

Legislative Brief

Guaranteed Education Tuition (GET) program

January 14, 2013

The Legislature created the Advanced College Tuition Payment program in 1997 to encourage college savings, making higher education more affordable and accessible for all Washington families. Over 146,000 accounts for future college students have been opened in what's now better known as the Guaranteed Education Tuition (GET) program. Over 29,000 of these accounts have already been used to help students attend colleges, universities and technical schools in all fifty states.

Families who start early can save money on their child's future college costs by prepaying tuition with a GET account. Today, the GET program is the second largest prepaid tuition plan in the country, both in total number of accounts opened and in total assets under management.



Key 2013 Dates

- Enrollment period closes – May 31
- Last day for Lump Sum purchase at \$172/ unit – July 1
- New unit price takes effect – July 2
- Payout value set to 2013-14 tuition rates – August 1
- New enrollment period begins – November 1

86% OF GET STUDENTS USE THEIR UNITS IN WASHINGTON

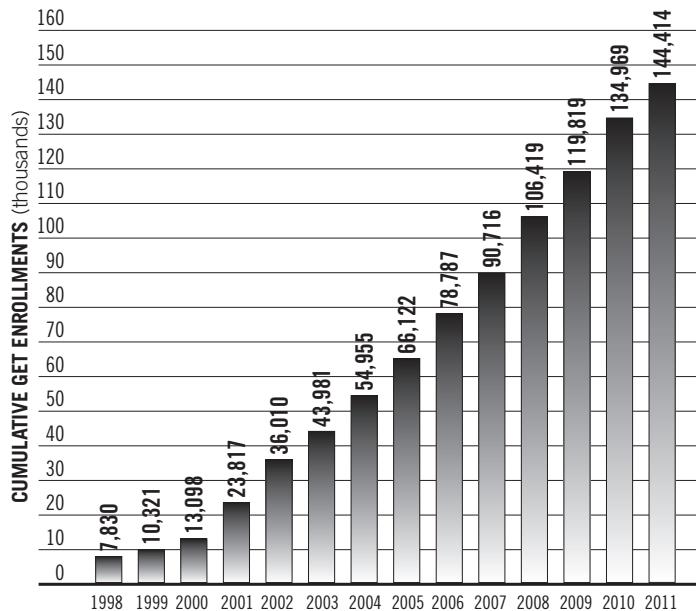
University of Washington	4,521	27%
Western Washington	2,646	16%
Community Colleges	2,484	15%
Washington State University	1,817	11%
WA Private Schools	1,208	7%
Central Washington University	954	6%
Eastern Washington University	511	3%
The Evergreen State College	313	2%
Out-of State Schools	2,385	14%

Figures are from the 2011-12 academic year, rounded to whole percentages.

Program Assets

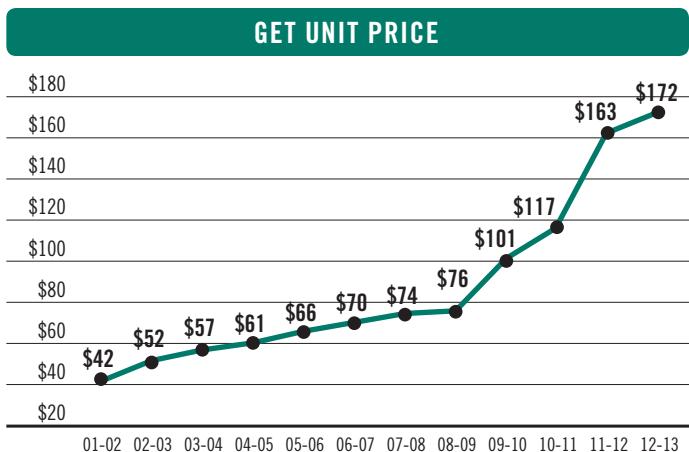
As of December 31, 2012, GET assets totaled over \$2.2 billion. While contributions to GET accounts are considered participant funds, GET funds are invested by the State Investment Board (SIB). The investment portfolio is diversified across Global Equities, Fixed Income and Treasury Inflation-Protected Securities (TIPS). A small amount is also kept in cash for current program expenses.

GET IS CELEBRATING ITS 15th ENROLLMENT YEAR



Funded Status

Though helpful in monitoring the health of the on-going program, reviewing GET's funded status compares assets to expected program costs at a singular point in time. This comparison continually changes, impacted by tuition forecasts, investment returns and buyer behavior. It is also impacted by changes in assumptions. For example, a recent decision to reduce expected long-term investment returns from 6.32% to 5.98%, while having no direct impact on current program assets, negatively impacts the funded status in the short run. The funded status has ranged from the current 78.5% (as of June 30, 2012) to 117.4% over the life of the program. Students will use their accounts to pay tuition over the next twenty or more years, giving the program time to recover.



Impact of 2008-2012 Great Recession on GET

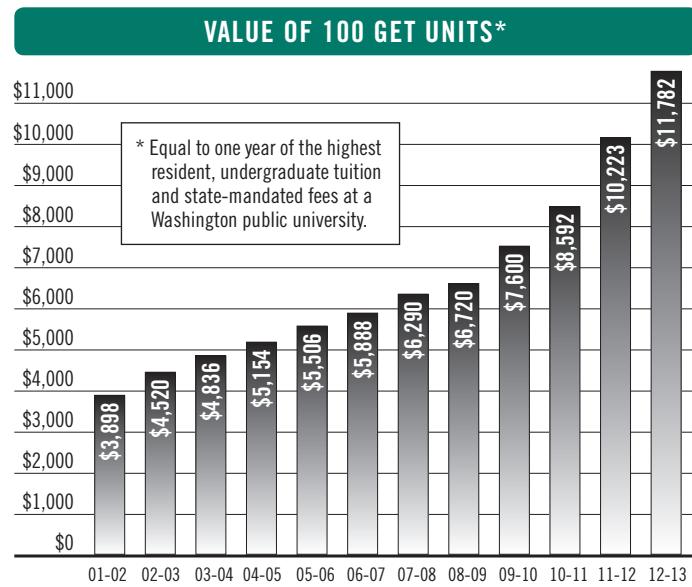
- Asset values and investment returns have now recovered to pre-recession values.
- In response to reduced state funding, tuition and fees have nearly doubled in five years. Units sold prior to the recession were based upon much lower tuition expectations, which has had a negative impact on the funded status of the program.
- High tuition has caused GET's unit price to increase accordingly. The current \$172 unit price is based on current and projected tuition, operating expenses, an amount to build program reserves, and an additional amount to amortize losses from recent unexpected tuition increases over a thirty year period. While the premium in the price above current tuition is designed to keep the program solvent, it has also resulted in fewer new accounts being opened by prospective customers and fewer units being purchased for existing accounts.
- Public discussion about GET's funded status and potential program changes by the Legislature have reduced consumer confidence. Though the state guarantee ensures sufficient funds for current account holders, prospective customers have been nervous about changes.

The GET Committee and the State Actuary have a recovery plan underway that is expected to return the GET program to its full funded status by 2032. The current actuarial shortfall of \$631 million does not require an immediate state contribution because not all program obligations are due in the near future. The current shortfall can be reduced or eliminated by continuing enrollment and carefully setting future unit prices. State Actuary projections over the next fifty years show that the chance of the program having insufficient assets (excluding state contributions) to pay all contractual obligations as they fall due is but 1.1%, excluding differential tuition. Closing the GET program to new enrollments would eliminate the program's only dedicated recovery source and increase the chance of future state contributions.

2013 Legislative Issues

The following information may be helpful in considering the impact of upcoming policy decisions on the GET program.

- Differential Tuition Policy** – Actuarial projections returning the program to its full funded status do not incorporate differential tuition. Actuarial analysis has shown that if differential tuition is allowed to move forward, it could have a significant negative impact on the financial solvency of the GET program. The state has a contractual obligation with all current account holders to base GET's payout on the highest, residential undergraduate tuition and fees at a Washington public university. A higher tuition rate for one program would affect the payout value for all units held.
- Undergraduate tuition rates** – With the expected shortfall in the upcoming budget, additional tuition increases are under discussion. High tuition increases will delay the program's return to a full funded status.



Legislative Advisory Committee

Senator Rodney Tom, Chair
 Representative Ed Orcutt, Vice Chair
 Representative Gary Alexander
 Senator Mike Hewitt
 Senator Andy Hill
 Representative Chris Reykdal

*Two vacant positions on the Advisory Committee will be filled during the session.

GET Committee

Don Bennett, Chair, Executive Director, Washington Student Achievement Council
 James L. McIntire, State Treasurer
 David Schumacher, Director, Office of Financial Management
 Beth Stecher Berendt, Citizen Representative
 Mooi Lien Wong, Citizen Representative

The Legislative Advisory Committee advises the GET Committee and the State Actuary regarding program administration, including pricing guidelines, the unit price and the payout value. The Washington Student Achievement Council administers the GET Program. The GET Committee governs the program and is responsible for reviewing policies, pricing and investments.



Washington State's 529 Prepaid College Tuition Program

Washington Student Achievement Council