

# GUARANTEED EDUCATION TUITION COMMITTEE MEETING

Tuesday, June 10, 2014

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

## AGENDA

Call to Order

- Welcome ACTION TAB 1  
Approval of November 5, 2013 Minutes
- Report from the Chair INFORMATION  
WSAC Report
- Director's Report INFORMATION TAB 2  
Overview of Program Statistics  
Marketing Update  
CSPN Update
- FY 15 Budget Overview ACTION TAB 3
- GET Investment Update INFORMATION TAB 4
- Actuarial Update INFORMATION  
Matt Smith, State Actuary
- Adjournment

### Next meeting:

Thursday, September 4, 2014  
Office of the Insurance Commissioner (Tumwater, WA)  
2:00 p.m. to 4:00 p.m.

**GUARANTEED EDUCATION TUITION COMMITTEE MEETING  
Washington Student Achievement Council  
Tuesday, November 5, 2013**

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

**MINUTES**

**Washington Student Achievement Council staff in attendance:**

Don Bennett, WSAC Deputy Director  
Betty Lochner, GET Director  
Betsy Hagen, Associate Director for GET Operations  
Luke Minor, GET Marketing & Communications Manager  
Jane Olsen, GET Financial Accountant  
Katie Gross, Special Assistant to the GET Director  
Marc Webster, WSAC Senior Partner for Education Resources Planning  
Becca Kenna-Schenk, WSAC Director of Government Relations

**Guests in attendance:**

Matt Smith, State Actuary  
Allyson Tucker, State Investment Board  
Cherie Berthon, Office of Financial Management  
Gerry Pollet, State Representative  
Christi Steele, Office of the State Actuary  
Jane Wall, Council of Presidents  
Scott Copeland, State Board for Community and Technical Colleges  
Scott Merriman, Office of the State Treasurer

**WELCOME**

The meeting began at 2:00 p.m. Gene Sharratt, Chair of the GET Committee and Executive Director of the Washington Student Achievement Council, welcomed the Committee and guests. Committee members in attendance were Gene Sharratt, Chair, Scott Merriman sitting in for Treasurer McIntire, Beth Berendt, citizen member, and Mooi Lien Wong, citizen member. Sharratt thanked Betty Lochner, Beth Berendt, and Matt Smith for the presentation they gave to the Legislative Advisory Committee earlier that day.

**APPROVAL OF THE SEPTEMBER 9, 2013 MINUTES**

Berendt motioned to approve the September 9, 2013 minutes. Merriman seconded the motion and suggested a change to the minutes. The suggested change was to add Scott Merriman to the

minutes as an attendee. This change will be made. The minutes were approved unanimously as presented.

### **APPROVAL OF THE 2014 MEETING CALENDAR**

Berendt motioned to approve the 2014 meeting calendar as presented. Merriman seconded the motion. The 2014 meeting calendar was approved unanimously as presented.

### **REPORT FROM THE CHAIR**

The next Washington Student Achievement Council meeting will be at The Evergreen State College on November 19 and 20. Council staff will be presenting the agency's 10-Year Roadmap to the Council members.

### **DIRECTOR'S REPORT**

Betty Lochner reviewed the program's contract statistics. As of November 5, 2013, there have been 152,640 accounts opened since the program's inception in 1998. Lochner noted personnel updates, including the plan to hire a new Associate Director for Marketing and Communications this January. GET staff plans to conduct a participant survey this spring to gather information that may assist the Actuary with purchaser behavior and other factors.

Luke Minor, GET's Marketing & Communications Manager, presented the new marketing plan that was launched at the beginning of the 2013-2014 enrollment year. GET adopted a new logo and tagline: "Save today. Secure tomorrow." The new advertising campaign's theme is 'Firsts.' Minor played the new radio and TV advertisements for the Committee. The program is expanding their social media efforts that currently include Facebook and Twitter. Staff is developing a more prominent presence on LinkedIn and Pinterest and plan to launch a GET blog the beginning of next year. The fall media tour starts next week and includes both TV and radio interviews. Staff will also be continuing their state-wide community outreach activities and plan to send out a variety of direct mail pieces in February. Sharratt asked how the target counties are determined. Minor explained that target counties are determined by the location of radio/TV markets, population density, and demographics including income level and families with young children.

Sharratt asked when the radio and TV advertisements will start. Minor answered that the radio advertisements start on November 6 and the TV advertisements will start in the spring.

### **GET INVESTMENT UPDATE**

Allyson Tucker, Senior Investment Officer with the Washington State Investment Board (WSIB) conducted an overview of the program's third quarterly investment report. The report included investment information thru September 30, 2013. GET assets increased around 100 million dollars to 2.37 billion since June 30, 2013 and this increase was largely driven by market

performance. The program is currently outperforming the passive benchmarks and Tucker reminded the Committee that these numbers are just a snapshot in time. Because of the strength of the market, the program is coming from a base of a solid portfolio. There were no questions from the Committee.

### **ACTUARIAL ANALYSIS**

Matt Smith, the State Actuary, thanked Christi Steele for her work on the 2013 GET Actuarial Valuation. Smith reviewed GET's 2013 Actuarial Valuation Report, specifically the obligations (unused units, administrative expenses), and the future funded status of the program as it relates to changes in tuition policy and expectations of tuition growth.

Sharratt noted that according to the actuarial valuation, the program would be funded at 100% by 2018. Smith confirmed this information as long as the program continues to have adequate reserves. The program was funded 78% last year and is 94% funded this year, mostly due to lower than expected tuition growth and one year asset returns that were well above the expectations.

The Office of the State Actuary appreciates feedback of the valuation reports. They will be adding more reconciliation of information from prior year to the current year. This report tends to focus on measurement today as opposed to assets from the previous year to the current year. The Actuary's office will be conducting an experience review next year that will focus on key assumptions. This will also include an audit conducted by an outside actuary.

Berendt asked if an RFP will be submitted to find an outside actuary that will conduct our audit. Lochner stated that an RFP is currently being drafted and that our current outside actuary, Milliman, is under contract.

Sharratt asked Smith if there was anything the Committee or GET staff could provide to him and his team. Smith stated that he has a great working relationship with GET staff and the State Investment Board's staff and he looks forward to continuing that camaraderie.

### **REVIEW OF ACTUARIAL VALUATION**

Marc Webster, Senior Partner for Education Resources Planning at the Washington Student Achievement Council, noted that as part of the work with the state auditor's office, they have urged staff to review and formally adopt Smith's work. Webster stated:

“For the record, we adequately considered the qualifications with the state actuary and agree with the conclusions regarding the GET actuarial valuation which are reflected in financial statement amounts and disclosures. And to the best of my knowledge, we provided the state actuary's office with accurate and complete information in response to requests and made no attempt to try to bias the work of the state actuary. That said, as

part of this process, and as part of the work with OFM accounting, since the prepaid tuition account is now a major account for state wide purposes, we did discover that unit sales for the account year 2011-12 had been understated. So, in the valuation report that you have, the units sold for 11-12 (pg. 41) are understated. That number was corrected and the number that was presented today to the advisory committee was correct. This will be updated in future versions of the valuation report.”

Smith noted that the valuation is based on the number of outstanding units and what they are worth. The actuary’s office has accurate information to perform that calculation. In this regard, Smith will be meeting with GET staff in the near future. This discrepancy doesn’t change the results of the actuary’s work. It will change the history of the unit sales and will assist in setting the assumptions moving forward.

There were no questions or comments from the Committee.

#### **ADJOURNMENT**

Sharratt noted that the next GET Committee is scheduled for Tuesday, February 11, 2014. Merriman motioned to adjourn the meeting. Berendt seconded the motion. The meeting adjourned at 2:40 p.m.

## Guaranteed Education Tuition

As of April 30, 2014

CONTRACT STATISTICS: Number of Contracts				
Contract Statistics by Plan Year	1998-2011	2012	2013	TOTAL
# of Active Contracts				
Custom Monthly Contracts (CM)	31,776	2,189	895	34,860
Lump Sum Contracts (LS)	87,297	5,373	2,336	95,006
Total # of Active Contracts	119,073	7,562	3,231	129,866
# of Inactive Contracts	10,843	206	27	11,076
# of Depleted Contracts	14,334	10	9	14,353
<b>Total # of Contracts</b>	<b>144,250</b>	<b>7,778</b>	<b>3,267</b>	<b>155,295</b>

UNIT STATISTICS: Number of Contracted Units and Purchased LS Units				
	1998-2011	2012	2013	TOTAL
Contracted Units (Active Accounts)	5,605,342	248,050	99,200	5,952,592
Lump Sum Units (Active Accounts)	18,351,981	427,897	111,650	18,891,529
<b>Total Units (Active Accounts)</b>	<b>23,957,323</b>	<b>675,947</b>	<b>210,850</b>	<b>24,844,121</b>
Contracted Units (Inactive Accounts)				703,626
Lump Sum Units (Inactive Accounts)				3,344,082
<b>Grand Total Contracted and LS Units Purchased</b>				<b>28,891,829</b>

### Other Unit Facts

Unpaid Contracted Units (Active Accounts)	2,165,353
Total Paid Out Units Since Inception (Active and Inactive Accounts)	6,768,470

CONTRACT PAYMENTS SINCE INCEPTION				
	1998-2011	2012	2013	TOTAL
Total Payments Received (All Accounts)	\$ 2,069,111,746	\$ 78,965,849	\$ 18,989,259	\$ 2,167,066,854
Total Fee Payments Received (All Accounts)	\$ 7,659,915	\$ 330,141	\$ 134,330	\$ 8,124,386
<b>Total Contract-Related Payments Received</b>	<b>\$ 2,076,771,661</b>	<b>\$ 79,295,990</b>	<b>\$ 19,123,589</b>	<b>\$ 2,175,191,240</b>

Future Custom Monthly Payments Due (Active Accounts)	\$ 281,317,109	\$ 59,771,206	\$ 26,540,725	\$ 367,629,040
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ITEMS OF INTEREST	
<b>Since Inception</b>	
Number of Students Accounts Used For Benefits	35,429
Benefits Paid	\$ 549,677,830
Refunds Paid	\$ 40,281,116
<b>Total Paid Out In Benefits and Refunds</b>	<b>\$ 589,958,945</b>



## **GET Prepaid College Tuition Program**

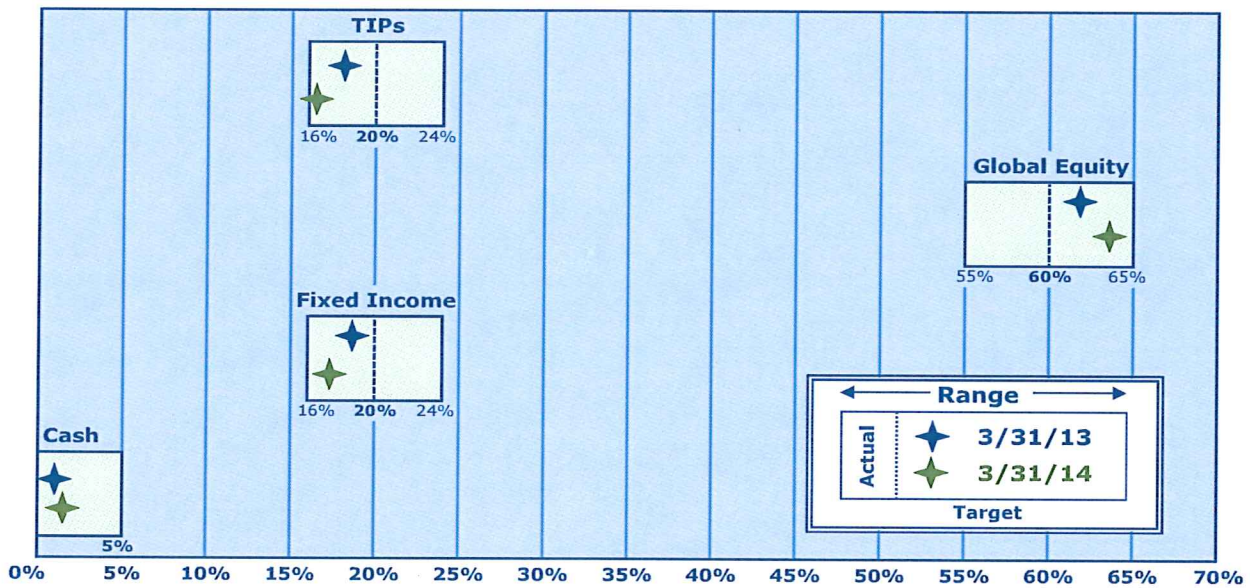
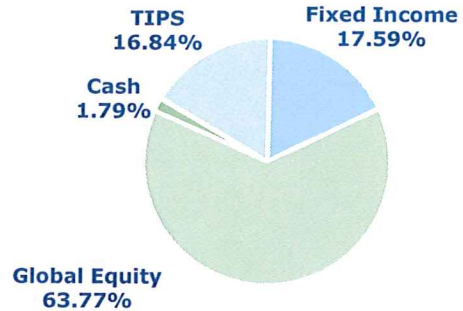
Quarterly Report – March 31, 2014

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

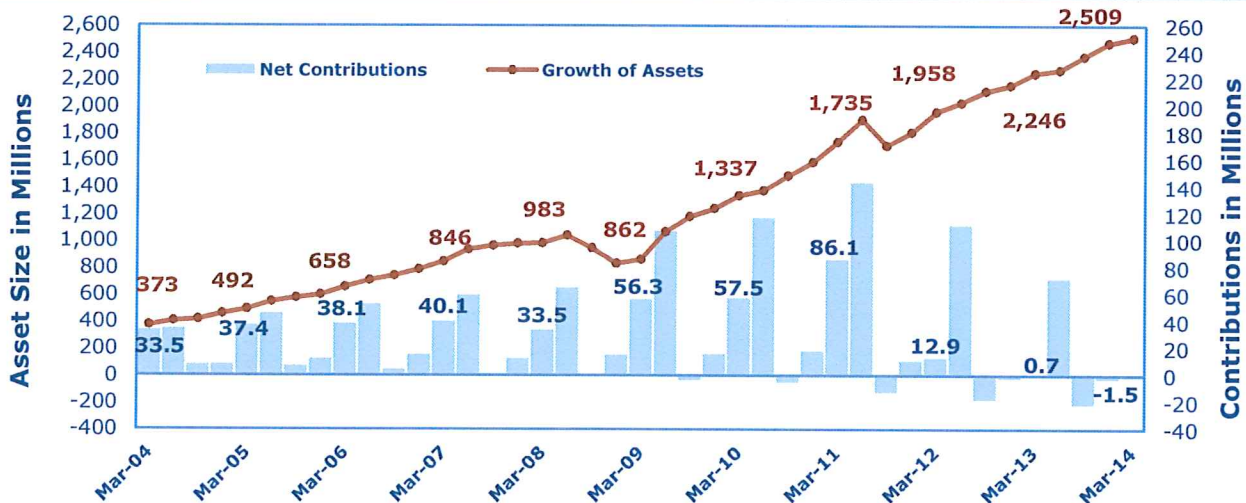
**Portfolio Size**

<b>Total</b>	<b>\$2,508,890,279</b>
Cash	\$45,023,131
Treasury Inflation Protected Securities (TIPS)	\$422,425,406
Fixed Income	\$441,436,429
Equity	\$1,600,005,313

**Actual Asset Allocation**

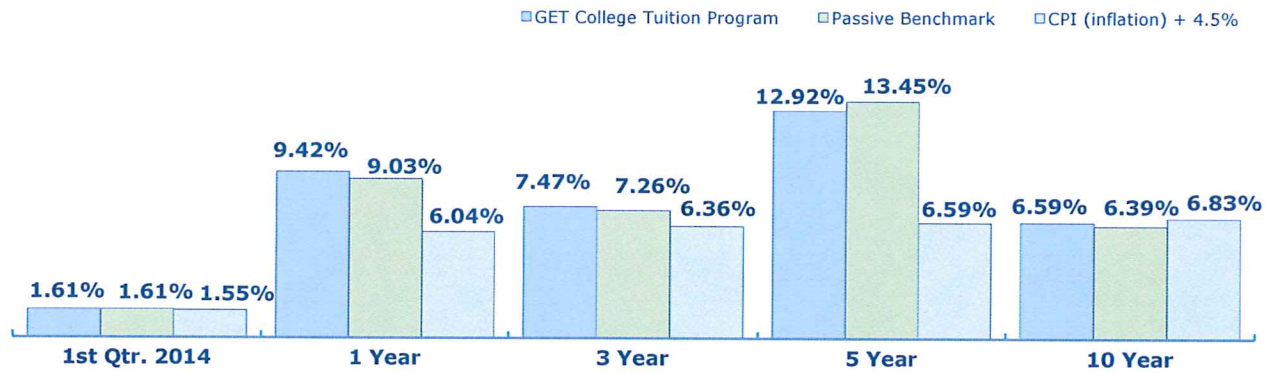


**Assets Under Management**





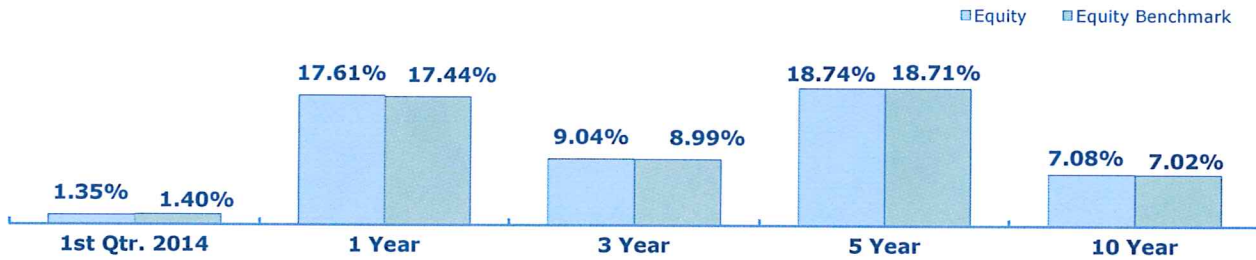
**Total Return \***



**Return Breakdown**

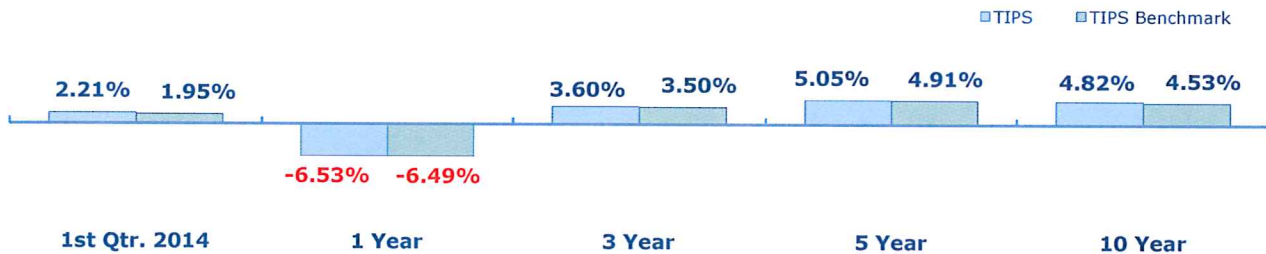
**Equity Return \***

Benchmark: MSCI ACWI IMI w/U.S. Gross and a historical blended return



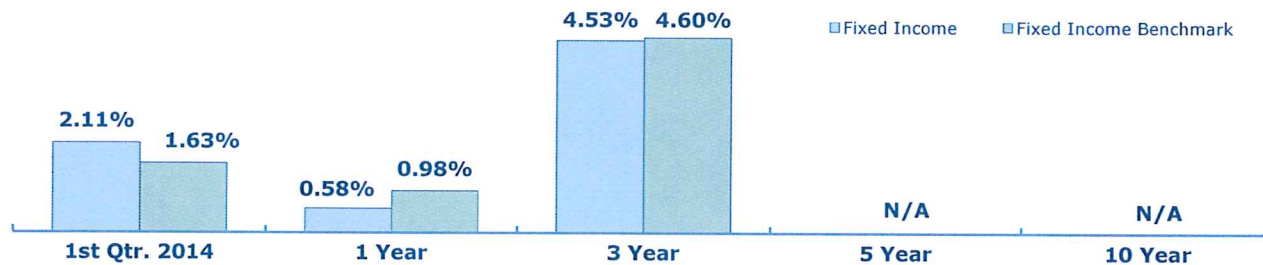
**Treasury Inflation Protected Securities Return \***

Benchmark: Barclays Capital TIPS Index and a historical blended return



**Fixed Income Return \***

Benchmark: Barclays Capital Intermediate Credit



\* 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.