

Guaranteed Education Tuition (GET) Committee Meeting

Wednesday, January 23, 2019

John A. Cherberg Building, Capitol Campus
Senate Hearing Room 3
Olympia, WA 98504
2:00 p.m. – 4:00 p.m.

AGENDA

Call to Order: Welcome & Member Introductions

- Approval of the November 6, 2018 Minutes ACTION
- Approval of Updated FY19 Budgets ACTION
- Director's Report – GET and DreamAhead Program Updates INFORMATION
Luke Minor, WA529 Director
Doug Magnolia, Sumday Administration
- GET Investment Update INFORMATION
Chris Phillips, Washington State Investment Board
- Senate Bill 6087 – Phase 3 Update ACTION
Luke Minor, WA529 Director
Matt Smith, State Actuary
- GET Program Policy Discussion INFORMATION
Luke Minor, WA529 Director
- Public Comment
- Adjournment

Next Meeting:
May 15, 2019
John A. Cherberg Building, Olympia
Senate Hearing Room 1
2:00 p.m. – 4:00 p.m.

**Guaranteed Education Tuition (GET) Program
Committee Meeting Minutes
November 6, 2018
John A. Cherberg Building, Capitol Campus
Senate Hearing Room 3**

WSAC Staff in Attendance:

Lucas Minor, Director of College Savings Plans
Christina Crawford, GET Administrative Assistant
Marc Webster, WSAC Director of External Affairs

Guests in Attendance:

Matt Smith, Office of the State Actuary
Chris Phillips, Washington State Investment Board
Brenda Snyder, Office of the State Treasurer
Rick Brady, Office of the Attorney General
Douglas Magnolia, BNY Mellon
Graham Dyer, Office of the State Actuary
Megan Mulvihill, Office of Program Research

WELCOME

Mike Meotti, Executive Director of WSAC and Chair of the GET Committee called the meeting to order at 2:07 p.m. The other GET Committee members in attendance were Treasurer Duane Davidson and Director of the Office of Financial Management (OFM), David Schumacher.

APPROVAL OF THE SEPTEMBER 19, 2018 MINUTES

Motion to approve the minutes by Davidson, seconded by Schumacher. Three Ayes by Meotti, Schumacher and Davidson. Motion carried – minutes approved.

APPROVAL OF 2019 COMMITTEE MEETING CALENDAR

Motion to approve the meeting calendar by Davidson, seconded by Schumacher. Three Ayes by Meotti, Schumacher and Davidson. Motion carried – meeting calendar approved.

CHAIR'S REPORT

Meotti announced that Luke Minor has been promoted to WA529 College Savings Plans Director and will be proceeding with the Director's Report.

DIRECTOR'S REPORT

Luke Minor, Director of College Savings Plans, gave a recap of the following:

Committee Bylaw Updates

Bylaw updates were shared at the previous meeting. Primary updates to the document included general clean-up, adding and updating Statutory references, updating the committee name, and adding language regarding the committee's oversight of DreamAhead

Since the previous meeting, staff added a statutory reference to item # 1, cleaned up references to 'Program Director' on items # 3 and #14, and removed 'GET' in item #21 before the word 'Committee. All changes have been through legal review.

Davidson moved to approve the changes to the bylaws, titled 'Draft Revised November 5, 2018.' Seconded by Schumacher. Three Ayes by Meotti, Schumacher and Davidson. Motion carried –Committee Bylaw Updates approved.

Get Update

- Open enrollment 2018/2019 just began on November 1, 2018 and will continue until May 31, 2019.
- A unit purchase price of \$113 was adopted for this enrollment year. Enrollment statistics as of November 5 – 240 new enrollments (majority are Lump Sum).
- Updated user registration process to offer increased security to our customers including two-factor authentication.
- Updated GET branding to be more in line with DreamAhead branding and subtle changes to color palette.
- Distribution activity – opened August 1st for distributions; distributions decreased due to the Senate Bill 6087 activity (several accounts near the benefit use year rolled over to DreamAhead and are taking fall distributions from DreamAhead).
 - Total of \$23 million since out since August 1, 2018; \$14 million directly to schools and \$9 million reimbursements. \$1.14 Billion distributed to 53,000 students to date since inception.
- There has been a recent trend – increase in the share of distributions going to out of state colleges (up to approximately 27%).

SENATE BILL 6087 IMPLEMENTATION UPDATE

Minor provided an update on the implementation of Senate Bill 6087, passed during the 2018 Legislative Session, starting with a reminder of the key phases:

- Phase 1: Provide a 90-day window for eligible GET customers to roll over to DreamAhead at a "unit cash value price". This window closed on September 12, 2018; 26,608 refund requests; as of October 30, 2018 nearly all requests have been processed resulting in nearly \$900 million being sent to DreamAhead.
- Phase 2: Increase the number of units for eligible GET customers with an average unit purchase price above \$117.82. Close to 14,000 customers will be eligible for this adjustment; 115,000 units to be added – targeting November 15 as an implementation date.
- Phase 3: If the funded status is higher than 125%, add up to 15% more units to all eligible GET customer accounts, in order to draw the funded status down to 125%. State Actuary will measure our funded status – targeting early 2019 for implementation.

INVESTMENT UPDATE

Chris Phillips, Washington State Investment Board (WSIB), gave the following update: As of end of third quarter, September 30, 2018:

- The WSIB raised approximately \$1 billion in cash before the 90 day GET to DreamAhead incentivized rollover window opened, based on the Committee's direction. This forecast proved to be very accurate. WSIB sent approximately \$985 million to the GET Program in cash during the incentive window.
- The WSIB will wait for the two additional SB 6087 phases to be concluded and do a fresh asset allocation study. In the mean-time assets currently are reconfigured in the 60% equity and 40% fixed income allocations.
- Market Value for the GET Fund is at \$1.24 Billion: \$730.5 million in equity investments, \$476.1 million in fixed income, and \$38.3 million in cash.
- GET fund investment returns: 1.75% return for the third quarter; 4.64% for the one year period; 8.61% for the three year period.

DREAMAHEAD UPDATE

Luke Minor, WA529 Director and Doug Magnolia, BNY Mellon gave the following update:

- Doug Magnolia shared that there is not a lot of history so there is not yet much data available for comparisons at this point, but this is a first draft report.
- DreamAhead opened in April. The June launch of the SB 6087 incentive period picked up the momentum quickly.
- Investment selections have been as expected. There has been a lot of rollovers going into conservative options, including near-term, conservative Year of Enrollment Portfolios, as many students are approaching college-age.
- Sunday is monitoring gifting behavior over time and following the seasonality of contributions. There has been very strong ACH contributions as opposed to paper checks.
- Distributions to schools are as expected with largest portion being sent to University of Washington.
- Call talk-times have decreased since the rollover period ended – the rollover period was busy with incentive questions.

2018 GET ACTUARIAL VALUATION REPORT OVERVIEW AND ADOPTION

State Actuary Matt Smith, Office of the State Actuary (OSA), reported the following:

- Smith provided an overview of the June 30, 2018 GET Actuarial Valuation Report. He noted that the measurement occurred before most of the Senate Bill 6087 activity took place. The program is currently 130.2% funded with a reserve of \$517 Million.
- Earlier in the year OSA conducted a roll forward of the prior year's valuation for State financial reporting purposes.
- This actual measurement of June 30, 2018 compares nicely to 130.4% funded with a \$519 Million reserve – very close to the roll forward estimate.
- This year's funded status changed from last year's measurement of 133%.. Two key areas that impacted the results were higher than expected investment performance that increased the funded status by approximately one percentage point and higher than expected distributions that decreased the funded status by about five percentage points. All other sources of change increase the funded status by one percent.

- Smith noted that there was a \$95 million asset transfer to prepare for early SB 6087 activity that was captured as a distribution in the report, while the units are still being included in the count – this created a temporary drop in the funded status that will go away when the actual transfers that were anticipated occur.
- Smith summarized the contract data underlying the funded status measurement. We have about 96,000 contracts and 16.3 million units as of June 30, 2018; there were no changes in key assumptions (including tuition growth assumptions) from last years' valuation. OSA assumed a long-term expected rate of return of 5.65%.

Marc Webster, WSAC Director of External Affairs, spoke to the results:

- The data sent by GET staff to OSA appears reasonable, as does the assumptions used by OSA.
- Webster noted that the data from the valuation report and the figures presented during the investment update are very different from one another, based on Senate Bill 6087 effects and \$95 million in transfers. He noted that staff is preparing for the valuation that drives Phase 3 of Senate Bill 6087 and looks forward to working with OSA to provide the necessary data.
- Meotti asked if the Committee needed to adopt the valuation report. Staff confirmed no.

WA529 MARKETING UPDATE

Luke Minor, WA529 Director noted:

- WSAC is launching the WA529 brand heavily over the next few months.
- Fall TV and Radio Campaign is coming once mid-term elections are over. WA529 worked with production agency in Seattle to create a 'Dreams in Motion' creative campaign that encompasses both plans.
- The fall broadcast media campaign focuses on Seattle and Spokane for TV ads and Seattle, Spokane, Tri-Cities, and Yakima for radio ads. There are a total of nearly 6,000 ad spots between TV and radio running between November 7, 2018 and December 2, 2018.
- Another series of TV and radio ads will run in the spring that are more GET-focused to close out the GET enrollment period and manage the available budgets between the programs.
- Advertising is running throughout the year in parenting and lifestyle publications/magazines and paid search campaigns on Google and Bing.
- A large direct email campaign will go out on November 14, 2018 to over 100,000 people and WA529 is participating in Department of Health immunization mailings that distributes over 350,000 pieces to Washington families throughout the year.
- Staff are also engaging in various outreach events throughout the year to inform customers of their options with the two different plans.
- WA529 continues incorporating more financial education into its work and is increasing partnerships with financial literacy groups.
- In upcoming meetings, we will be talking more about enhanced employer relations initiatives.

Treasurer Davidson introduced a Resolution commemorating the Guaranteed Education Tuition Program staff's work on implementing Senate Bill 6087. This resolution was unanimously adopted by the Committee.

PUBLIC COMMENT

No public comment.

ADJOURNMENT Davidson motioned to adjourn meeting, seconded by Schumacher. Three Ayes by Meotti, Davidson and Schumacher. Motion carried. Meeting adjourned at 3:15 p.m.

Committee on Advanced Tuition Payment and College Savings Meeting

January 23, 2019



Welcome

Approve Meeting Minutes

November 23, 2019



WA529
WASHINGTON COLLEGE SAVINGS PLANS

FY19 Budget

Approve Updated FY19 Budgets
(GET and DreamAhead)

	GET (Fund 788)	DreamAhead (Fund 463)
Original Committee Approved Budget	\$6,010,531	\$848,177
<i>Adjustments</i>		
<i>Sub-Object ED (Facilities)</i>	-\$11,026	+\$11,026
<i>Object T (Indirect Expenses)</i>	-\$124,511	+\$124,511
Adjusted Budget	\$5,874,994	\$983,714

- Reason for adjustment
 - Adjusted facilities and indirect expenses to more accurately reflect staffing split between GET and DreamAhead.

3

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Director's Report

Lucas Minor
WA529 Director

Doug Magnolia
CEO, Sunday Administration



- WA529 Quarterly Updates
 - GET Enrollments, Contributions and Distributions Update
 - DreamAhead Fourth Quarter Board Report
 - WA529 Marketing/Outreach Efforts
 - Contracting Updates

4


WA529
WASHINGTON COLLEGE SAVINGS PLANS

Director's Report

GET Enrollments and Contributions

(Q4 – ending December 31, 2018)

- **New enrollments and unit sales**
 - New enrollments: **1,170**
 - Lump Sum: **815**
 - Custom Monthly: **255**
 - Units sold/contracted: **100,415**
- **Contributions**
 - Total dollars received: **\$15.4M**
 - Electronic payments: **\$11.2M**
 - Gift payments: **\$495K**
 - Payroll deduction payments: **\$362K**



5


WA529
WASHINGTON COLLEGE SAVINGS PLANS

Director's Report

Account Statistics

(as of December 31, 2018)

- **Number of active accounts**
 - Total Accounts: **66,504**
 - Lump Sum: **48,535 (73%)**
 - Custom Monthly: **17,969 (27%)**
- **Unit counts**
 - Total remaining purchased/contracted units in program: **9.7M**
 - Total remaining purchased units: **9.0M (93%)**
 - Total remaining contracted, unpurchased units: **680K (7%)**



6


WA529
WASHINGTON COLLEGE SAVINGS PLANS

Director's Report

GET Distributions for Current College Students

(as of December 31, 2018)

- Total dollars distributed
 - 2018-19 academic year to-date: **\$32.9M**
 - Since inception: **\$1.15B**
- Total students using units
 - 2018-19 academic year to-date: **6,183**
 - Since inception: **53,865**



7

WA529
WASHINGTON COLLEGE SAVINGS PLANS

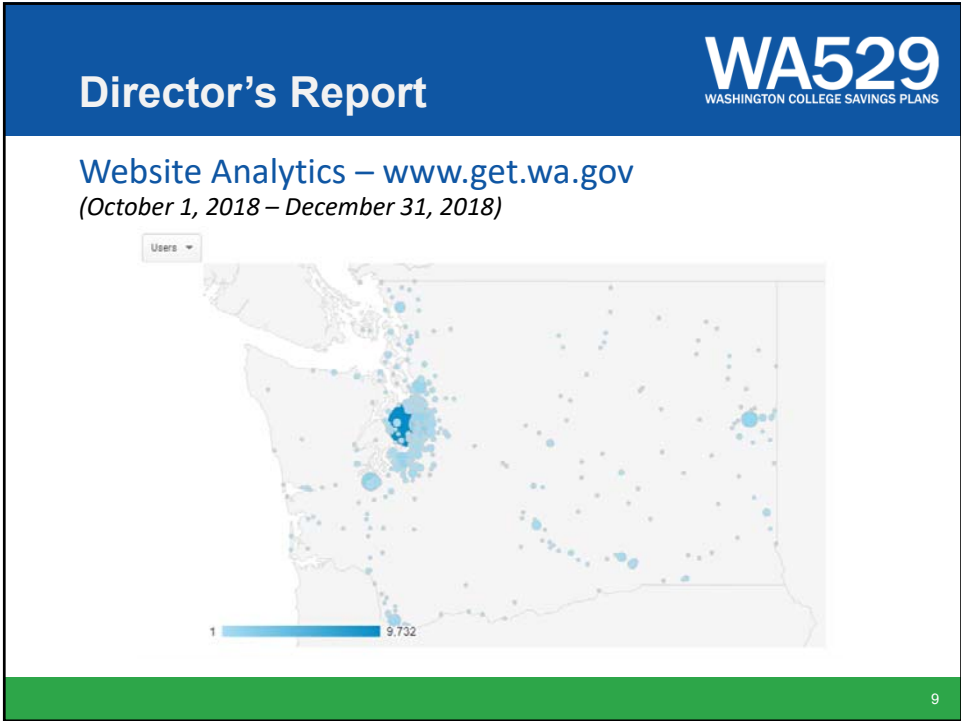
Director's Report

Website Analytics – www.get.wa.gov

(October 1, 2018 – December 31, 2018)

City	Acquisition			Behavior		
	Users	New Users	Sessions	Bounce Rate	Pages / Session	Avg. Session Duration
	43,628 <small>% of Total: 100.00% (43,628)</small>	34,281 <small>% of Total: 100.00% (34,259)</small>	76,928 <small>% of Total: 100.00% (76,928)</small>	42.13% <small>Avg for View: 42.13% (0.00%)</small>	2.92 <small>Avg for View: 2.92 (0.00%)</small>	00:03:35 <small>Avg for View: 00:03:35 (0.00%)</small>
1. Seattle	9,732 (20.82%)	7,304 (21.31%)	16,137 (20.96%)	42.79%	2.82	00:03:19
2. Bellevue	1,750 (3.78%)	1,238 (3.61%)	3,127 (4.06%)	36.84%	3.13	00:03:50
3. Olympia	1,565 (3.35%)	1,086 (3.17%)	4,004 (5.20%)	37.91%	3.10	00:04:36
4. Redmond	1,207 (2.58%)	841 (2.43%)	2,115 (2.75%)	38.20%	3.06	00:03:29
5. Spokane	1,195 (2.56%)	884 (2.58%)	2,004 (2.61%)	38.67%	3.03	00:03:47
6. Tacoma	1,175 (2.52%)	868 (2.53%)	1,960 (2.55%)	38.83%	3.01	00:03:59
7. (not set)	1,083 (2.32%)	957 (2.79%)	1,458 (1.90%)	59.88%	2.43	00:02:37
8. Kirkland	1,041 (2.23%)	732 (2.14%)	1,737 (2.26%)	36.44%	3.09	00:04:01
9. San Francisco	1,006 (2.15%)	738 (2.13%)	1,468 (1.91%)	52.25%	2.31	00:02:10
10. Everett	898 (1.92%)	649 (1.89%)	1,518 (1.97%)	43.68%	2.95	00:03:52

8



2018 Fourth Quarter Report
January 23, 2019

BNY MELLON

Agenda

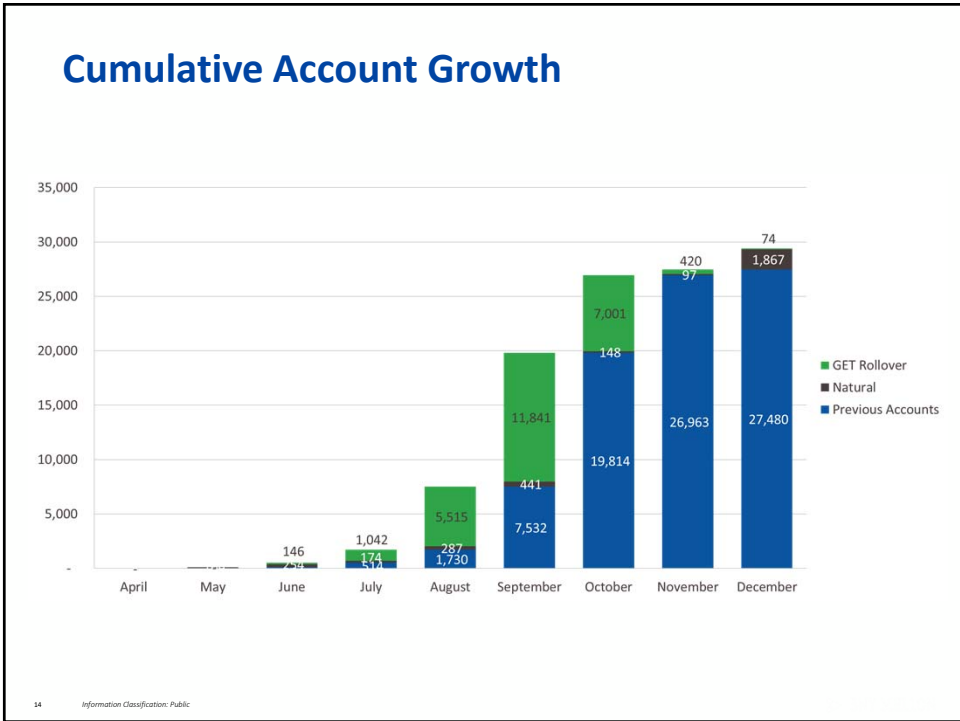
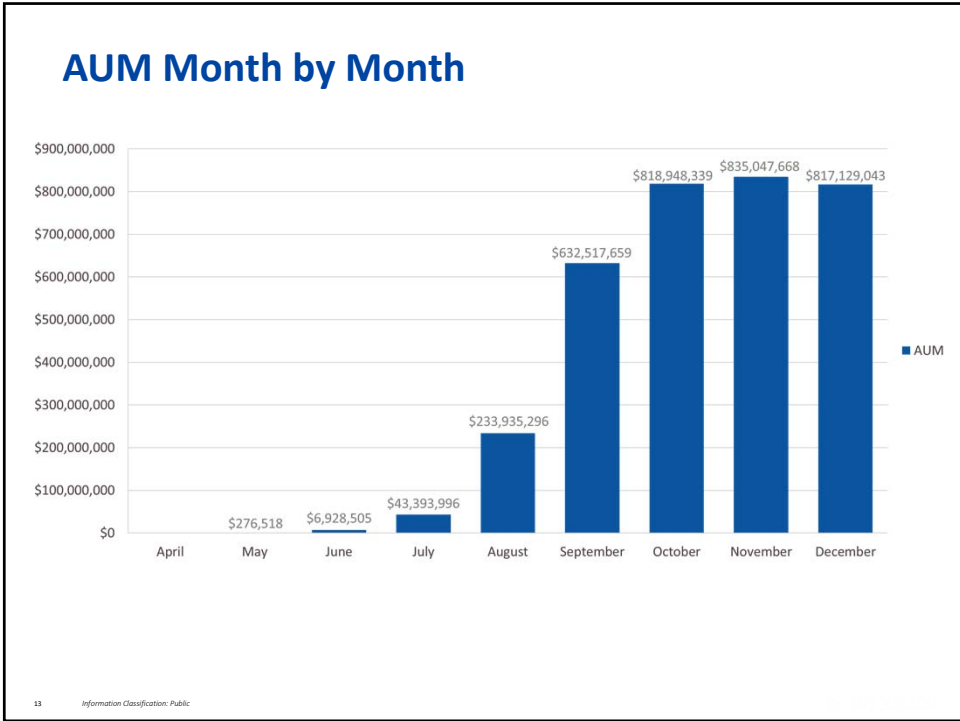
- **Program Overview**
- **GET Rollovers**
- **Program Statistics & Analysis**
 - Accounts
 - Investments
 - Demographics
 - Contributions and Distributions
 - Customer Service
 - Geographic Analysis
- **Lockwood market update at next board meeting**

11 Information Classification: Public

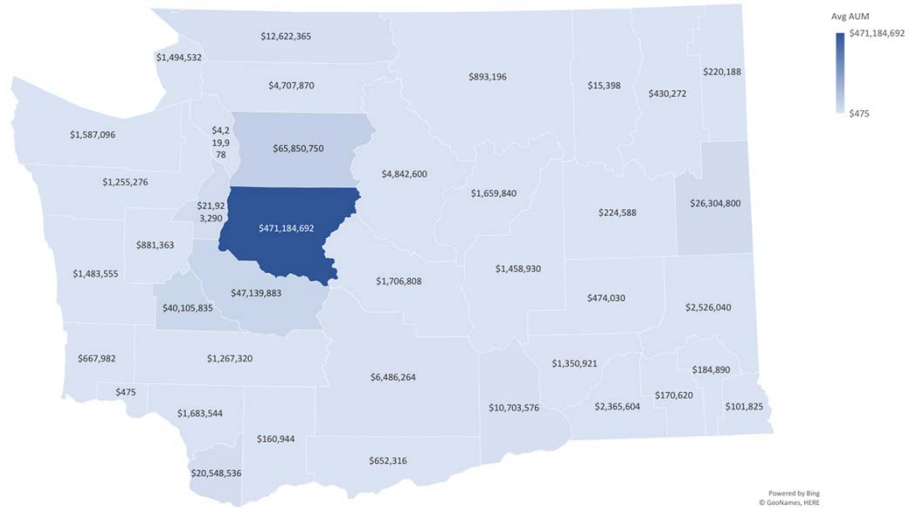
Overview for the Current Quarter

- Continued steady growth
- At the end of Q4
 - \$817,129,043 in AUM
 - 29,421 funded accounts
 - Market Performance of (\$20,657,268)
 - Distributions of \$28,938,643 including \$7,893,013 in tuition payments
- Estimated final incentive-driven GET rollovers
 - 26,039 accounts
 - \$873,448,443 in assets

12 Information Classification: Public

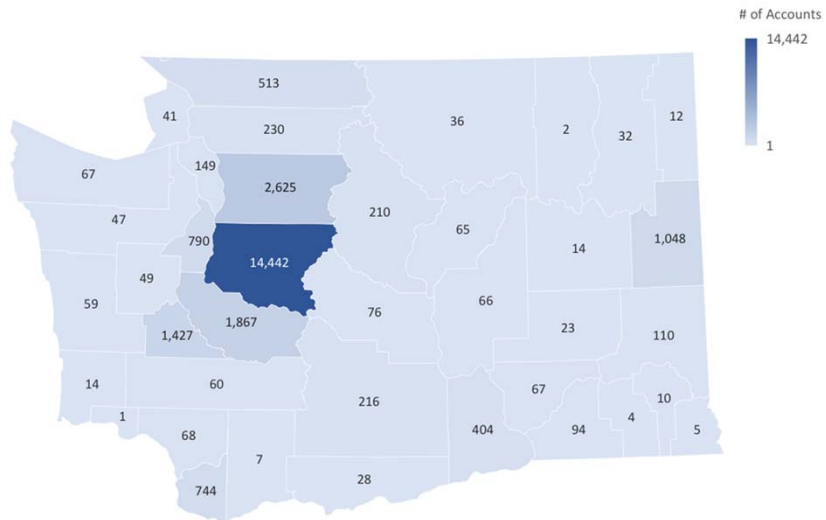


Cumulative Average AUM by County



15 Information Classification: Public

Number of Accounts by County

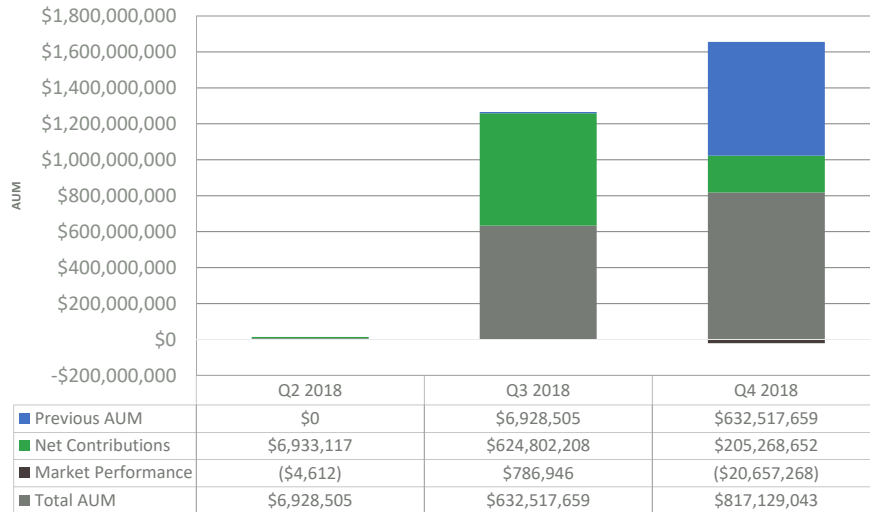


16 Information Classification: Public

Net Asset Growth

Asset growth reflects both net contributions and market performance

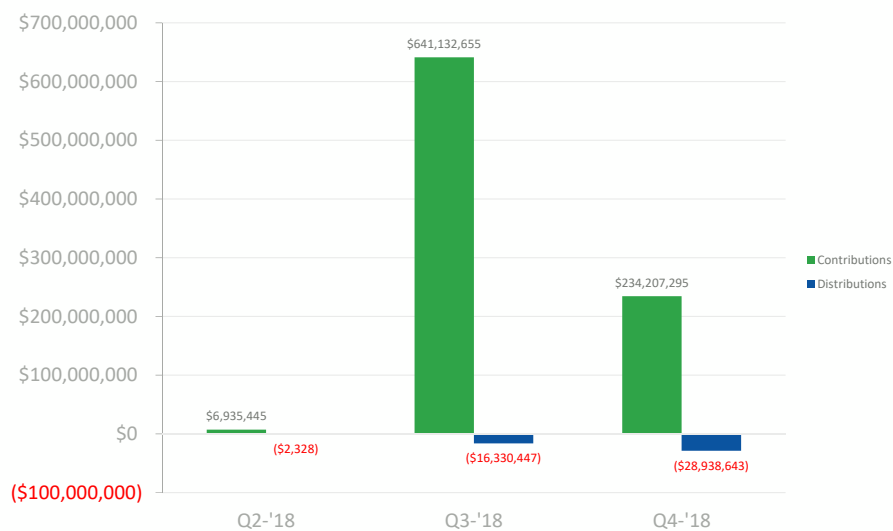
Net Asset Growth in Dollars



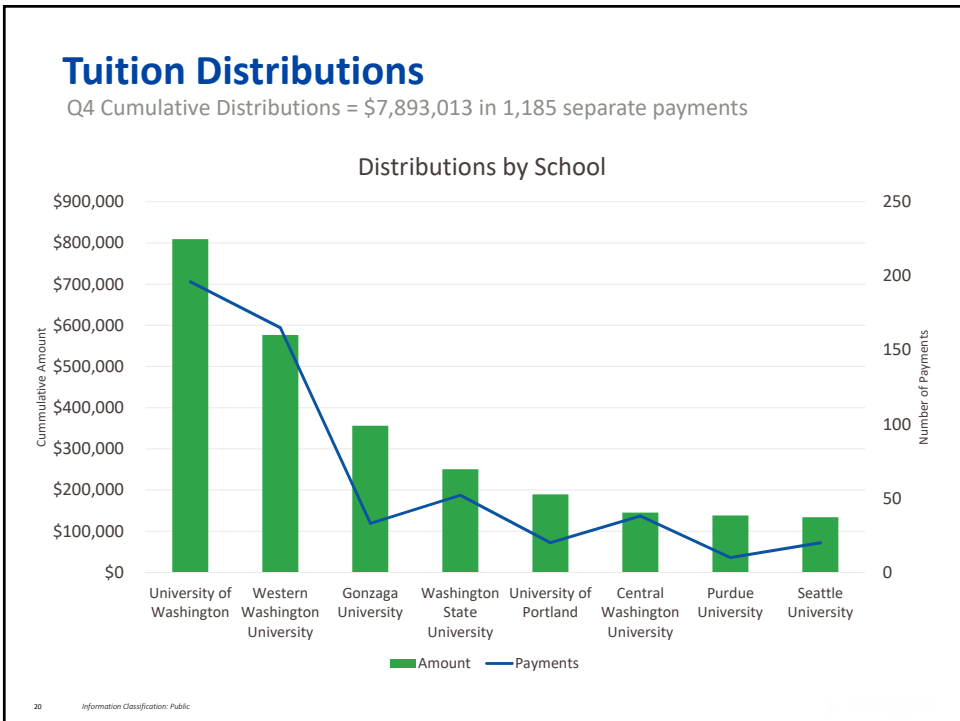
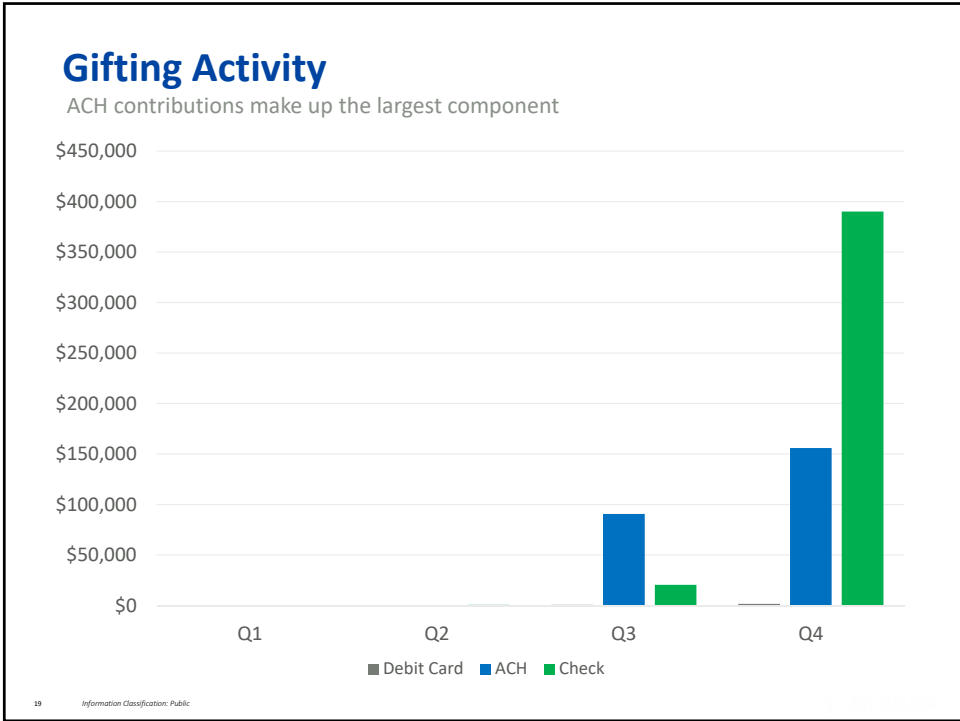
17 Information Classification: Public

Contributions & Distributions

Contribution data is skewed due to GET rollover activity

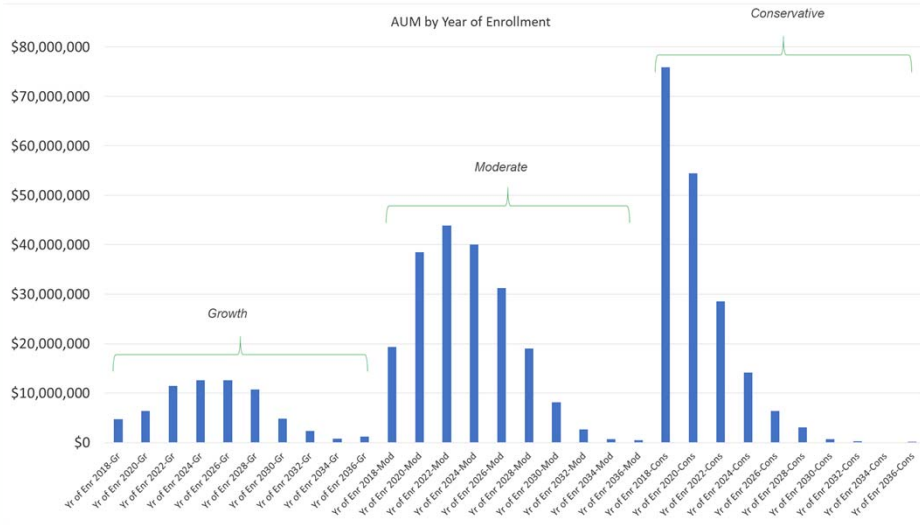


18 Information Classification: Public



Investment Distribution

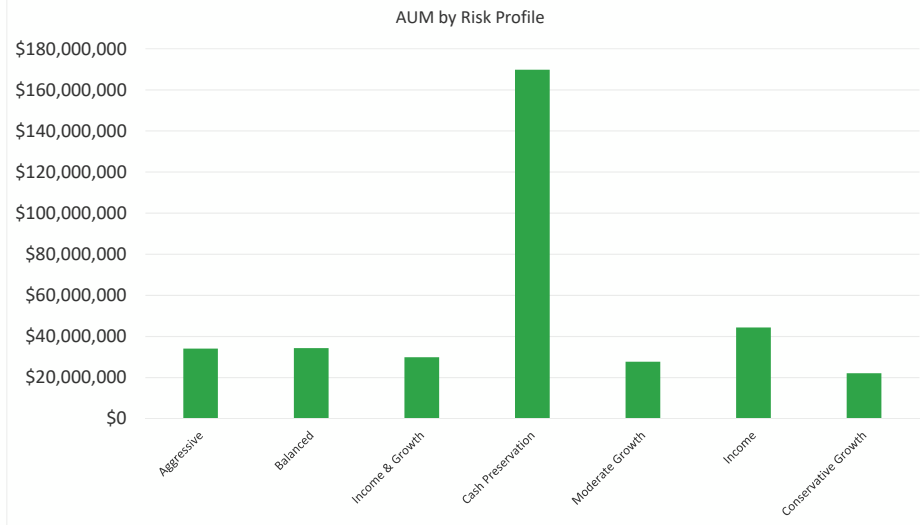
2018 Year of Enrollment is the largest, and not surprisingly Conservative



21 Information Classification: Public

Investment Distribution

Cash Preservation is surprisingly the largest allocation



22 Information Classification: Public

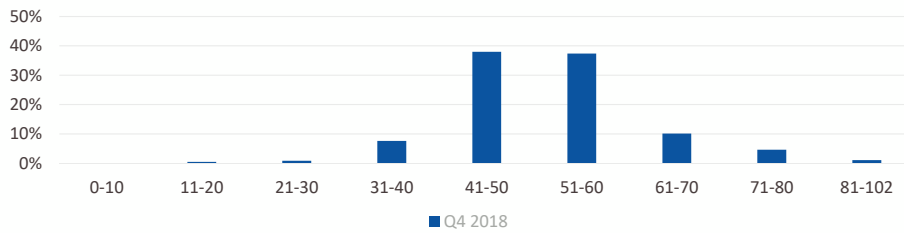
Market Snapshot

Lockwood will begin providing at future meetings

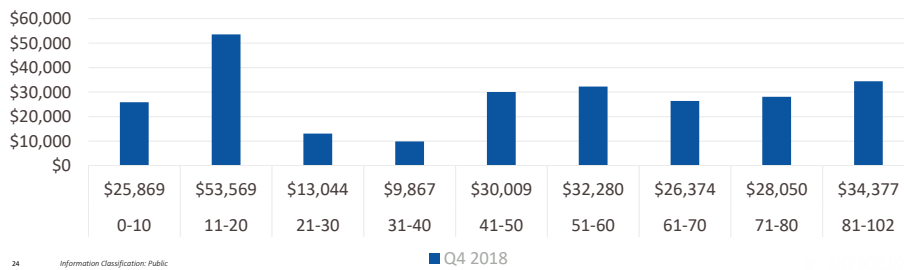
23 Information Classification: Public

Account Owner Demographics

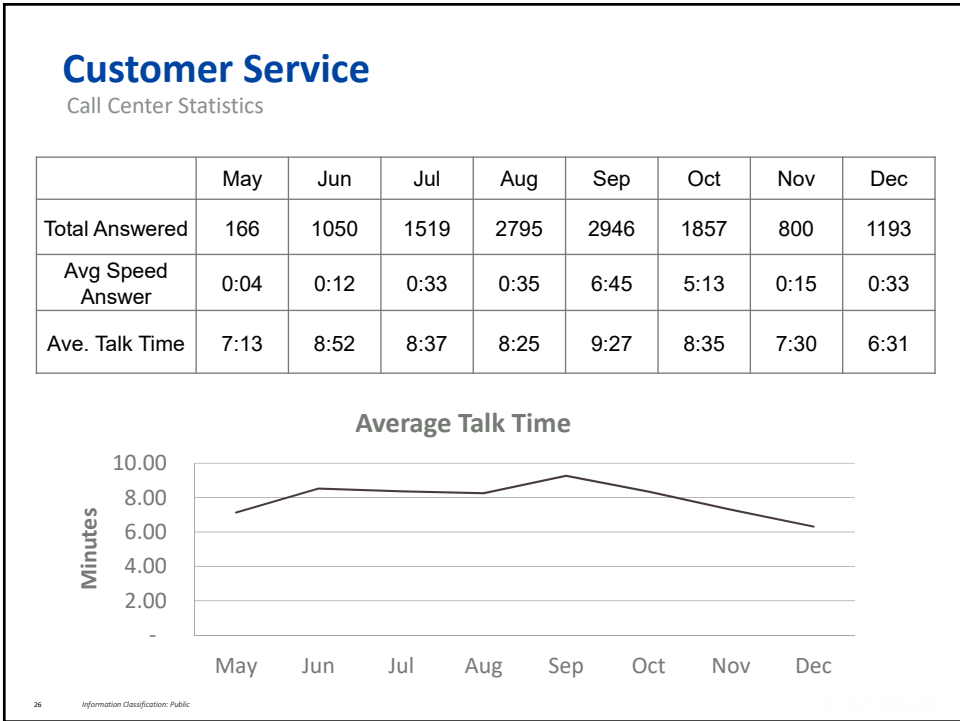
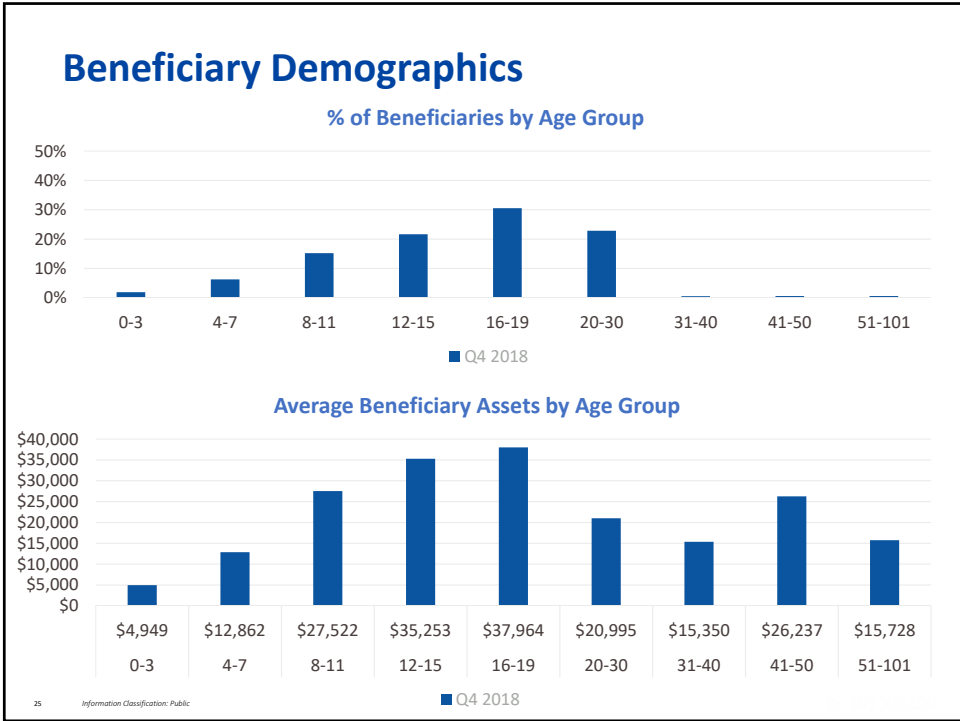
% of Account Owners by Age Group



Average Account Owner Assets by Age Group



24 Information Classification: Public



Customer Service

Live Chat



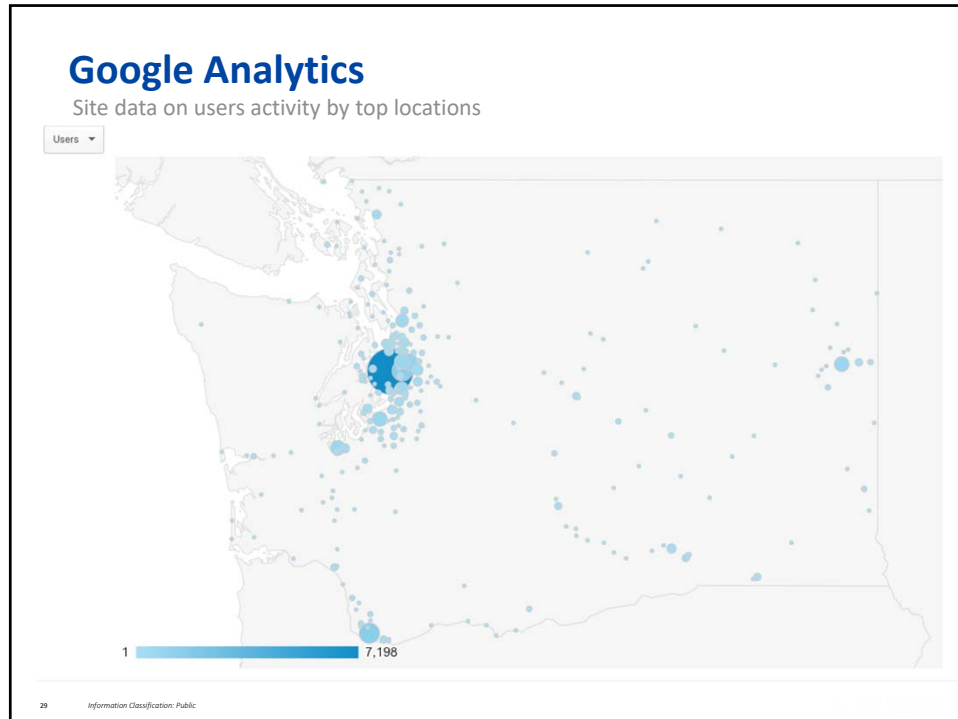
27 Information Classification: Public

Google Analytics

Site data on users activity by top locations

City	Acquisition			Behavior		
	Users	New Users	Sessions	Bounce Rate	Pages / Session	Avg. Session Duration
	22,537 % of Total: 13.86% (162,583)	14,624 % of Total: 10.11% (144,626)	51,398 % of Total: 18.39% (279,460)	14.83% Avg for View: 13.84% (7.17%)	4.74 Avg for View: 4.19 (13.12%)	00:05:47 Avg for View: 00:04:22 (32.40%)
1. Seattle	7,198 (29.22%)	4,543 (31.07%)	14,881 (28.95%)	15.09%	4.47	00:05:27
2. Vancouver	1,429 (5.80%)	1,023 (7.00%)	2,790 (5.43%)	13.98%	4.46	00:05:56
3. Bellevue	1,381 (5.61%)	802 (5.48%)	3,076 (5.98%)	18.01%	4.90	00:06:16
4. Redmond	909 (3.69%)	486 (3.32%)	1,931 (3.76%)	12.64%	4.86	00:05:59
5. Tacoma	733 (2.98%)	443 (3.03%)	1,562 (3.04%)	12.87%	4.46	00:05:43
6. Olympia	692 (2.81%)	416 (2.84%)	1,555 (3.03%)	14.15%	4.85	00:05:54
7. Kirkland	658 (2.67%)	377 (2.58%)	1,469 (2.86%)	14.09%	5.21	00:06:01
8. Spokane	646 (2.62%)	381 (2.61%)	1,386 (2.70%)	14.86%	4.77	00:06:06
9. Renton	513 (2.08%)	317 (2.17%)	1,036 (2.02%)	13.80%	5.01	00:06:30
10. Everett	456 (1.85%)	286 (1.96%)	915 (1.78%)	15.85%	4.53	00:05:45

28 Information Classification: Public



DISCLOSURES

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may be used as a generic term to reference the corporation as a whole and/or its various subsidiaries generally. Products and services may be provided under various brand names in various countries by duly authorized and regulated subsidiaries, affiliates, and joint ventures of The Bank of New York Mellon Corporation.

This material, which may be considered advertising, is for general information purposes only and is not intended to provide or be construed as legal, tax, accounting, investment, financial or other professional advice on any matter.

The information contained in this material is for use by wholesale/professional clients only and is not to be relied upon by retail clients. Any discussion of tax matters contained in this material is not intended to be used, and cannot be used, for the purpose of avoiding tax or penalties under any applicable law or regulation or promoting, marketing or recommending to another party any transaction or matter.

This material may not be reproduced or disseminated in any form without the express prior written permission of BNY Mellon. Trademarks, service marks, logos and other intellectual property marks belong to their respective owners.

© 2017 The Bank of New York Mellon Corporation. All rights reserved.

Director's Report

WA529
WASHINGTON COLLEGE SAVINGS PLANS

WA529 Marketing Updates

(as of December 31, 2018)

- **Fall television & radio recap**
 - TV and radio ads ran in Seattle and Spokane media markets
 - 780 total spots
 - Radio ads ran in Seattle, Spokane, Tri-Cities, and Yakima
 - 5,055 total spots
- **Upcoming spring television & radio campaign**
 - GET-focused run starts late March/early April, continues through May
 - Using adaptation of same creative used in fall (Dreams in Motion)

31

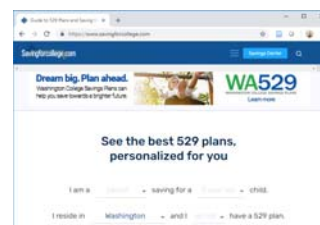
Director's Report

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Other WA529 Marketing Activities

(On-going)

- **New initiatives**
 - Savingforcollege.com banner ads and "Enroll Now" button (started early Jan)
 - PeachJar – e-flyer delivery service to parents of public school students (starts mid-February)



32

Director's Report



Other WA529 Marketing Activities

(On-going)

- **Social media enhancements**
 - Finalized Facebook and Twitter renaming/rebranding (from GET to WA529)
 - Starting Instagram to capture event activity and engage audiences visually
 - Continued paid Facebook advertising





33

Director's Report



Community Outreach & Partnerships

(on-going)

- **Upcoming Events**
 - Preschool Preview Information Fairs (Jan/Feb)
 - Conferences (Feb/Mar)
 - Chambers of Commerce, AWC, WASA, HR, etc.
 - Financial Planners Annual Symposium (Mar)
- **New Initiatives**
 - Employer relations/payroll deduction
 - Financial literacy groups




34

Director's Report

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Procurement Update

- **Media buying services**

- \$1.2 million/annual contract (majority of cost goes towards actual media spend)
- Revisiting services provided to determine optimal approach (i.e. bundling vs. unbundling)
- Likely to seek two-year term, beginning July 1, 2019, with up to two, two-year extensions
- RFP to be posted by April 2019



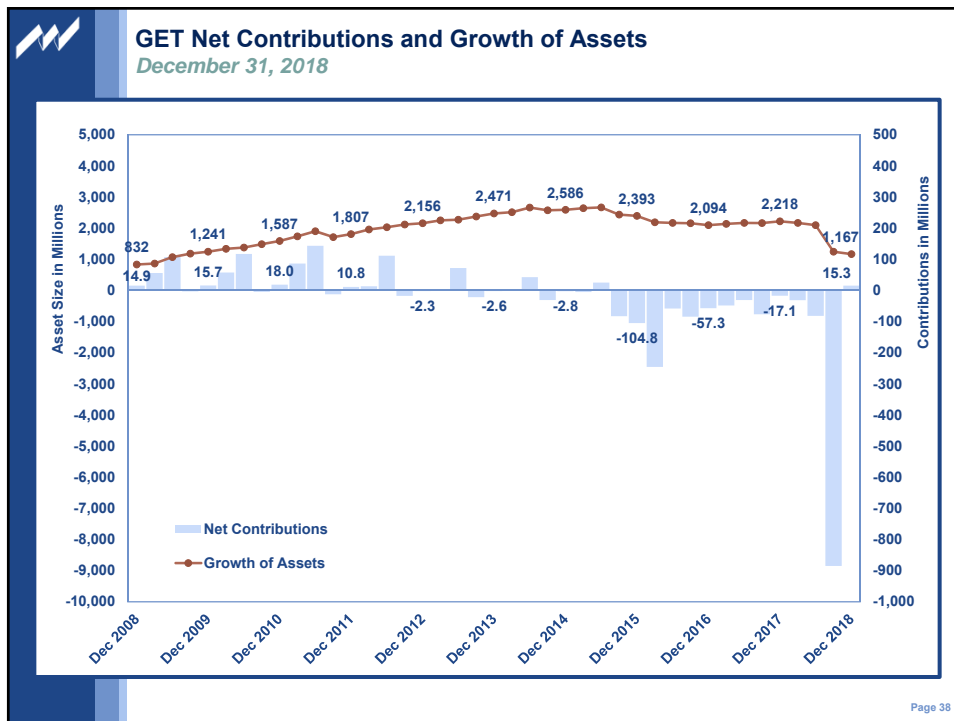
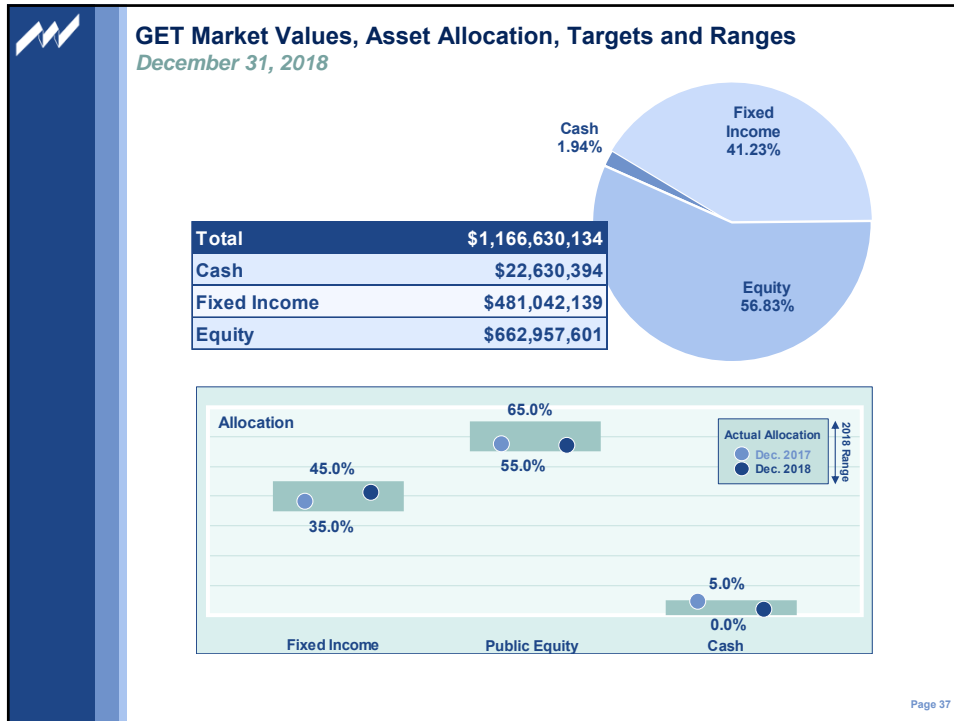
35

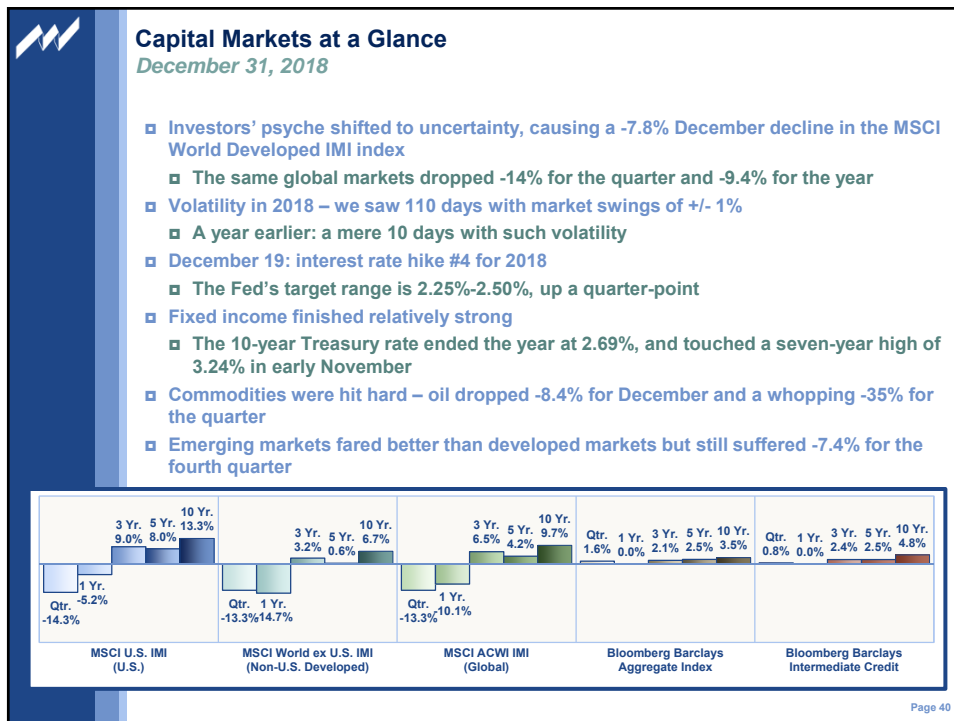
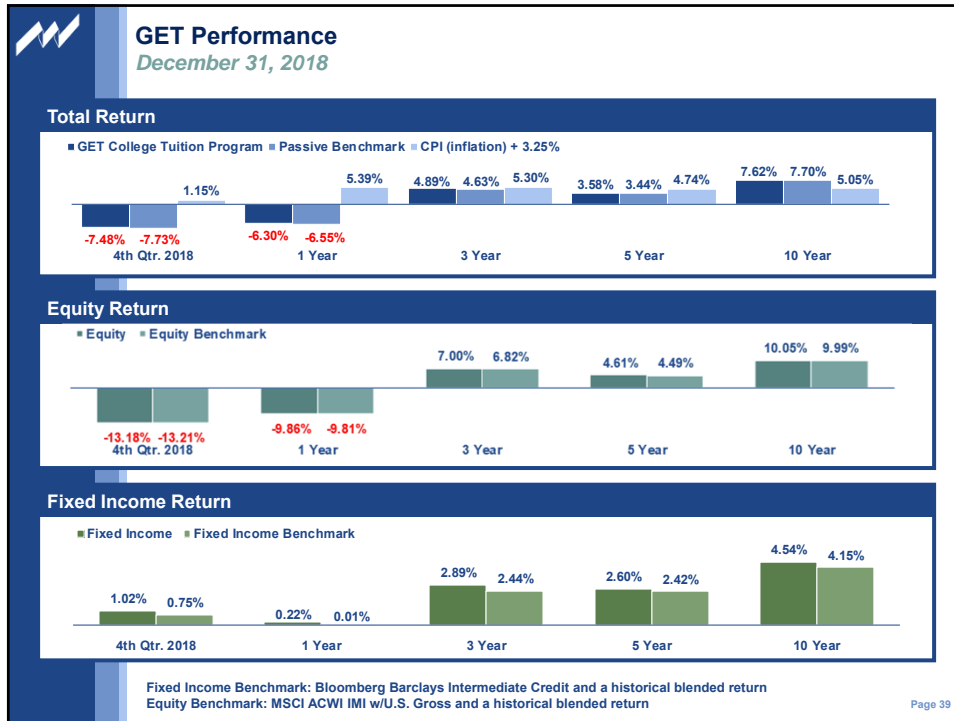
 Washington State
Investment Board

GET Investment Report January 23, 2019




Chris Phillips
Institutional Relations Director





Contact Information

Web Site: <http://www.sib.wa.gov>



Address:
2100 Evergreen Park Drive SW
P.O. Box 40916
Olympia, WA 98504-0916

Phone Number:
(360) 956-4600


Page 41

Senate Bill 6087 Update

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Lucas Minor
WA529 Director


Matt Smith
State Actuary



- Updates
 - Phase 1 and 2 recap
 - Phase 3 Actuarial Analysis
 - Phase 3 next steps

42

Senate Bill 6087 Update




Reminder of Key Bill Directives

Phase	Bill Section	Directive
1	1(23); 2(8)	Provide a 90-day window for eligible GET customers to roll over to DreamAhead at a “unit cash value price.”
2	2.9(a)(i)	Increase the number of units for eligible GET customers with an average unit purchase price above \$117.82.
3	2.9(a)(ii)	If the funded status is higher than 125%, add up to 15% more units to all eligible GET customer accounts, in order to draw the funded status down to 125%.

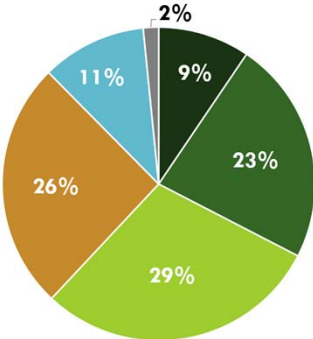
43

Senate Bill 6087 Update

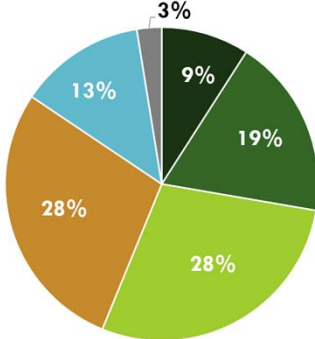


Phase 1 – Incentivized GET to DreamAhead Rollover

Active Accounts by Benefit Use Year
(Pre-Phase 1 - 95,940 accounts)



Active Accounts by Benefit Use Year
(Post-Phase 1 - 66,319 accounts)



Pre-2013
 '13-'17
 '18-'22
 '23-'27
 '28-'32
 After 2032

44

WA529
WASHINGTON COLLEGE SAVINGS PLANS
Senate Bill 6087 Update

Phase 2 – Unit Price Adjustment

Phase 2 Summary – as of November 15, 2018

Total Accounts Receiving Additional Units	13,597
Total Accounts with only higher priced units	10,748
Total Accounts with a mix of higher and lower priced units	2,849
Total Units in Eligible Accounts before Adjustment	1,275,795
Total Units Added by Phase 2 Adjustment	113,822
Average Unit Increase per Eligible Account	8.9 percent

45

WA529
WASHINGTON COLLEGE SAVINGS PLANS
Senate Bill 6087 Update

Phase 3 – Funded Status Adjustment

(Implementation Timeline)

Task	Timeframe
WSAC staff completed Phase 2 adjustment	November 15, 2018
WSAC staff sent data to OSA	Late November 2018
OSA conducted Phase 3 funded status measurement and analysis	Late November 2018 – Early January 2019
OSA to present “best estimate” funded status to Committee	January 23, 2019
WSAC to perform Phase 3 adjustment (if applicable)	Before March 1, 2019 (statutory deadline)

46

Actuarial Analysis On ESB 6087 Phase 3

Matthew M. Smith, FCA, EA, MAAA
State Actuary

Presentation to: GET Committee

Office of the State Actuary
"Supporting financial security for generations."

January 23, 2019

Background On ESB 6087 – Phase 3

- After the completion of Phase 1 and Phase 2, the governing body, with the assistance of the state actuary, shall:
 - "... grant an additional number of units [to eligible account holders] in order to lower the best-estimate funded status of the program to [125%], subject to [a maximum increase in units of 15%]"
- According to ESB 6087, the state actuary shall select the measurement date, assumptions, and methods necessary to perform an actuarial measurement consistent with this purpose



Measurement Considerations

- Purpose and type of measurement
 - Determine the increase in eligible units to lower the program's best estimate funded status to 125%
 - In my opinion, a long-term measurement that reflects the on going nature of the program after the completion of Phase 3
 - Assumptions and methods selected consistent with that purpose
- Assumptions and methods
 - With the exception of the asset valuation method and buy-back assumption, they match the assumptions and methods from the *2018 GET Actuarial Valuation Report (GAVR)*
- Measurement date
 - June 30, 2018, same as GAVR

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Adjustments For Post-Measurement Date Activity

- To account for activity that took place after June 30, 2018, we made adjustments for Phase 1 and Phase 2 of ESB 6087
- We made adjustments for redemptions, refunds, and rollovers outside ESB 6087 that occurred after the measurement date and prior to November 17, 2018 - "Fall Activity"
- Lastly, we adjusted the results for Phase 1 transfers that we assume will buy-back into the GET program
 - 10% assumed to buy-back in our best estimate

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Asset Valuation Method

- To reduce the impact of short-term investment volatility on the increase provided under Phase 3, we selected and applied an 8-year asset smoothing method to the MVA
- We selected an 8-year period to approximate the period from the recovery of the last economic downturn to the beginning of the next economic downturn for the fund

Calculation of Phase 3 Actuarial Value of Assets (AVA)	
<i>(Dollars in Millions)</i>	
a) AVA Adjustment	98.01%
b) MVA at 6/30/2018, after Phases 1 and 2	\$1,342
c) Present Value of Fall Activity	\$71
d) AVA at 6/30/2018, after Fall Activity (b - c) x a	\$1,245
e) Assumed Assets from Unit Buy-Back	\$85
f) Phase 3 AVA at 6/30/2018 (d + e)	\$1,330

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Best Estimate Results

- Given the considerations mentioned earlier, we found the program's best estimate funded status, measured at June 30, 2018, increased from 130.2% to 134.0%
- This funded status exceeds the 125% threshold required under ESB 6087 Phase 3
- We then applied the asset smoothing method, and solved for the uniform percentage increase in eligible units that would lower the program's best estimate funded status, measured at June 30, 2018, to 125%
- Relying on data provided by the GET program for the units eligible to receive an increase under Phase 3, we calculated an increase of 8.0392% for this purpose

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Sensitivity Analysis

- How do the results change if we were to use different assumptions or methods?
- Commonly referred to as “sensitivity analysis”
- Represents standard actuarial analysis
- Helps readers evaluate impact of best estimate assumptions and context for those assumptions

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Sensitivity Analysis

- We varied the following assumptions or methods from our best estimates
 - Because they vary from our best estimates, we don't expect these outcomes to occur
- -1%/+1% Assumed Discount Rate
 - 4.65% and 6.65% instead of our best estimate assumption of 5.65%
- -1%/+1% and Alternative Assumed Tuition Growth
 - 1% lower and 1% higher each year than our best estimate assumption
 - Alternative tuition growth rates disclosed in supporting letter
- -10%/+10% Assumed Buy-Back
 - 0% and 20% of Phase 1 assets transfer back instead of our best estimate assumption of 10%
- MVA
 - Market value of assets instead of applying the asset smoothing method from the best estimate

O:\Presentations\2019\GET\Actuarial Analysis.ESB.6087.Phase3.pptx

Sensitivity To Assumed Discount Rate

Sensitivity to Assumed Discount Rate			
	Best Estimate	-1% Discount Rate	+1% Discount Rate
<i>(Dollars in Millions)</i>			
Funded Status Summary			
PV of Fund	\$1,441	\$1,445	\$1,437
PV of Obligations	\$1,153	\$1,174	\$1,125
Ratio of Fund Value to Obligations	125.0%	123.1%	127.7%
Reserve / (Deficit)	\$288	\$271	\$312
Phase 3 Increase	8.0392%	0.0000%	15.0000%

O:\Presentations\2019\GET\Actuarial.Analysis.ESB.6087.Phase3.pptx

Sensitivity To Assumed Tuition Growth

Sensitivity to Assumed Tuition Growth				
	Best Estimate	-1% Tuition	+1% Tuition	Alternative Tuition Growth
<i>(Dollars in Millions)</i>				
Funded Status Summary				
PV of Fund	\$1,441	\$1,441	\$1,441	\$1,441
PV of Obligations	\$1,153	\$1,131	\$1,167	\$1,153
Ratio of Fund Value to Obligations	125.0%	127.5%	123.5%	125.0%
Reserve / (Deficit)	\$288	\$311	\$274	\$288
Phase 3 Increase	8.0392%	15.0000%	0.0000%	12.0782%

O:\Presentations\2019\GET\Actuarial.Analysis.ESB.6087.Phase3.pptx

Sensitivity To Assumed Buy-Back And Asset Valuation Method

Sensitivity to Assumed Buy-Back and Asset Valuation Method				
	Best Estimate	0% Buy-Back	20% Buy-Back	MVA
<i>(Dollars in Millions)</i>				
Funded Status Summary				
PV of Fund	\$1,441	\$1,356	\$1,526	\$1,466
PV of Obligations	\$1,153	\$1,085	\$1,221	\$1,173
Ratio of Fund Value to Obligations	125.0%	125.0%	125.0%	125.0%
Reserve / (Deficit)	\$288	\$271	\$305	\$293
Phase 3 Increase	8.0392%	9.2973%	6.7812%	10.8134%

O:\Presentations\2019\GET\Actuarial.Analysis.ESB.6087.Phase3.pptx

Additional Background Information

- We prepared a letter that supplements this presentation
 - Included in the meeting materials
- Please see that letter for supporting information and details on the analysis summarized in this presentation

O:\Presentations\2019\GET\Actuarial.Analysis.ESB.6087.Phase3.pptx

Questions?



Office of the State Actuary

O:\Presentations\2019\GET\Actuarial Analysis. ESB. 6087. Phase3. pptx

59

Senate Bill 6087 Update

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Phase 3 Next Steps

- **Committee considerations**
 - Staff seeking Committee approval to make adjustment to customer accounts, based on OSA analysis (target date of February 15, 2019).
- **Staff recommendation**
 - Adopt OSA's analysis and direct staff to add necessary units to all eligible customers accounts by no later than March 1, 2019.

60

Senate Bill 6087 Update

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Phase 3 Next Steps

- **Committee considerations**

- Phase 3 adjustment will cause 2,000+ customer accounts (~3%) to exceed 600 unit lifetime maximum.
 - Thirteen (13) accounts will exceed 700 units, with two accounts reaching approximately 740 units.
- Adjusting the lifetime unit maximum will allow GET to comply with statute without creating data issues or exceptions to program policy.
 - This may also necessitate increasing annual unit maximums (currently 150 units/year plus rollover from prior years).
 - This change to program policy is within Committee's statutory authority and does not conflict with federal law.

- **Staff recommendation**

- Increase the per beneficiary lifetime unit maximum to 800 units.
- Increase the annual unit maximum to 200 units.

61

GET Program Policies

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Lucas Minor
WA529 Director

- **Preview of upcoming GET program policy discussions for 2019 calendar year**

- Unit pricing
- Program fees
- Custom monthly plans
- Other program policies and next steps



62

GET Policy Discussion

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Considerations for Upcoming Policy Discussions

- **What is the optimal balance between customer flexibility, customer protection, and the GET fund's financial health?**
- **What are the potential impacts of any potential program modifications?**
 - Fiscal, customer behavior, operational/IT, etc.
- **Who will be impacted by possible program modifications (and how will they be impacted)?**
 - Future customers only vs. current customers

63

GET Policy Discussion

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Upcoming GET Program Policy Discussions for 2019

- **Review current price-setting guidelines (adopted 2011)**
- **Review current program fee schedule**
- **Review custom monthly plan components**
- **Other program policies/practices of interest to the Committee**

64

WA529
WASHINGTON COLLEGE SAVINGS PLANS

GET Policy Discussion

Next Steps

Task	Timing
Staff to follow-up with Committee members to seek guidance on policy priorities and research areas.	February – March 2019
Staff to conduct research and analysis based on Committee direction.	February – April 2019
Staff to coordinate with partners/consultants to facilitate policy discussions over next three regularly scheduled Committee meetings.	Meetings held in May, September, and November 2019
Staff to coordinate a mid-year Committee retreat to discuss select topics in-depth.	June – July 2019
Staff to prepare on-boarding materials for new Committee members, once selected.	TBD


65

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Public Comment

Share Your Thoughts

- Process
 - Sign-up sheet
 - Three minutes per individual
 - You can submit written comments
 - Send to GETInfo@wsac.wa.gov and include the subject line: "GET Committee Statement."



66

Next Regular Meeting

WA529
WASHINGTON COLLEGE SAVINGS PLANS

May 15, 2019
2:00 pm – 4:00pm
Capitol Campus, Olympia
John A. Cherberg Building
Senate Hearing Room 1



67

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Adjournment



68



GET Prepaid College Tuition Program

Quarterly Report – December 31, 2018

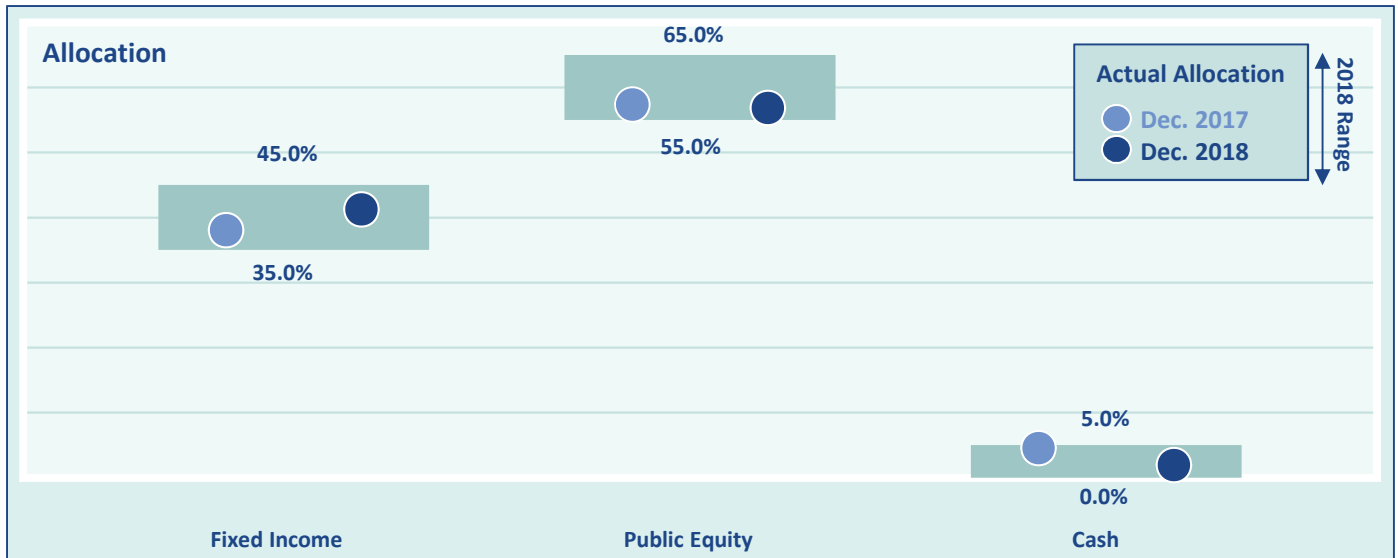
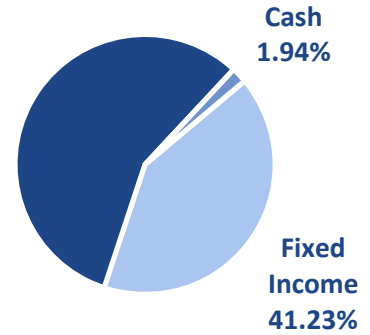
Portfolio Size, Allocation, and Assets Under Management	1
Performance.....	2



Portfolio Size

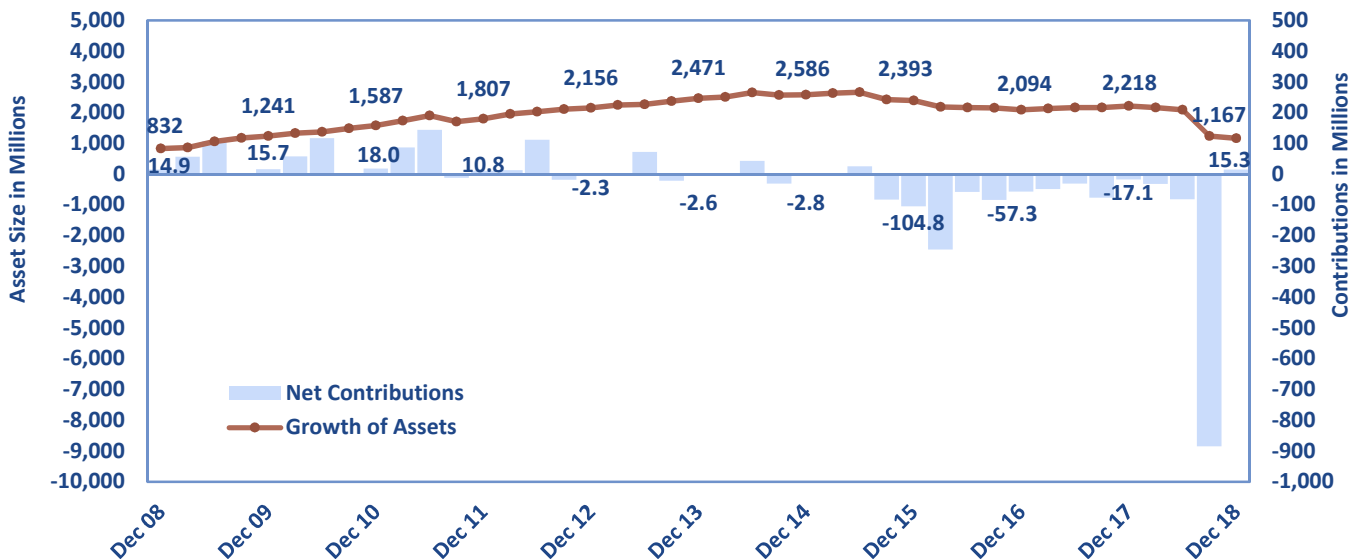
Actual Asset Allocation

Total	\$1,166,630,134	Equity
Cash	\$22,630,394	56.83%
Fixed Income	\$481,042,139	
Equity	\$662,957,601	

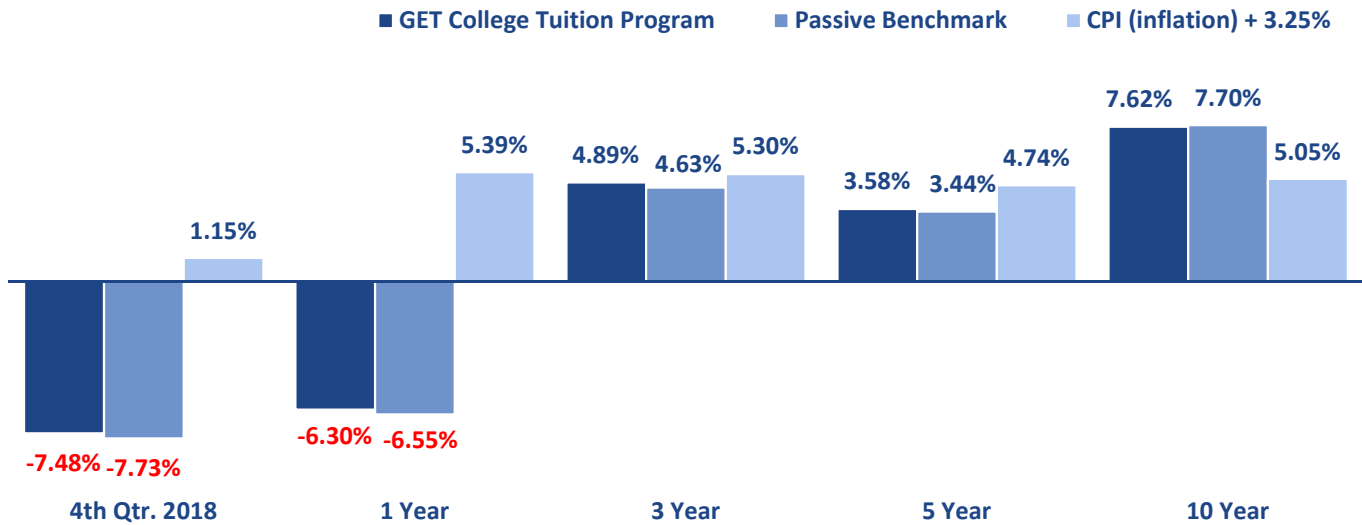


Note: For comparison purposes in the chart above, fixed income and TIPs were added together for the prior year.

Assets Under Management

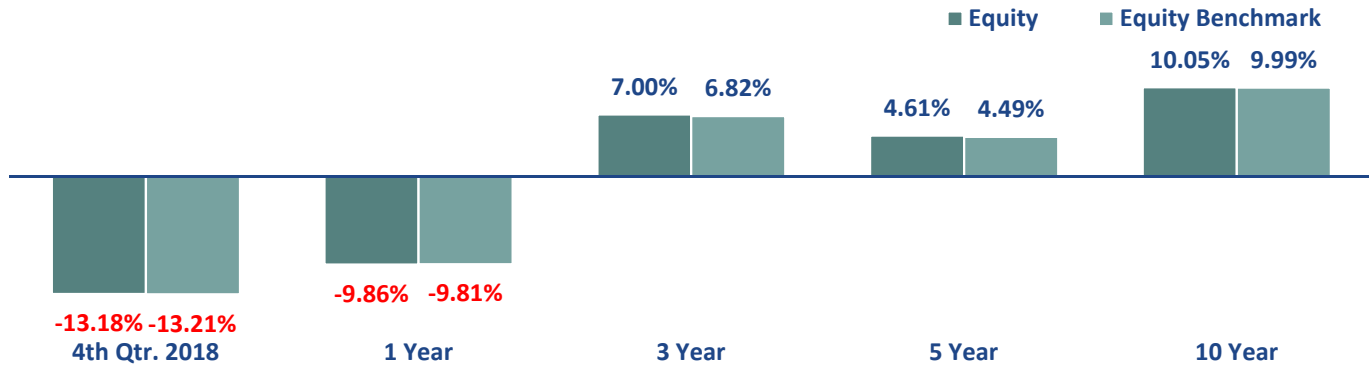


Total Return *



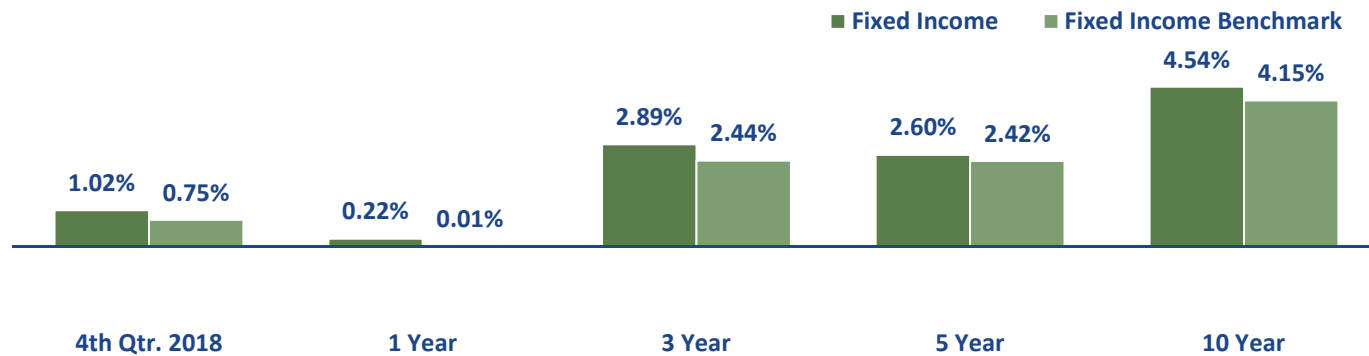
Equity Return *

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



Fixed Income Return *

Benchmark: Bloomberg Barclays Intermediate Credit and a historical blended return



* 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.



Office of the State Actuary

“Supporting financial security for generations.”

January 21, 2019

Mr. Lucas Minor
WA529 Director
Washington College Savings Plans
917 Lakeridge Way SW
Olympia, Washington 98502

SUBJECT: ACTUARIAL ANALYSIS ON ESB 6087 – PHASE 3

Luke,

As required under Engrossed Senate Bill (ESB) 6087, the Guaranteed Education Tuition (GET) Committee must grant, with the assistance of the Office of the State Actuary, an additional number of units to eligible account holders in order to lower the best estimate funded status of the GET program to 125 percent. According to ESB 6087, the state actuary shall select the measurement date, assumptions, and methods necessary to perform an actuarial measurement consistent with this purpose.

We completed the analysis required under ESB 6087 and share the results of our analysis in this letter. Using a measurement date of June 30, 2018, and the data, assumptions, and methods described in this letter, we calculated an increase of 8.0392 percent for this purpose. This increase is the result of the mathematical calculation required under ESB 6087, and, although based on actuarial assumptions, does not represent an actuarial assumption.

Summary of Analysis

To make this determination, we considered the purpose of the analysis and selected a measurement date and best estimate assumptions and methods consistent with that purpose. We selected a measurement date of June 30, 2018, the measurement date of our most recent [GET Actuarial Valuation Report](#) (GAVR). With the exception of the asset valuation method and the buy-back assumption noted below, we retained the same actuarial assumptions and methods for this calculation as the assumptions and methods we used in the GAVR.

To account for activity that took place after the measurement date, we then adjusted the results of that measurement for the following items:

- ❖ Transfers under Phase 1 of ESB 6087,



- ❖ Units added under Phase 2 of ESB 6087,
- ❖ Unit refunds, rollovers, and redemptions from July 1, 2018, through November 17, 2018, and
- ❖ Unit transfers out of GET during Phase 1, assumed to buy-back into the GET program.

After making these adjustments, we replaced the Market Value of Assets (MVA) with an actuarial or smoothed value of assets at June 30, 2018, and solved for the uniform percentage increase in eligible units that would lower the program's best estimate funded status, measured at June 30, 2018, to as close to 125 percent without dropping below 125 percent.

Using the data, assumptions, and methods described in this letter, and a measurement date of June 30, 2018, we determined an increase in eligible units of 8.0392 percent met the requirements of Phase 3 defined under ESB 6087.

We also reviewed how the results of our analysis would change if we used assumptions that varied from our best estimate. The results of that sensitivity analysis produced a Phase 3 increase ranging from 0.0 to 15.0 percent.

Please see the following analysis for further details.

Actuarial Analysis

To perform this calculation, we first considered the purpose of the measurement: to determine the increase in eligible units to lower the best estimate funded status of the GET program to 125 percent. In my opinion, the calculation required under ESB 6087 requires the use of:

- ❖ Best estimate assumptions,
- ❖ Long-term assumptions and methods, and
- ❖ Assumptions and methods that reflect the on going nature of the program after the completion of Phase 3.

For these reasons, we selected, with the exception of the asset valuation method and the buy-back assumption, best estimate assumptions and methods that match the best estimate assumptions and methods we used in the GAVR. We also selected a measurement date of June 30, 2018, consistent with our most recent GAVR.

To account for activity that took place after the measurement date, we made the following adjustments:

- ❖ **Phase 1** – We reduced program obligations for the units that transferred out of the program for Phase 1, measured at June 30, 2018. We also adjusted the program's assets. We reduced the program's assets, measured at June 30, 2018, for the assets that transferred out of the program net of the \$95 million in assets that was already



transferred by June 30, 2018, in anticipation of early transfers under ESB 6087. To retain consistency with the June 30, 2018, measurement date and the present values in the GAVR, we discounted all asset adjustments to June 30, 2018, using the assumed rate of investment return from the GAVR.

- ❖ **Phase 2** – We increased program obligations, measured at June 30, 2018, for the additional units granted under Phase 2 of ESB 6087. An additional 113,809 units were added to the program under Phase 2.
- ❖ **Fall Activity** – Using the same approach as the adjustments for Phase 1, we adjusted program obligations and assets for redemptions, refunds, and rollovers that occurred after the measurement date and prior to November 17, 2018.
- ❖ **Assumed Buy-Back** – Based on assumptions and methods described in the **Appendix B – Buy-Back Assumption**, we increased program obligations and assets, both measured at June 30, 2018, for the percentage of assets that transferred out of GET under Phase 1 that we assume will buy-back into the GET Program. We assumed 10 percent for this purpose.

Using the assumptions and methods noted above, and after reflecting the adjustments noted above, we found the program's best estimate funded status, measured at June 30, 2018, increased from 130.2 to 134.0 percent. This funded status exceeds the 125 percent threshold required to provide additional units to eligible account holders under ESB 6087 Phase 3.

Consistent with the purpose of the measurement, we then replaced the MVA with an actuarial or smoothed value of assets at June 30, 2018, and solved for the uniform percentage increase in eligible units that would lower the program's best estimate funded status, measured at June 30, 2018, to as close to 125 percent without dropping below 125 percent. Relying on data provided by the GET program for the units eligible to receive an increase under Phase 3, we calculated an increase of 8.0392 percent for this purpose. See **Appendix A – Asset Valuation Method** for information on why we selected this asset smoothing method and how we applied the method for this measurement.



We summarize the results of this actuarial analysis in the following table.

Funded Status Impacts at June 30, 2018						
<i>(Dollars in Millions)</i>	2018 GAVR*	Phase 1	Phase 2	Fall Activity	Assumed Buy-Back	Phase 3
Obligations						
PV of Unit Redemptions	\$1,696	\$1,057	\$1,068	\$1,003	\$1,080	\$1,138
PV of Administrative Expenses	\$15	\$15	\$15	\$15	\$15	\$15
PV of Obligations	\$1,710	\$1,071	\$1,083	\$1,017	\$1,094	\$1,153
Fund Value						
Assets	\$2,095	\$1,342	\$1,342	\$1,271	\$1,355	\$1,330
PV of Monthly Contract Receivables	\$132	\$121	\$121	\$111	\$111	\$111
PV of Fund	\$2,227	\$1,463	\$1,463	\$1,382	\$1,466	\$1,441
Calculation of Funded Status						
PV of Fund	\$2,227	\$1,463	\$1,463	\$1,382	\$1,466	\$1,441
PV of Obligations	\$1,710	\$1,071	\$1,083	\$1,017	\$1,094	\$1,153
Ratio of Fund Value to Obligations	130.2%	136.6%	135.1%	135.8%	134.0%	125.0%
Reserve / (Deficit)	\$517	\$392	\$380	\$364	\$372	\$288
Number of Units	16,310,453	10,188,856	10,302,666	9,669,131	10,419,789	10,983,467
Change in Number of Units		(6,121,597)	113,809	(633,535)	750,658	563,679

Note: "PV" stands for Present Value.

*Assets include the PV at June 30, 2018, of a \$95 million asset transfer in anticipation of early Phase 1 rollovers. See the 2018 GAVR for further details.

The estimated units added at June 30, 2018, will not match the actual units the program will grant at a later date. However, in my opinion, the uniform percentage increase we determined at June 30, 2018, is reasonable and appropriate for the program to determine the actual number of units that will be granted for Phase 3 based on the number of eligible units at that time.

We understand the GET Committee plans to adopt the Phase 3 increase at their meeting on January 23, 2019, and the program plans to grant additional units the following month. If the GET Committee delays this planned action, we would need to review and potentially revise our analysis.

We also reviewed how the results of our analysis would change if we selected assumptions or methods that varied from our best estimate assumptions or methods. This type of analysis is commonly referred to as "sensitivity analysis" and represents standard actuarial analysis. It helps readers evaluate the impact of the best estimate assumptions and provides context for those assumptions.

For the sensitivity analysis we performed for this measurement, we varied the following assumptions or methods from our best estimates. Because they vary from our best estimates, we do not expect these outcomes to occur.



- ❖ **-1%/+1% Assumed Discount Rate** – 4.65 percent and 6.65 percent assumed discount rate instead of our best estimate assumption of 5.65 percent.
- ❖ **-1%/+1% and Alternative Assumed Tuition Growth** – Assumed tuition growth rates 1 percent lower and 1 percent higher each year than our best estimate tuition growth assumption in the GAVR. See **Appendix C** for the Alternative Tuition Growth assumptions.
- ❖ **-10%/+10% Assumed Buy-Back** – 0 percent and 20 percent of assets transferred under Phase 1 assumed to buy-back into the GET program instead of our best estimate assumption of 10 percent.
- ❖ **MVA** – Market value of assets instead of applying the asset smoothing method from the best estimate.

We summarize the results of our sensitivity analysis in the following tables. ESB 6087 limits the increase provided under Phase 3 to a maximum of 15 percent.

Sensitivity to Assumed Discount Rate			
	Best Estimate	-1% Discount Rate	+1% Discount Rate
<i>(Dollars in Millions)</i>			
Funded Status Summary			
PV of Fund	\$1,441	\$1,445	\$1,437
PV of Obligations	\$1,153	\$1,174	\$1,125
Ratio of Fund Value to Obligations	125.0%	123.1%	127.7%
Reserve / (Deficit)	\$288	\$271	\$312
Phase 3 Increase	8.0392%	0.0000%	15.0000%

Sensitivity to Assumed Tuition Growth				
	Best Estimate	-1% Tuition	+1% Tuition	Alternative Tuition Growth
<i>(Dollars in Millions)</i>				
Funded Status Summary				
PV of Fund	\$1,441	\$1,441	\$1,441	\$1,441
PV of Obligations	\$1,153	\$1,131	\$1,167	\$1,153
Ratio of Fund Value to Obligations	125.0%	127.5%	123.5%	125.0%
Reserve / (Deficit)	\$288	\$311	\$274	\$288
Phase 3 Increase	8.0392%	15.0000%	0.0000%	12.0782%



Sensitivity to Assumed Buy-Back and Asset Valuation Method				
	Best Estimate	0% Buy-Back	20% Buy-Back	MVA
<i>(Dollars in Millions)</i>				
Funded Status Summary				
PV of Fund	\$1,441	\$1,356	\$1,526	\$1,466
PV of Obligations	\$1,153	\$1,085	\$1,221	\$1,173
Ratio of Fund Value to Obligations	125.0%	125.0%	125.0%	125.0%
Reserve / (Deficit)	\$288	\$271	\$305	\$293
Phase 3 Increase	8.0392%	9.2973%	6.7812%	10.8134%

Additional Background Information

Unless noted otherwise above, we used the same data, assumptions, and methods as we used for the June 30, 2018, GAVR to prepare this analysis. See the *Actuarial Certification* in that report for additional considerations on the preparation and use of that analysis.

The GET Program provided data on the following:

- ❖ The units and assets that transferred under Phase 1,
- ❖ The account holders that received additional units under Phase 2 and the additional number of units received, and
- ❖ Data on the units eligible to receive an increase in units under Phase 3.

We reviewed the data for reasonableness and completeness, but did not audit the data. We found the data reasonable and substantially complete for the purposes of this analysis.

We prepared this analysis for the purpose stated above. Please do not use this analysis for other purposes.

Consistent with the requirements of ESB 6087, I, the state actuary, selected the measurement date, assumptions, and methods for the purposes of performing this analysis. In my opinion, the assumptions, methods, and calculations used in this analysis are reasonable and in conformity with generally accepted actuarial principles and applicable actuarial standards of practice as of the date of this letter. The use of another set of assumptions and methods or measurement date, however, could also be reasonable and could produce results that materially vary from our best estimate results.

The actual impacts of ESB 6087 – Phase 3 will depend on many uncertain factors including, but not limited to, account holder behavior, future rates of unit redemption, tuition growth, and investment returns. We made assumptions for each of these factors to perform this analysis. Actual experience may vary from our assumptions. As a result, the actual impacts of ESB 6087 – Phase 3 may vary from this analysis.

We prepared this analysis for the GET Committee, but understand it will be shared with others. We advise readers of this analysis to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the



analysis shown in the letter as a whole. Distribution of, or reliance on, only parts of this communication could result in its misuse and may mislead others.

Please let me know if you have any questions or need further information.

Matthew M. Smith, FCA, EA, MAAA
State Actuary

O:\GET\2019\Actuarial.Analysis-ESB.6087-Phase3.docx



APPENDIX A – ASSET VALUATION METHOD

For this measurement, the use of the MVA on any given measurement date could lead to significant variations in the Phase 3 increase percentage due to short-term investment volatility. To reduce the impact of that volatility on this measurement, we selected and applied an eight-year asset smoothing method to the MVA. We selected an eight-year period to approximate the period from the recovery of the last economic downturn to the beginning of the next economic downturn for the fund.

To calculate the deferred gains and losses for each fiscal year, we relied on annual investment reports published by the Washington State Investment Board on their [website](#). These reports detail investment income, expenses, contributions, and disbursements, along with the fiscal year end market value. We used these values along with our best estimate rate of investment return disclosed in the June 30, 2018, GAVR to determine an expected MVA, by year. We then take the difference between the actual market value and the expected market value to calculate the annual gain or loss. Since the deferral period is eight years, we sum one-eighth of each gain or loss resulting in the total deferral.

Calculation of Actuarial Value of Assets (AVA) Adjustment			
<i>(Dollars in Millions)</i>			
a) Market Value at 6/30/2018			\$2,095
Deferred Gains and (Losses)			
Program Year Ending	Years Remaining	Total Deferral	Remaining Deferral
6/30/2018	7	\$20	\$17
6/30/2017	6	\$107	\$80
6/30/2016	5	(\$141)	(\$88)
6/30/2015	4	(\$127)	(\$64)
6/30/2014	3	\$242	\$91
6/30/2013	2	\$77	\$19
6/30/2012	1	(\$108)	(\$14)
b) Total Deferral			\$42
c) AVA at 6/30/2018 (a - b)			\$2,053
d) AVA Adjustment (c ÷ a)			98.01%

We apply the adjustment factor of 98.01 percent to the MVA at June 30, 2018, adjusted for Phases 1 and 2, and Fall Activity. We then add the asset increase for the assumed Unit Buy-Back to arrive at the Phase 3 AVA.

Calculation of Phase 3 AVA	
<i>(Dollars in Millions)</i>	
a) AVA Adjustment	98.01%
b) Market Value at 6/30/2018, after Phases 1 and 2	\$1,342
c) Present Value of Fall Activity	\$71
d) AVA at 6/30/2018, after Fall Activity (b - c) x a	\$1,245
e) Assumed Assets from Unit Buy-Back	\$85
f) Phase 3 AVA at 6/30/2018 (d + e)	\$1,330



APPENDIX B – BUY-BACK ASSUMPTION

GET account holders who transferred their account balances to DreamAhead under the provisions of Phase 1 are not prohibited from transferring back to the GET program at a later date. We expect a portion of the transferees will return, or “buy-back” into the GET program. It’s uncertain how many transferees will return and when. We applied our professional judgment to set assumptions in this area.

To model the buy-back, we assumed a certain percentage of the total Phase 1 transfer amount would return at the \$113 unit price. We used DreamAhead account holder data provided by the program administrator to inform the selection of our assumption. The data is summarized in the following table. We checked the data for reasonableness as appropriate based on the purpose of this analysis. We did not audit the data and relied on all information provided as complete and accurate.

The data provided by DreamAhead shows account balances and investment portfolio selection for DreamAhead transferees. For each portfolio, we assumed a buy-back likelihood and aggregated the account balances of all individuals selecting that portfolio. We then took a weighted average of the account balances, by likelihood, to estimate a buy-back amount. This amount represents an estimate of the total amount we assume to repurchase units in the GET program. To assign buy-back likelihoods to each portfolio, we considered the investment strategy and the expected college enrollment year associated with each strategy (target date portfolios). In general, the more conservative the investment strategy, and the later the enrollment year, the higher the likelihood of buy-back. The estimate resulted in slightly over 10 percent of Phase 1 rollover funds. We set our buy-back assumption at 10 percent, with an assumed use year of 2025. We set the assumed use year based on the average college enrollment date for transferees selecting a target date portfolio, and the prior GET unit use year for those selecting a static portfolio.

The following table shows that about 51 percent of the Phase 1 transfer funds were invested in the Cash Preservation, Income, or Conservative Growth Portfolios (including the conservative target date portfolios). About 31 percent of funds were invested in the Balanced or Moderate Growth Portfolios, with the remaining 18 percent in Growth or Income and Growth Portfolios. Of the target date portfolios, nearly 25 percent chose a target date of 2018, 53 percent chose a target date between 2020 and 2024, and the remaining 23 percent chose a target date at or beyond 2026 (the total percent does not sum to 100 percent due to rounding).



Phase 1 Rollovers - DreamAhead Portfolio Distribution (11/15/2018)		
<i>(Dollars in Millions)</i>		
Total Transfer	\$845.89	
Portfolio Name	Amount	Percent of Total
Cash Preservation Portfolio	\$170.9	20.2%
Income Portfolio	\$45.7	5.4%
Income & Growth Portfolio	\$33.0	3.9%
Balanced Portfolio	\$35.9	4.2%
Conservative Growth Portfolio	\$23.5	2.8%
Moderate Growth Portfolio	\$28.8	3.4%
Growth Portfolio	\$37.7	4.5%
Year of Enrollment 2036 - Conservative	\$0.1	0.0%
Year of Enrollment 2034 - Conservative	\$0.0	0.0%
Year of Enrollment 2032 - Conservative	\$0.2	0.0%
Year of Enrollment 2030 - Conservative	\$1.0	0.1%
Year of Enrollment 2028 - Conservative	\$3.0	0.4%
Year of Enrollment 2026 - Conservative	\$6.3	0.7%
Year of Enrollment 2024 - Conservative	\$13.0	1.5%
Year of Enrollment 2022 - Conservative	\$27.6	3.3%
Year of Enrollment 2020 - Conservative	\$51.9	6.1%
Year of Enrollment 2018 - Conservative	\$88.0	10.4%
Year of Enrollment 2036 - Moderate	\$0.2	0.0%
Year of Enrollment 2034 - Moderate	\$0.7	0.1%
Year of Enrollment 2032 - Moderate	\$2.8	0.3%
Year of Enrollment 2030 - Moderate	\$8.8	1.0%
Year of Enrollment 2028 - Moderate	\$19.6	2.3%
Year of Enrollment 2026 - Moderate	\$32.0	3.8%
Year of Enrollment 2024 - Moderate	\$40.4	4.8%
Year of Enrollment 2022 - Moderate	\$43.3	5.1%
Year of Enrollment 2020 - Moderate	\$38.4	4.5%
Year of Enrollment 2018 - Moderate	\$21.5	2.5%
Year of Enrollment 2036 - Growth	\$1.1	0.1%
Year of Enrollment 2034 - Growth	\$0.7	0.1%
Year of Enrollment 2032 - Growth	\$2.5	0.3%
Year of Enrollment 2030 - Growth	\$5.6	0.7%
Year of Enrollment 2028 - Growth	\$12.0	1.4%
Year of Enrollment 2026 - Growth	\$13.5	1.6%
Year of Enrollment 2024 - Growth	\$12.9	1.5%
Year of Enrollment 2022 - Growth	\$11.9	1.4%
Year of Enrollment 2020 - Growth	\$6.5	0.8%
Year of Enrollment 2018 - Growth	\$5.0	0.6%



APPENDIX C – ALTERNATIVE TUITION GROWTH ASSUMPTION

In addition to the -1%/+1% tuition growth assumptions, we used the following assumed rates of tuition growth in our analysis. Under the Alternative Tuition Growth rates, we assume the current state tuition policy holds for one additional biennium before reverting to long-term assumed rate. See the June 30, 2018, GAVR for further information on how we selected our best estimate tuition growth assumption.

Tuition Growth Assumption		
	Alternative Tuition Growth	Best Estimate
2018-19	2.00%	2.00%
2019-20	2.15%	6.50%
2020-21	2.17%	6.50%
2021-22	10.00%	6.50%
2022-23	10.00%	6.50%
2023-24	5.00%	5.00%
2024-25	5.00%	5.00%
2025-26	5.00%	5.00%
2026-27	5.00%	5.00%
2027-28+	5.00%	5.00%

2018-2019 GET Prices and Fees

Program Prices

2018-2019 Unit Purchase Price Components	
Expected Costs	Covers the expected present value of the cost of future Tuition and State-Mandated Fees.
Expenses	Contributes to GET's administrative expenses. For the 2018-2019 Expense Component, we began with the Expense Component from the 2017-2018 GET Unit Purchase Price, and applied an inflationary factor of 2.1 percent. This factor matched the rate of tuition increases at Washington's highest priced public university between 2017-18 and 2018-19.
Reserve (current policy targets a 15% reserve)	Covers unexpected future costs such as higher than expected tuition growth or lower than expected investment returns.
Amortization (optional - not included in current pricing)	Covers unexpected past costs from significant Program or policy changes.
Total Unit Purchase Price = \$113 (see page 23 for details on how the Committee set the 2018-2019 price)	

Custom Monthly Plan Monthly Payment Components	
Principal Amount	Calculated as the Unit Purchase Price (currently \$113) multiplied by the number of Units purchased, divided by the number of months/payments in the Agreement.
Finance Charge	Offsets lost investment earnings that would otherwise have been recognized if the Units had been purchased up front. A small adjustment is also added to each payment to pay finance charges accrued in the three-months prior to the first monthly payment due date.
Payment Processing Fee	Covers the administrative costs and banking fees for processing each monthly payment.
Varies	(depending on contract term and number of units)
	7.5%/annual
	\$1.54/month

2018-2019 Custom Monthly Plan Payment Chart												
Contract Term (years)	Custom Monthly Plan Units											
	50	100	150	200	250	300	350	400	450	500	550	600
18	\$49	\$97	\$144	\$191	\$239	\$286	\$333	\$381	\$428	\$475	\$523	\$570
17	\$51	\$99	\$148	\$197	\$246	\$294	\$343	\$392	\$440	\$489	\$538	\$587
16	\$52	\$103	\$153	\$203	\$253	\$304	\$354	\$404	\$454	\$505	\$555	\$605
15	\$54	\$106	\$158	\$210	\$262	\$314	\$366	\$419	\$471	\$523	\$575	\$627
14	\$56	\$110	\$164	\$219	\$273	\$327	\$381	\$435	\$489	\$543	\$597	\$652
13	\$59	\$115	\$172	\$228	\$285	\$341	\$398	\$454	\$511	\$568	\$624	\$681
12	\$61	\$121	\$180	\$240	\$299	\$358	\$418	\$477	\$537	\$596	\$656	\$715
11	\$65	\$128	\$190	\$253	\$316	\$379	\$442	\$505	\$567	\$630	\$693	\$756
10	\$69	\$136	\$203	\$270	\$337	\$404	\$471	\$538	\$605	\$672	\$738	\$805
9	\$74	\$146	\$218	\$290	\$362	\$434	\$506	\$578	\$650	\$722	\$794	\$866
8	\$80	\$159	\$237	\$316	\$394	\$473	\$551	\$630	\$708	\$787	\$865	\$943
7	\$89	\$176	\$262	\$349	\$436	\$523	\$609	\$696	\$783	\$870	\$956	\$1,043
6	\$100	\$198	\$296	\$394	\$492	\$589	\$687	\$785	\$883	\$981	\$1,079	\$1,177
5	\$116	\$229	\$343	\$456	\$570	\$683	\$797	\$911	\$1,024	\$1,138	\$1,251	\$1,365
4	\$139	\$276	\$414	\$551	\$688	\$825	\$962	\$1,100	\$1,237	\$1,374	\$1,511	\$1,648
3	\$179	\$355	\$532	\$709	\$886	\$1,062	\$1,239	\$1,416	\$1,592	\$1,769	\$1,946	\$2,122
2	\$258	\$514	\$770	\$1,026	\$1,282	\$1,538	\$1,793	\$2,049	\$2,305	\$2,561	\$2,817	\$3,073
1	\$496	\$990	\$1,484	\$1,978	\$2,472	\$2,966	\$3,460	\$3,954	\$4,448	\$4,942	\$5,436	\$5,930

GET 2018-2019 Unit Price-Setting Analysis, Assumptions, Discussion, and Adoption

The Office of the State Actuary (OSA) provided a Price-Setting Analysis to assist the Committee in setting the 2018-19 Unit Purchase Price. Two key economic assumptions underlying the pricing analysis include expected investment returns and expected tuition growth. Below is a summary of how OSA treated these assumptions for the 2018-19 Unit Price-Setting Analysis.

Investment Returns. The OSA uses this assumption in the price-setting analysis to determine the present value of future Unit payouts. The OSA currently assumes the long-term annual rate of investment return is 5.65% based on WSIB’s most recent capital market assumptions and the Program’s long-term asset allocation targets. The OSA implicitly assumed the current long-term asset allocation targets of 60% global equity/40% fixed income will remain unchanged throughout the projection period.

Tuition Growth Assumptions (Best Estimate)	
Academic Year	Expected Tuition Growth
2018-2019	2.00%
2019-2020	6.50%
2020-2021	6.50%
2021-2022	6.50%
2022-2023	6.50%
2023-2024+	5.00%

Tuition Growth Assumptions. This assumption helps the OSA model the expected growth in future Unit payout values. In response to the tuition-setting policy enacted in the 2017-19 Washington State Operating Budget, the OSA updated in-State tuition growth estimates (*see table to the right*). The OSA relied on the tuition growth model disclosed in the *2017 GET Actuarial Valuation Report* to develop the tuition growth assumptions. Actual tuition growth may vary from OSA’s assumptions.

Setting the Unit Purchase Price. Ultimately, the Committee discussed and evaluated the information and assumptions presented in the 2018-2019 Unit Pricing Analysis. This analysis included a Best Estimate Unit Purchase Price of \$118, along with a Best Estimate Range Unit Purchase Price of \$112-\$125 (see table below). According to the OSA, any price selected by the Committee that fell within the Best Estimate Range Unit Purchase Price was considered reasonable. After discussing the assumptions around future tuition growth, the GET Committee selected a 2018-2019 GET Unit Purchase Price of \$113. This price is lower than the “Best Estimate” Unit Purchase Price provided by OSA, but within the Best Estimate Range provided by OSA. Because the Committee selected a Unit Purchase Price that was different than the Best Estimate Unit Purchase Price, discrete amounts were not calculated for the Expected Cost and Reserve components of the 2018-2019 GET Unit Purchase Price.

2018-2019 GET Unit Purchase Price		
	Best Estimate Range*	Best Estimate*
Expected Cost	\$93.68 - \$104.84	\$99.14
Expenses	\$4.27	\$4.27
Reserve	\$14.69 - \$16.37	\$15.51
Amortization	N/A	N/A
Total Unit Purchase Price <i>(totals may not agree due to rounding)</i>	\$112 - \$125	\$118
Unit Purchase Price Adopted by Committee**	\$113	

*“Best Estimate Range” and “Best Estimate” provided by OSA, based on tuition growth rates shown in the *2018-19 Price-Setting Analysis*.

**Unit Purchase Price adopted by the GET Committee at its September 19, 2018 meeting, after considering the *2018-19 Price-Setting Analysis* provided by OSA.

Program Fees

Type of Fee	Amount
Account Fees	
Paper Enrollment Form Fee (<i>non-refundable</i>) Effective November 1, 2017, we only charge this fee for mailed paper enrollment forms. Additionally, if you open more than two Accounts for Students living at the same home address, we will waive all future enrollment fees for Students living at that address (accounts that have been refunded, canceled, or rolled over to another 529 plan are not included as eligible Accounts).	Paper Enrollment Form: \$50 Online Enrollment Form: N/A
Late Payment Fee For Custom Monthly Plans, all payments are due on the 15th day of each month. We will post a late fee to your Account if we do not receive your monthly payment by the 10th day following the due date.	\$10
Dishonored Payment Fee (Automatic withdrawal, electronic payments, and checks)	\$25 or actual fee charged by the bank, whichever is greater
Refund Fees	
Program Refund Penalty For all Refunds except in the event of death, disability, Scholarship, attendance at a U.S. service academy, or graduation/completion of a degree or certificate.	10% of earnings or \$100, whichever is greater
Account Cancellation Fee (<i>assessed on Refunds only</i>)	\$10
Account Maintenance Fee (<i>assessed on Refunds only</i>)	\$1.70 per month that the account was open and active
For Organizations	
Scholarship Set-up Fee (<i>non-refundable</i>)	\$100 per master account
Student Account Transfer Fee Assessed each time the Organization transfers Units from the master Account to a named Student Account (per Student Account).	\$25