



GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Thursday, August 6, 2001

Utilities and Transportation Commission Building

1300 Evergreen Park Dr. SW

Olympia, WA

**MINUTES**

**CALL TO ORDER**

Marc Gaspard, HECB Executive Director and Committee Chair called the meeting to order at 10:07 a.m. Committee members in attendance in addition to the Chair included Michael J. Murphy, State Treasurer and Marty Brown, Director of the Office of Financial Management. Not in attendance were Beth Stecher Berendt and Mooi Lien Wong.

HECB staff in attendance:

Betty Lochner, GET Director

Larry Lee, GET Operations Manager

Jackie Molique, GET Customer Service Manager

Denise Fry, GET Outreach Coordinator

Heidi Jones, GET Financial Accountant

Lyle Jacobson, HECB Special Assistant

Debra Blodgett, GET Administrative Assistant

Guests in attendance:

Bill Reimert, Milliman USA

Howard Fischer, Office of the Attorney General

Elaine Emans, Office of the State Treasurer

Joe Dear, Frank Russell Company

**WELCOME**

Marc opened the meeting with introductions of the committee members, staff and guests in attendance. Betty Lochner announced that the meeting was being taped by TVW.

Marc indicated that the purpose of this meeting was to set a new unit price for the upcoming year and to receive an update on the college savings plan. He informed the committee that there would be an opportunity for public discussion before any recommendation of action.

Betty Lochner distributed a revised staff report updating the information on the actuarial analysis and price setting and indicated there were no other changes to the agenda or packet.

**APPROVAL OF MINUTES AND NEXT MEETING DATE**

**It was moved by Mike Murphy with a second from Marty Brown to approve the May 17, 2001 minutes and to approve scheduling the next GET Committee meeting for September 25, 2001, from 2:30-5:00 p.m. Motion carried unanimously.**

**YEAR END SALES UPDATE**

Betty went over the GET year-end sales report for the 2000-01 enrollment year. Total accounts opened during this enrollment year were 2,827, which is 94% of the goal of 3,000 new accounts. Total accounts open to date are 13,250, with 2.6 million units purchased at a total account value of \$114.6 million.

**ACUARIAL ANALYSIS AND PRICE SETTING**

Betty introduced Bill Reimert, Principal and Consulting Actuary with the firm of Milliman USA, to review the information provided regarding the actuarial analysis and the process for recommending the new unit price for the 2001-02 enrollment year. The GET program has contracted with Milliman USA to provide an annual, actuarial assessment of the GET program's solvency and make recommendations for the annual revision of the unit price.

Bill gave a brief overview of Milliman USA's role in this process. Their role is to provide background information analyses and show implications of different scenarios that the committee could choose from. Bill continued by reviewing the hand out materials including a preliminary valuation of the financial situation of the GET program as of June 30, 2001. He indicated that the GET Program is in a positive position at this point.

Bill discussed the history of tuition in Washington over the past twenty years, including a 6.7% increase this year. He continued with a summary of implicit tuition growth assumptions based on proposed unit prices of \$42 or \$43 and reviewed the stabilization reserves in each scenario.

Mike raised a question asking what would happen if more contracts were sold than anticipated. Bill indicated that the more contracts that were sold, the more favorable the stabilization reserve would be. Mike also raised questions regarding the marketing push for this year, which will begin in September.

Betty responded that our contractor, The Marketing Partners, believe we will reach 5,000 new contracts based on the marketing strategy they are planning. A more conservative number of 4,000 new contracts is used in establishing the price setting scenarios before the committee today.

Marty raised a question regarding our history on GET investment returns. Bill indicated that we've been at the 7.5% return rate.

Betty presented the staff recommendation of setting the unit price for the 2001-02 enrollment year at \$42. The price is based on a sales goal of 4,000 new contracts. The staff believes that by keeping the price as low as possible, we will be able to meet our sales goals and noted that there is a lot of comparisons being made between our plan and other states, mostly regarding the unit price, which is higher than the current tuition rate.

Marc raised the scenario of if we are able to increase the number of sales and secondly have a higher return on our investments, our return would go up considerably in those scenarios. Bill responded that we would gain 10-15% by going over 4,000 contracts, which would be very favorable.

Marc asked what the effects of adding a savings plan would have on the current program and what other states have seen in terms of sales. Bill indicated that Virginia saw no effect on the pre-paid program. Ohio initially had sales fall off a bit, but now they are seeing a definite upsurge. Colorado was a bit hurt by it, but the equity markets were booming and the state was holding. Bill stressed that it is difficult to generalize what will happen, but tuition increases and investment markets will tell us if it will be favorable or not.

Marty asked to verify that the new contract assumption was 3,000 last year when we raised the price by \$3. Betty responded that yes, that was correct.

### **PUBLIC COMMENT**

Marc opened the meeting to public comment. With no comments being made, Marc ended the public comment portion of the meeting.

Marc went over the recommendation of setting the unit price at \$42. Marty indicated that he would be more comfortable raising the price to \$43 to ensure a healthy reserve. Mike indicated that he feels very good about the marketing activity starting up in the fall and is comfortable with the level of stabilization reserve with the \$42 price.

Marc asked Bill to share the stabilization prospective if our assumptions don't meet our goals. Bill gave an example if sales drops off by about 500 contracts, in the \$42 scenario. If you wanted to get back that stabilization the price would have to be \$42.40 or \$42.45 to get to that point.

### **APPROVAL OF UNIT PRICE**

**Marty moved to increase the unit price by \$1 for a unit price of \$42 for the 2001-02 enrollment year. Mike Murphy seconded the motion. Motion carried unanimously.**

### **COLLEGE SAVINGS PLAN UPDATE**

Marc expressed his appreciation to the savings plan advisory group on the number of hours and work they have committed as they prepare to make their recommendations. He anticipated that the committee will have a final report from the advisory group at the September 25<sup>th</sup> meeting.

Betty directed the committee to the savings plan briefing paper. At the May GET Committee meeting staff were directed to establish a savings plan advisory group to research and develop options to assist the committee in its decision making. The group has met three times and has two more meetings scheduled before the September 25<sup>th</sup> GET Committee meeting. The three areas the group is focusing on are investment management, record keeping, and marketing. The briefing paper indicates where we are in our discussion in each area, but all three areas require more research and discussion by the group before final recommendations will be ready to be brought before the committee. Betty then asked the committee if they have questions regarding

the group's progress. Marc noted that at the last two advisory meetings, he has given opportunities for public comment. He informed the committee that he has recused himself from the remainder of the meetings, and has asked the public to do so as well, at the point of the decision process in those advisory meetings.

Mike questioned whether or not the advisory group would be giving a recommendation regarding money staying with the savings program for a two-year period before use. Betty indicated that it is not clear to what level of program design will be included in the recommendations. She shared that they have been focusing on the big picture and from those decisions they are moving to the details. Marty raised the question of whether anyone is looking at the federal tax issues. Betty responded that we have our attorney at the advisory meetings and that there is a tax attorney on retainer at the AG's Office for that purpose. Mike added that the annual National College Savings Plan Network conference will be taking place in the near future and Betty and Larry will be attending to gather further information on related issues.

### **DIRECTOR'S REPORT**

Betty reported that we have successfully converted our record keeping in-house and gave a brief overview of the process. She informed the committee that 560 students are eligible to use GET benefits this fall. She reviewed the new tax legislation that makes earnings on GET accounts tax-exempt and referenced the report, which gives those details. Betty noted that our marketing contractor will be at the September 25<sup>th</sup> meeting and will go over the marketing plan for GET for the 2001-02 enrollment year. Betty introduced two new staff that have joined the GET team; Debra Blodgett, administrative assistant, and Heidi Jones, financial accountant.

Marc commented on the new conversion and complimented the GET staff, which has done superb work during the time of transition.

### **NEXT MEETING**

The next meeting of GET Committee is scheduled for September 25<sup>th</sup>, from 2:30 – 5:00 p.m. at the State Investment Board (Board Room).

### **ADJOURNMENT**

There being no other business, the meeting was adjourned at 11:00 A.M.

**Proposal for Next Scheduled GET Committee Meeting**

**September 25, 2001**

**Background**

As outlined in RCW 28b.95.030, WAC 14-104-010, the GET Committee shall hold regular meetings as needed.

**Recommendation**

Staff recommends that the next regular GET Committee meeting be scheduled for November 16, 2001, at the State Investment Board – Board Room, 2424 Heritage Park Drive SW, Olympia, WA, 2:00 p.m. to 5:00 p.m.

## **Approval of Weighted Average Tuition for 2001-02**

September 25, 2001

### **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 2000-01 academic year was \$33.07 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 being 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 2001-02 academic year as \$35.16 per unit (see attached spreadsheet).



**Weighted Average Tuition - Based on Annual Average Enrollment  
Using a Three-Year Average FTE HEER Data  
Calculated for 2001-02**

**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 (1999, 2000, 2001)		(b) 2001-02 Resident Undergraduate Tuition & Fees		(a*b) Total Dollars
U of W - Seattle**	19,732	\$	3,872	\$	76,402,304
U of W - Bothell	857		3,842		3,292,594
U of W - Tacoma	948		3,866		3,664,968
WSU - Pullman	12,424		3,898		48,428,752
WSU - Spokane	125		3,898		487,250
WSU - TriCities	429		3,898		1,672,242
WSU - Vancouver	653		3,898		2,545,394
CWU	6,779		3,024		20,499,696
EWU	6,032		2,964		17,878,848
TESC	2,605		3,024		7,877,520
WWU	9,732		3,015		29,341,980
<b>TOTAL/ AVERAGE</b>	<b>60,316 (c)</b>				<b>\$212,087,650 (d)</b>

<b>Calculated WAT 2001-02:</b>	<b>\$</b>	<b>3,516</b>
<b>Calculated WAT Per Unit</b>	<b>\$</b>	<b>35.16</b>

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). The WAT is calculated per unit by dividing the total calculated WAT (\$3,516) by 100.

Source: OFM HEER Data - Average Annual State Funded Enrollment

**Notes:**

"WAT-3YrAvgUsingTuitionByYear" contains enrollment calcs.

\*\* Includes Seattle evening.

Residency percentage of annual average enrollment is based on Fall 2000, OFM.

GET:WAT2001-02:WAT-Final 2002



WASHINGTON STATE  
INVESTMENT BOARD

# GET

## Prepaid College Tuition Program Second Quarter 2001 Update

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Dated: July 20, 2001

Diana Will  
Investment Officer - Asset Allocation

Gary Bruebaker  
Chief Investment Officer



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STATE INVESTMENT BOARD  
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August 17, 2001

**TO:** Guaranteed Education Tuition Board

**FROM:**  Gary Bruebaker  
Chief Investment Officer

**SUBJECT: SECOND QUARTER 2001 GUARANTEED EDUCATION TUITION  
PROGRAM QUARTERLY REPORT**

Attached is the second quarter 2001 Guaranteed Education Tuition (GET) quarterly report. This report would normally have been provided to the GET Board after the August meeting of the State Investment Board. However, with the cancellation of the August Investment Board meeting, we wanted to provide this information now rather than after the next scheduled State Investment Board meeting on September 20, 2001.

If you have any questions relating to this information, please contact me at 360-664-8570.

Thank you.

GB:kb

Attachment

cc: James F. Parker, Executive Director  
Helen Small, Chief Operating Officer  
Scott Huntley, Legislative and Communications Coordinator  
Diana Will, Investment Officer – Asset Allocation



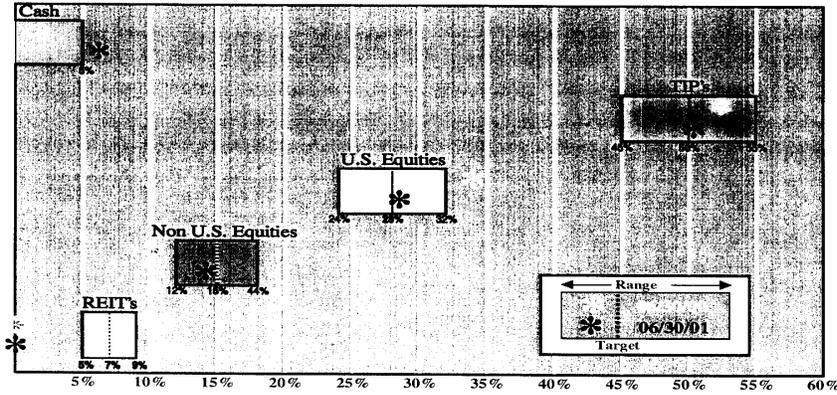
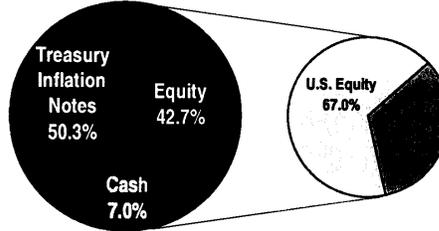
**GET - College Tuition Program**

June 30, 2001

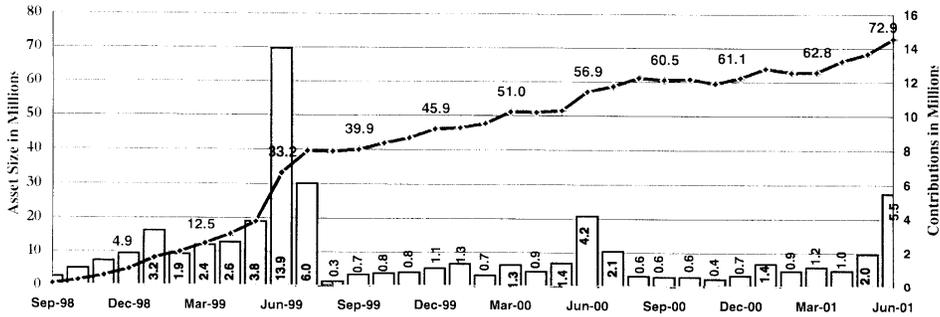
**Portfolio Size**

<b>Total</b>	<b>\$72,880,753</b>
Cash	5,093,895
Treasury Inflation Notes	36,688,438
U.S. Equities	20,834,880
Non-U.S. Equities	10,263,540
REITS	0

**Asset Class Breakdown**

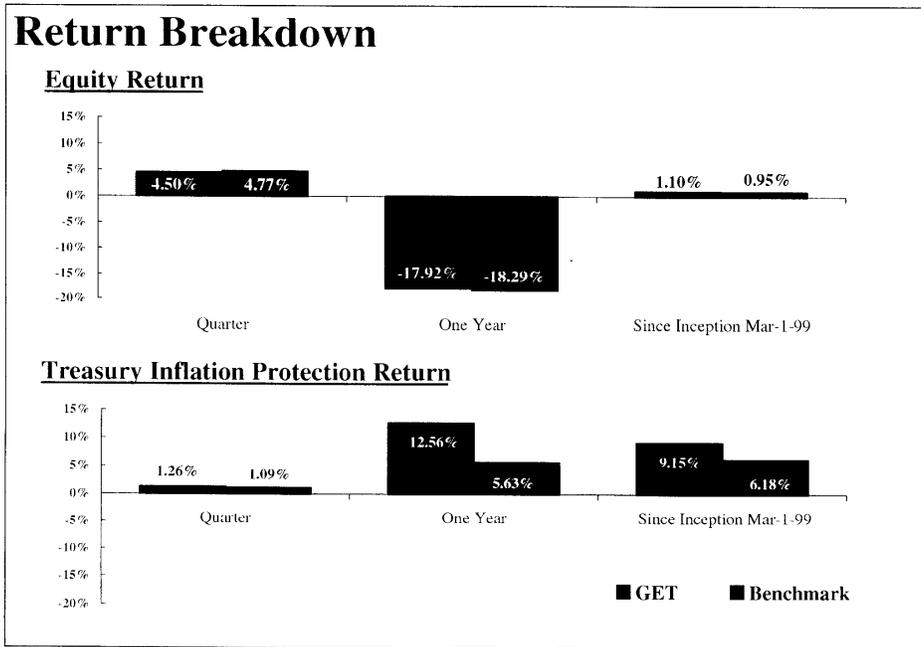
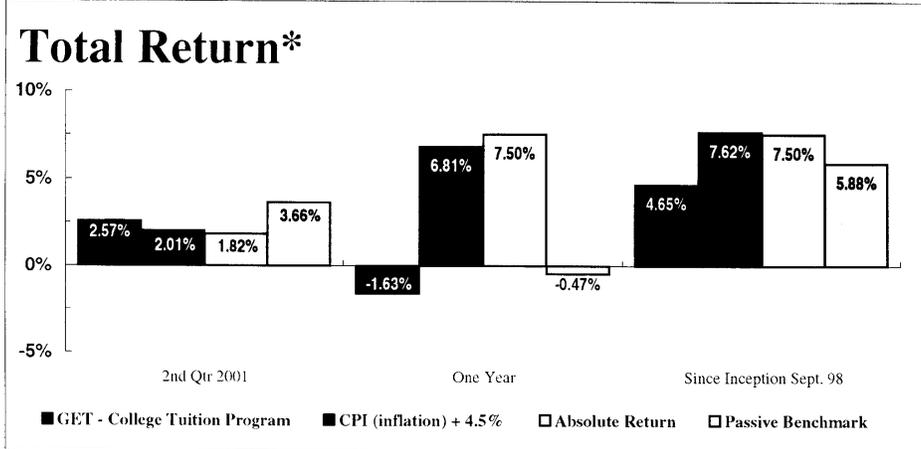


**Growth of the assets managed by the State Investment Board**



**GET - College Tuition Program**

June 30, 2001



\* The return numbers above are net of manager fees and other expenses that can be directly debited from the account for portfolio management, but does not include the WSIB management fee, currently at .0103%.

**Establishment of a Washington College Savings Plan:  
Report of Savings Plan Advisory Group to the GET Committee**

September 25, 2001

## **BACKGROUND**

On May 7, 2001, Governor Gary Locke signed House Bill 2126, authorizing the Committee on Advanced College Tuition Payment (GET Committee) to establish a savings program that complies with the terms of Section 529 of the federal Internal Revenue Code. The Legislature's intent was to offer families an additional opportunity to save for college costs that would complement the existing GET prepaid tuition program.

College savings programs, and other investments that comply with IRS Section 529, offer many attractive options to program participants. For states to be competitive, they must offer a variety of investment options. In the wake of recent changes in federal tax law, that will take effect in January 2002, there is a greater interest in college savings programs in addition to existing prepaid programs. Most participants choose a plan in their home state, if such a plan is available.

To develop a savings program, the new state law allows up to \$200,000 to be borrowed for start-up costs from administrative fees collected by the prepaid tuition program. Any funds borrowed must be repaid with interest before the end of the biennium in which the funds are drawn. The savings plan is to be self-sustaining, receiving no funding from the state's general fund. Investment returns and participant fees must be sufficient to cover all ongoing operating expenses.

At its May 17 meeting, the GET Committee directed its staff to establish a Savings Plan Advisory Group to research and develop options for establishing the college savings program. As directed by HB 2126, the work group included participants from the State Investment Board, the Office of the State Treasurer, the Office of Financial Management, an actuarial consulting firm, the legislative fiscal and higher education committees, and the institutions of higher education (see appendix for a list of those who participated in the advisory group's deliberations). Invitations were extended to legislative leaders of the House and Senate Higher Education and budget committees. The advisory group met five times between late May and mid-September.

This document is the final report of the advisory group. It identifies issues the group believes should be considered by GET staff in their recommendation to the GET Committee as it establishes a college savings plan. It acknowledges the budget constraints inherent in program set-up, identifies several options for operating a savings plan, and includes a recommendation for moving forward.

### **Work Group Summary**

Three main program elements must be considered in establishing the savings plan: investment management of customers' deposits, records administration, and marketing. The advisory group examined each area separately, including costs, possible time lines and other states' experiences. The group achieved consensus on the following goals:

### Benefits to Washington residents

- The advisory group strongly endorsed the public policy goal that the savings plan focuses primarily on helping Washington citizens, while also providing an affordable college savings opportunity for customers from other states.
- While the savings plan should be open to persons outside Washington, residents of Washington should, if feasible, get savings incentives not available to customers outside the state, such as reductions or waivers of administrative fees for in-state residents.
- The group would support a program that establishes a strong Washington identity within the state and provides more benefits, as allowed under state and federal law, to Washington residents than to those in other states.

### Maintain Washington control

- The savings program must be coordinated with the existing GET prepaid tuition program. The prepaid tuition program and the savings plan should complement – not compete with – each other.
- If one or more private investment management firms are selected, they should be allowed to sell and market the savings program to customers across the country, provided such efforts do not detract from the state focus and the existing GET program.

### Program options/design

- To allow participants to maximize their potential for return on investments while remaining comfortable with risk, the program should offer a range of investment options from conservative to aggressive.
- Minimum and maximum limits on the size of individual savings accounts should encourage the greatest possible number of customers. By setting the lowest feasible minimum account size, the program can serve families with modest incomes. By setting a high cap on deposits, the program will enable families to save the relatively large sums needed for students at higher-priced private institutions.
- Participants should be permitted to “roll over” their deposits to and from other states’ 529 college savings programs.
- Components of the program should be “unbundled” to the extent possible within the current administrative funding allowance. That is, decisions about whether to contract for investment management, record administration and marketing services (or whether to handle them “in-house” – within existing state programs) should be considered separately. This approach would provide for individual consideration of records administration and marketing and competitive selection of an investment manager. Before it reviewed the budget constraints, the advisory group generally agreed that it would be desirable to have in-house records administration and marketing.
- The competitive process to select an investment management firm or firms should ensure fair competition among private companies and, if appropriate, the State Investment Board. This may be addressed by requesting information from the State Investment Board, while going out to bid to private firms.

### **Budgetary Issues**

While the advisory group agreed it is desirable to bring records administration in-house and to market the new savings plan in conjunction with the existing GET prepaid tuition program, the funding authorized for start-up costs (a total of \$200,000 in the 2001-03 biennium) would not

fully cover those costs. In comparison, the administrative start-up costs including marketing and records administration to launch the GET program were \$1.6 million.

Given these constraints, the advisory group discussed several other options, including contracting for records administration with the selected investment firm, or contracting with a third party independent from the provider of investment services. In either case, the advisory group agreed that when the new savings program becomes self-sustaining, the GET Committee should consider bringing records administration in-house. One element of the Request for Proposals (RFP) should address the importance of using systems and software that are compatible with existing GET systems to allow the greatest amount of flexibility.

## **Survey of Other States**

Three participants in the advisory group attended the National College Savings Plan Network conference September 6-9, 2001. At the conference, they informally surveyed other states that have established college savings plans. Information from their conversations has been incorporated into the options and recommendations below.

While most prepaid tuition programs invest their assets directly, or with the assistance of an external investment advisor/manager, most savings programs have been forced by budget constraints to outsource the entire program to an external investment manager. Several states are using a combination of state and external investment options. Currently, only New Jersey and Maryland are managing investments internally through their state investment boards.

## **OPTIONS FOR CONSIDERATION**

Based on the work completed by the advisory group and the information gathered from other states, the following options have been developed for consideration by GET staff in making recommendations to the GET Committee. The pros and cons of each option are provided as they relate to the key issues of the work group: benefits to Washington residents, maintaining state control of the program, and selected options/design elements as stated earlier. Budget constraints, the importance of compatibility and the requirement to be self-sustaining also are addressed.

### **1. INVESTMENT MANAGEMENT**

#### **Option A: Investment management services to be provided by private investment manager(s)**

The GET committee would issue an RFP, and the committee would select a manager(s) for investment management services.

#### **Pros**

- Quickest way to get the program up and running.
- Allows for national name brand recognition. There is a public perception that a national firm will have better performance, therefore offering greater investor confidence.
- Provides for a nationwide sales force.
- Marketing and records administration expenses could be included in RFP requirements.
- Other states report success in using this approach.

- Minimal impact on state agency staffing/administration needs.
- Requires good oversight by the GET committee to avoid “cons.”

### **Cons**

- Administrative and investment costs to plan participants may be higher compared to state management of investments.
- Potential difficulty in coordinating between new savings program and GET and increased likelihood of competition between the two programs.
- Potential for state to lose “ownership” of the program.
- Limited control over national marketing message.
- May lose focus on Washington residents.
- Focus of investment manager may be to solicit fewer high-dollar accounts, and not on the public policy of allowing anyone to participate, which could result in larger numbers of more expensive lower-dollar accounts.
- Requires an independent investment advisor be contracted to oversee the private management firm.

### **Option B: Utilize the State Investment Board (SIB) for investment management**

An RFP would be issued by the SIB to contract with private investment firms to offer investment products consistent with the desired options set forth by the GET committee. The SIB could also provide internally managed investment options, if so desired by the committee.

### **Pros**

- The SIB can offer all preferred investment options and has a proven record with the GET program.
- The SIB can contract out to national name brand investment firms for investment products.
- Costs to plan participants for institutional investment options may be lower than outsourcing to a private investment firm.
- Allows focus on the Washington resident participant.
- Coordination between GET and the savings plan would be easier, and would reduce any potential competition.
- The SIB would serve as the investment advisor, foregoing the cost of hiring an outside investment advisor to oversee the investment management.

### **Cons**

- The SIB cannot provide records administration for the savings program, requiring this function to be brought in-house or contracted through a third-party vendor.
- If name brand investment recognition is desired, fees to plan participants may not be as low.
- The SIB is not a nationally recognized brand name investment firm.
- There may be little or no outside sales nationally.
- Administrative fees charged on assets must be sufficient to assist in a marketing campaign.

### **Option C: Investment management services to be provided by private investment manager(s) in conjunction with State Investment Board investment options**

An RFP would be issued and a private investment manager(s) selected by the GET committee to provide certain investment options to plan participants. The SIB would

also provide internally managed investment options as set forth by the GET committee.

### **Pros**

- Offers maximum choice of options to plan participants.
- Records administration and marketing expenses could be included in the RFP to private investment management firms.
- Potential for lower costs to savings plan participants.
- Quick way to get program up and running.
- Allows for national brand name recognition.
- Provides for a nationwide sales force.
- Public perception that a national firm will have better performance, therefore offering greater investor confidence.
- The SIB can offer selected, proven investment options.
- Allows focus on the Washington resident participants.
- Allows for easier coordination between the GET program and the savings plan.
- Minimal impact on the current GET committee staffing and administrative needs.

### **Cons**

- Potential increase in program coordination and oversight.
- Records administration for SIB would need to be coordinated with private investment firm or third-party vendor.
- Administrative and investment costs to plan participants will be higher compared to state management of investments.
- Potential difficulty in coordinating between new savings program and GET.
- Increased likelihood of competition between the two programs.
- Potential for loss of “ownership” of program.
- Limited control over national marketing message.
- May lose focus on Washington residents.
- Focus of investment manager may be on fewer high-dollar value accounts, and not on the public policy of allowing anyone to participate which results in more expensive small-dollar accounts.
- May require an independent investment advisor to be contracted to oversee the private management firm.

## **2. RECORDS ADMINISTRATION**

### **Option A: Manage records administration in-house, using software that was recently purchased for use with the GET program**

#### **Pros**

- Possible lower cost to participants over the long term.
- Better coordination between GET and savings program.
- Instant access to information.
- Better control over customer service.
- Complete control over data and its use.
- Maximizes use of existing software, staff time.
- Potential cost sharing with GET reduces costs for both programs.

### **Cons**

- A budget appropriation, or authority to borrow more than \$200,000 from GET, may be required during the 2002 legislative session to pay for additional staffing and software programming for the GET records administration system.
- Program opening could depend on legislative budget authorization, and could delay start up for up to eight months.
- Existing software would have to be programmed and customized to savings program requirements.
- Requires additional state agency staff/administrative resources.
- Training for existing and new staff would be required.

### **Option B: Outsource -- Selected investment manager oversees records administration**

This option assumes that the investment management firm chosen to manage the savings program would meet all costs associated with records administration. The RFP would require use of a system and software compatible with the current GET system and software.

### **Pros**

- Costs are covered by the selected investment management firm(s), either by providing the service directly or by sub-contracting the service out.
- Reduced state agency staffing/administrative requirements.
- No upgrade of existing software necessary.

### **Cons**

- Overall costs could be considerably higher to the participant than under options which provide this function in-house.
- Minimal control over customer service.
- Potential coordination problems between GET and savings program.
- Possible delay in access to information.
- Loss of control over program data and its use.

### **Option C: Outsource – Separate contract between the savings program and a third-party records administrator**

This option would contract out the records administration to a third party. It would require that the costs be covered by the investment firm, records administrator, or prorated among participants by assessing costs to their accounts. Under this option, the RFP would require that any outsourced records administration software is compatible with existing GET software.

### **Pros**

- Reduced state agency staffing/administrative requirements.
- No program modifications of existing software necessary.
- More control over customer service than by having the service provided by the chosen investment firm.

### **Cons**

- Overall costs could be considerably higher to the participant than under options which provide this function in-house.
- Minimal control over customer service.
- Potential coordination problems between GET and savings program.
- Possible delay in access to information.
- Loss of control over program data and its use, though less than under option B above.

## **3. MARKETING**

### **Option A: Marketing with major program kick-off**

In-state marketing would be conducted in-house, in partnership with the GET program. The selected investment management firm would manage out-of-state sales. Any out-of-state sales would be managed in cooperation with the in-state marketing.

**Cost:** It is estimated that \$360,000 would be needed to kick off a savings plan. This includes public relations, media (radio and TV advertising), graphic design and printing. This would exceed the start-up cost budget of \$200,000.

#### **Pros:**

- Allows for a major program kick-off to generate awareness and interest in the program.
- The selected investment firm possibly could pay for costs. This could generate the account volume needed to start a successful program without using all program resources.

#### **Cons:**

- If the selected investment firm did not generate enough savings account business to cover its costs, the marketing costs would exceed the amount available for program start-up.

### **Option B: Marketing without media kick-off**

In-state marketing would be conducted in-house, in partnership with the GET program, at the beginning of the new enrollment year for GET (September 2002). Initial press releases would be issued when program opened, but the marketing kick-off would happen in conjunction with GET to hold down marketing costs.

**Cost:** It is estimated that \$60,000 at a minimum would be required for public relations, graphic design and printing, (but would not include radio and TV advertising). The funds provided for the start-up of the program, (\$200,000 borrowed from the GET program, to be repaid within the same biennium), would be sufficient.

#### **Pros:**

- Lower cost for marketing.
- Complete coordination with GET.
- Any additional marketing would be included in contract with selected investment firm.

#### **Cons:**

- Would not provide for a major program kick-off to generate awareness and interest in the program.

- May not provide enough in-state marketing to reach sales goals for the program.

### **Advisory Group Recommendations**

The advisory group recommends that the GET committee consider the staff recommendations that accompany this report and move forward to establish a college savings plan for Washington residents.

## APPENDIX 1

### **Savings Plan Advisory Work Group Participants**

Karen Barrett, Fiscal Analyst, Senate Ways and Means Committee  
Violet Boyer, President and CEO, Washington Association of Independent Colleges and Universities/Independent Colleges of Washington (WAICU)  
Gary Bruebaker, Chief Investment Officer, State Investment Board  
Rhonda Coats, Director of Student Services, State Board for Community & Technical Colleges  
Elaine Emans, Deputy Treasurer, Operations, Office of the State Treasurer  
Howard Fischer, Assistant Attorney General, Office of the Attorney General  
Cynthia Flynn, Associate Director, Council of Presidents  
Phyllis Kenney, State Representative, 46<sup>th</sup> District (co-chair, House Higher Education Committee)  
Marsha Reilly, Research Analyst, House Higher Education Committee  
Patricia Lantz, State Representative, 26<sup>th</sup> District (member, House Higher Education Committee)  
Thayne McCulloh, Gonzaga University (representing WAICU)  
Jean Six, Analyst, Senate Higher Education Committee  
Helen Small, Chief Operating Officer, State Investment Board  
Terry Teale, Director, Council of Presidents  
Jeff Van Orden, Milliman USA  
Theo Yu, Budget Assistant, Office of Financial Management Education

### **Higher Education Coordinating Board Staff**

Bruce Botka, Director, Government Relations and Policy  
Heidi Jones, Financial Accountant, Guaranteed Education Tuition Program  
Larry Lee, Operations Manager, Guaranteed Education Tuition Program  
Betty Lochner, Director, Guaranteed Education Tuition Program  
Lyle Jacobsen, Special Assistant