

## **Statement –**

### **Response to assertions of GET mismanagement in email from Michael Bennion dated August 29, 2017**

Mr. Bennion was notified on August 17, 2017, that he was being terminated from his exempt employment effective August 31, 2017. Because this is a personnel matter, we are unable to comment more fully at this time other than his termination was completely unrelated to matters raised in his August 29 email.

Mr. Bennion's email raised four concerns. Two of his concerns center on fees collected for administration of the GET program. He also expressed concern about the allocation of costs for development of the anticipated Washington College Savings Plan. Lastly, he raised concern about the "politicized nature" of the GET program.

We take these four concerns very seriously. First and foremost, to ensure continued sound stewardship of the GET program, we have referred Mr. Bennion's assertions to the State Employee Whistleblower Program at the Office of the State Auditor for their review. The auditor's office has the capacity to conduct a comprehensive and fair review of Mr. Bennion's claims. We look forward to that review and would be happy to discuss the results of that review once completed.

GET Administration: The Guaranteed Education Tuition (GET) program, as with all programs administered by the Washington Student Achievement Council, is subject to regular financial audits by the State Auditor, and financial information is reported through the statewide accounting system. All program policy decisions are discussed, authorized, and documented by the GET committee at open public meetings. Additionally, the program relies on the outside counsel and expertise of the state actuary, the state investment board, the attorney general, and national experts in Section 529 college savings plans.

Administrative fee revenue: The price of each GET unit includes components for the cost of expected tuition, a reserve for lower than expected future investment returns or higher than expected tuition increases, and the cost of administering the program. Annual pricing decisions by the GET Committee are based on actuarial analysis and projections of future obligations and investment returns.

Setting these costs involves balancing the risk to the state and costs to customers; lower administration and reserves increases the risk that the state general fund would need to pay for GET distributions. As so many components of GET's price and payout are volatile, a fund balance is prudent financial management, and it was critical in allowing GET to operate during the two years the program was suspended.

Separate accounting for these price components and resulting revenue was not established when the program began in 1998. In recent years, staff have been engaged in an analysis of program data to separately track balances for fee revenue, reserves, and tuition obligations to provide additional information on which to base program policy decisions, such as unit pricing and the adequacy of reserves for tuition and investment experience and administrative expenses.

In each annual actuarial valuation, the present value of administrative expenses is included in the program's present value of obligations. This present value calculation represents the expected cost of maintaining or administering each unredeemed GET unit until distributed in the event the program were

shut down or terminated in the future. The state actuary has always included this expense in its annual valuation report. Starting with the June 30, 2017 report, this administrative expense will be based on projected program expenses instead of through an actuarial assumption that was used in previous years. Based on preliminary analysis for the June 30, 2017 valuation, the new method produces slightly lower expenses than the prior method.

College savings plan: Legislation to create a conventional 529 college savings plan was approved in 2016. In the year since, WSAC has conducted a Request for Proposal (RFP) and is currently negotiating a contract for plan management and investment advisory services with BNY Mellon. Costs for GET program staff who are working on planning and development activities are being tracked separately and will be moved to the savings plan account after appropriation authority is received from the legislature early next year. Since no revenue from the savings plan will be realized until such plan is open and receiving new investments, the legislation provided a mechanism for either an inter-fund loan or deficit spending in the college savings account. Once contract terms are concluded with BNY Mellon, the business model for the college savings plan will produce sufficient revenue to pay for its administrative expenses, though some staff will continue to devote time to GET and the savings plan to coordinate marketing and program oversight.

WSAC submitted a decision package to pay for certain costs associated with the development of a savings plan, as directed in SB 5954 from 2015. The program formally requested authority to pay for these expenses through June 2017 in the legislative process.

Politicization: The status of the GET program and the launch of a new savings plan have been a high-profile subject for several years. Both plans are administered by WSAC staff and supported by various agency units. The executive office, which includes legislative affairs, works with GET and all other WSAC-administered programs. In addition, relevant WSAC staff will participate in preparing communications with the legislature and public, with the shared purpose of providing responsive and coherent communication with our stakeholders throughout the state.

Though we are happy to share additional information as it is available, we also want to honor the work of the state auditor and avoid steps that may make that work more difficult. We trust that the concern raised will be reviewed through the whistleblower process.

A comprehensive and fair review of these issues are a top priority for WSAC. We are committed to ethical and sound stewardship of GET, and we are honored to work on behalf of a program that helps Washington families plan and save for college.