LS)	\$ 61,274,109	\$ 15,113,862	\$ 18,876,373	\$ 68,339,867	\$ 163,604,211	\$ 1,635,964	\$ 165,240,175
Total Contract Value (CM)	\$ 20,377,235	\$ 8,206,700	\$ 6,711,756	\$ 44,047,044	\$ 79,342,735	\$ 2,648,693	\$ 81,991,428
Less Payments Received (CM) from above	\$ (10,892,201)	\$ (3,216,665)	\$ (1,697,946)	\$ (2,140,474)	\$ (17,947,286)	\$ (9,648)	\$ (17,956,934)
Future Payments Due (CM)	\$ 9,485,034	\$ 4,990,035	\$ 5,013,810	\$ 41,906,570	\$ 61,395,449	\$ 2,639,045	\$ 64,034,494

Total Value of All Accounts	\$ 70,759,143	\$ 20,103,897	\$ 23,890,183	\$ 110,246,437	\$ 224,999,660	\$ 4,275,009	\$ 229,274,669
Fees Paid					\$ 1,083,027	\$ 26,100	\$ 1,109,127
Grand Total							\$ 230,383,796

ICMA Retirement Corporation (RC)
Savings for Education Tomorrow (SET) Presentation Outline
for the Guaranteed Education Tuition (GET) Committee
December 3, 2002

I. Service Structure

- Introduction of prime and subcontractors
- Role of ICMA-RC (program manager)
- SCT (account administration & participant services)
- Marketing Partners (direct in-state marketing)
- Distribution Partner(s)

II. Investments

- Direct sold program (in-state & public sector nationally)
 - Three tiered program to meet each investor's needs
 - Aged Based Funds (for those wanting one-stop easy investment)
 - Model Portfolio Funds (for those wanting to automatically maintain fixed defined asset allocations)
 - Choice Funds (for those wanting to create their own custom-designed portfolio)
 - ICMA-RC investment depth and due diligence process
- Distributed program investments (national program through financial advisors)

III. Marketing

- Direct in-state campaign activities – The Marketing Partners, Bellevue, Washington
- Prospect call center – ICMA-RC, Washington, D.C.
- In-state distribution of GET information
- Public sector national program
- Distribution partner program
- State approval of all activities

IV. Account Administration & Participant Services

- Call Center structure – SCT, Richmond, Virginia
- Overview of account administration structure
- Integrated 529 GET/SET compliance
- Integrated reporting to State

V. Fee Structure

- Asset and participant fees
- Fund expenses
- Fee competitiveness

VI. Launch

- Projected timeline
- Projected launch date
- Publicity at launch and during next GET enrollment window

RC: The Public Sector Expert

Organizational Overview



Overview of RC

- Non-commercial corporation
 - No shareholders
 - Dedicated to best interests of clients
- Specialize in flexible solutions for large clients
- Public sector niche

Overview of RC

RC Metrics

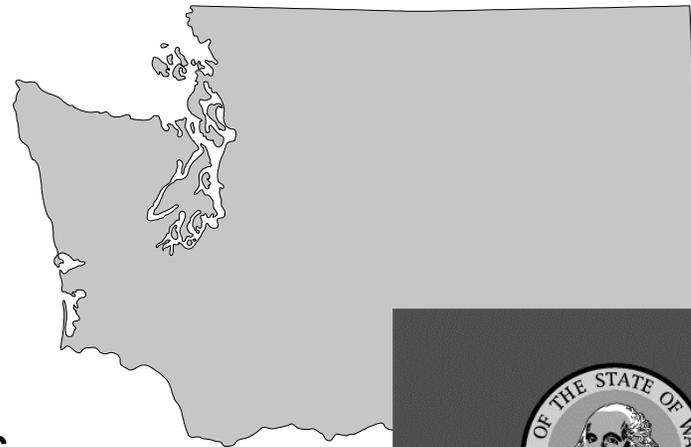
- \$15 billion administered
- Over 600,000 participants served
- Annually
 - 154,000 payrolls processed
 - 410,000 disbursements issued
 - 375,000 calls to phone center
 - 1.8 million Internet home page hits



Overview of RC

Washington State Experience

- Serving Washington State TRS, SERS, & PERS Plans
 - Over 90,000 participants
 - Almost \$2 billion in assets
- Total in-state business
 - \$2.6 billion administered
 - Over 115,150 participants
 - \$101.2 million in contributions
 - \$5.6 million in disbursements



Recognized Expertise

Public Sector Co-Sponsors



**International Association
of Chiefs of Police**



**American Public
Works Association**



**International Association
of Fire Chiefs**



**American Society for
Public Administration**



**International Municipal
Lawyers Association**



**Building Officials
Code Administrators Int'l**

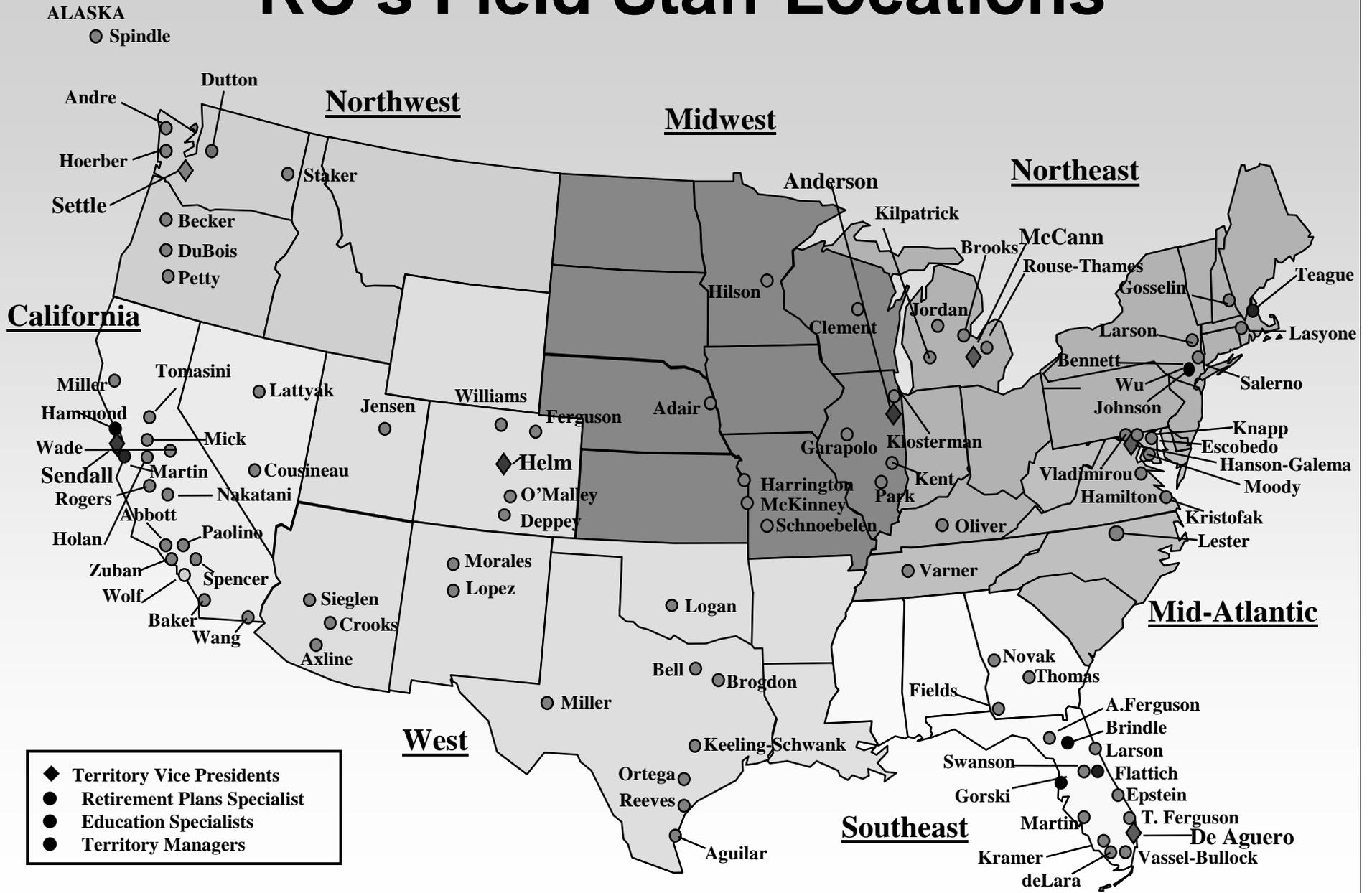


National League of Cities



**GOVERNMENT FINANCE
OFFICERS ASSOCIATION**

RC's Field Staff Locations



Overview of RC

- Investor Services
 - 50 associates support plan participants via phone
 - 12 associates support plan sponsors via phone
- Operations
 - 130 associates support plan and participant transaction processing and other record keeping functions
- Information Technology
 - 90 associates support systems, applications & hardware
- Investment management
 - 14 associates, 150 years experience, 9 MBAs, 7 CFAs

Overview of RC

Operational Controls

- SAS 70
 - Performed annually
- Computer Security
 - Passwords required
 - Secure Sockets Layer (SSL)
 - Data encryption
 - International Computer Security Association certified
 - Sun Solstice firewall
 - Prevents unauthorized external access



Overview of RC

Financial Controls

- Independent auditors
 - Ernst & Young
 - Deloitte & Touche
- Internal audit
- Audit committees



<u>Guaranteed Education Tuition (GET)</u>	<u>Savings for Education Tomorrow (SET)</u>
Internal Revenue Code section 529 prepaid tuition plan	Internal Revenue Code section 529 savings plan
State guarantee: <ul style="list-style-type: none"> • Program backed by statutory guarantee • Lock in prices for future use 	No guarantee: <ul style="list-style-type: none"> • Investments subject to market conditions • Savings may not be sufficient to cover all costs
Investments selected and managed by the Washington State Investment Board (WSIB)	Participant may choose investment options from one or more available portfolios
Tax advantages: <ul style="list-style-type: none"> • Tax-free earnings if used for qualified educational expenses * • Favorable federal estate and gift tax provisions • HOPE and Lifetime Learning tax credits may be available * All non-qualified withdrawals are taxable	
May be used at any accredited college in the country	
Primarily designed to cover: <ul style="list-style-type: none"> • Tuition and mandatory fees. • Other eligible educational expenses if funds remaining. 	May be used toward all eligible educational expenses at discretion of account owner.
Residency Requirement: <ul style="list-style-type: none"> • Beneficiary must be resident at time of enrollment. 	No residency requirement.
Limited enrollment period.	Enrollment open year round.
Enrollment fee: \$50 per enrollment form, limit of \$100 per family (same household).	No enrollment fee. \$25-\$30 annual account maintenance fee.
Maximum purchase of 500 units per beneficiary (currently \$26,000).	Limited to \$300,000 per account (may be adjusted as college costs rise). Any GET contributions would be included in the aggregate total.
Non-owner contributions permitted	
Maximum usage in any one year: 125 units plus any carried over from prior year.	Maximum usage equal to account value.
Age restriction – GET units must be used within 10 years from estimated benefit use year.	Age restriction – none per current IRS regulations.
Change of beneficiary – permitted within family members as defined by IRS. Change of purchaser – permitted by written request from purchaser. Trust account ownership – permitted.	
Rollover to SET (or any 529 plan) - not permitted.	Rollover to GET and other 529 plans – permitted (as qualified distribution) once yearly.
UGMA/UTMA account transfers: Not permitted. Accounts may be opened in name of child.	UGMA/UTMA account transfers: Permitted.
Valuation – unit price set annually. Statements – annual in January.	Valuation – daily. Statements – quarterly.