September 5, 2014

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RE: 2014 PRICE-SETTING ANALYSIS

We present updated actuarial analysis to assist the Guaranteed Education Tuition (GET) Committee in evaluating the current status of the program and in setting a unit price for the next enrollment period (2014-15). Should the GET Committee decide to retain the current 15 percent reserve, this pricing information may be used to adopt a unit price for the next enrollment period.

Current Program Status

We updated the program's financial status, measured at June 30, 2014. We summarize the updated status below.

- Present value of all unredeemed GET contracts is $2.767 billion.
- Market Value of Assets (MVA) is $2.928 billion.
- Current *reserve* is $161 million (assets in excess of present value of contracts).
- 105.8 percent funded status at June 30, 2014 (portion of present value of contracts covered by current assets).

These figures reflect updated tuition growth assumptions consistent with the 2013-15 Budget. Please see the **Appendix** for further information on the updated tuition growth assumptions.

The current unit price includes an amortization component to address the unfunded liability as measured at June 30, 2011. Due to favorable investment returns during the last fiscal year, and lower than expected tuition growth in the current biennium, the plan is currently fully funded. If all assumptions are realized, and the program remains open, we expect the plan will reach a funded status of 115 percent in 2020. In our opinion, a long-term funded status of at least 115 percent is required to maintain an adequate reserve for future adverse

experience (i.e., higher than expected tuition growth, lower than expected investment returns).

Price-Setting Information

Should the committee retain the current 15 percent reserve, we calculated a best estimate unit price range of $167 to $181 for the next enrollment period (2014-15). To develop the best estimate range for the unit price, we varied the assumed level of future state funding for the cost of higher education. In selecting a unit price for the next enrollment period, the GET Committee will consider many policy issues; including, but not limited to, the management of program risks and affordability. The responsibility to adopt a unit price rests solely with the GET Committee. We provided a best estimate range for the unit price to assist the GET Committee in meeting this responsibility and consider any price within the best estimate range to be reasonable.

Please see the body of this letter for further details and supporting information. In the Appendix, we provide sensitivity analysis, the development of the best estimate range for the unit price, and disclose the data, assumptions, and methods we used to prepare this analysis.

We have excluded the impacts of differential tuition from this analysis.

Current Program Status

We updated the program's status based on a June 30, 2014, actuarial valuation date.

Contract Summary	
Number of Current Contracts	131,511
Number of Units Outstanding	22,324,308

Obligations	
(Dollars in Millions)	
Present Value of Unit Redemptions	$2,735
Present Value of Administrative Expenses	$31
Present Value of Obligations	$2,767

Fund Value	
(Dollars in Millions)	
Assets	$2,657
Present Value of Monthly Contract Receivables	$271
Present Value of Fund	$2,928

Calculation of Funded Status	
(Dollars in Millions)	
Present Value of Fund	$2,928
Present Value of Obligations	$2,767
Ratio of Fund Value to Obligations	105.8%
Reserve/(Deficit)	$161

Projected Program Status

Due to favorable investment returns during the last fiscal year and below expected tuition growth for the current biennium, the plan is currently fully funded. If all assumptions are realized, and the program remains open, we expect the plan will reach a funded status of 115 percent in 2020. In our opinion, a long-term funded status of at least 115 percent is required to maintain an adequate reserve for future adverse experience (i.e., higher than expected tuition growth, lower than expected investment returns).

We expect the program to experience cash flow stress from 2014 through 2031 as we expect more units will be redeemed than sold. However, we still expect positive cash flows in all future years as displayed in the next table.

Projected Program Status (If All Assumptions are Realized and Program Remains Open)

(Dollars in Millions)

Fiscal Year	Funded Status	Unit Price*	Number of Units Sold	Unit Value*	Number of Units Used	BOY Fund Value**	BOY Obligation Value	Net Cash Flow
2014	106%	$172	809,417	$118	1,209,829	$2,928	$2,767	$126
2015	107%	180	844,763	127	1,356,928	3,077	2,874	112
2016	108%	190	851,685	137	1,503,005	3,215	2,966	92
2017	110%	200	860,473	147	1,613,208	3,335	3,035	76
2018	112%	211	867,879	157	1,572,750	3,441	3,084	80
2019	113%	222	877,162	167	1,537,478	3,552	3,133	87
2020	115%	234	885,323	177	1,439,809	3,672	3,184	106
2021	117%	246	895,360	187	1,416,746	3,812	3,249	116
2022	119%	260	901,841	197	1,415,524	3,963	3,318	122
2023	122%	274	910,386	208	1,400,133	4,121	3,387	131
2024	124%	288	920,856	219	1,376,076	4,291	3,458	143
2025	127%	304	928,441	231	1,346,585	4,474	3,534	158
2026	129%	320	938,085	244	1,328,908	4,673	3,617	171
2027	132%	338	945,342	257	1,292,128	4,888	3,706	191
2028	135%	356	954,740	271	1,233,905	5,125	3,804	219
2029	138%	375	964,155	286	1,144,179	5,393	3,921	260
2030	140%	396	971,802	302	1,064,677	5,704	4,069	303
2031	143%	417	981,642	319	983,971	6,061	4,247	351
2032	145%	440	990,045	336	922,493	6,470	4,463	399
2033	147%	464	998,972	355	882,475	6,931	4,713	444
2034	149%	489	1,008,476	374	857,570	7,441	4,995	489
2035	151%	515	1,042,064	395	849,232	8,000	5,307	538
2036	152%	543	1,051,515	416	849,239	8,618	5,655	582
2037	154%	$572	1,061,792	$439	856,345	$9,285	$6,029	$626

**Shown in dollars (not in millions).*
***Fund Value includes present value of monthly contract receivables. Fund Value is used for funded status measurement since liabilities include monthly contract units.*

Please see the **Sensitivity Analysis Appendix** for information on how the projected program status changes if future experience differs from our assumptions.

Pricing-Setting Information

In 2011, the GET Committee adopted new price-setting guidelines (how we price future units) to address the new tuition-setting policy established by the Legislature and to return the program to a fully funded status. The current price-setting guidelines include the following four parts.

- **Expected Cost** – Covers the expected cost of future tuition and certain administrative expenses.
- **Expenses** – Covers the GET program's annual operating expenses.
- **Reserve** – Covers unexpected future costs such as higher than expected tuition growth or lower than expected investment returns. The current price-setting guidelines call for a 15 percent reserve when the program is less than 100 percent funded. This component can be increased or decreased to alter the probability that a unit will ever create an unfunded liability in the future.
- **Amortization** – An optional component that covers unexpected past costs from significant program or policy changes. In 2011, the committee established a one-time 30-year amortization of the unfunded liability measured at June 30, 2011. It is important to collect amortization payments for the entire planned period or until the program's funded status returns to 115 percent, whichever occurs sooner. Ending the amortization sooner could effectively result in the use of reserve dollars (dedicated for future unexpected costs) for past unexpected losses.

After three years of experience, the full funding plan adopted in 2011 remains on track. Unit sales decreased during the latest enrollment period and did not reach the amount required under the amortization schedule (almost 742,000 units sold versus 787,000 required for the year under the 30-year amortization schedule). However, over the three-year period actual unit sales have exceeded the required amounts (2.7 million units sold versus 2.5 million required).

Should the committee retain the current 15 percent reserve, we calculated a best estimate unit price range of $167 to $181. The following factors contributed to changes in the unit pricing from last year:

- Lower assumed future tuition growth beyond 2013-15 than our previous assumptions (price decrease).
- One less year of interest discount – a present value calculated one year later (price increase).

GET Unit Price Information		
Category	**Current Price**	**2014-15 Enrollment Best-Estimate Range**
Unit Price		
Expected Cost	$126.42	$121.34 - $132.95
Expenses	5.45	5.77
Reserve	19.78	19.07 - 20.83
Amortization	20.82	20.82 - 21.90
Total Unit Price	**$172.00**	**$167.00 – $181.00**

Note: Totals are truncated and may not agree.

**Best-estimate range recognizes new assumptions shown in this letter.*

To develop the best estimate range for the unit price, we varied the assumed level of future state funding for the cost of higher education. In selecting a unit price for the next enrollment period, the GET Committee will consider many policy issues; including, but not limited to, the management of program risks and affordability. The responsibility to adopt a unit price rests solely with the GET Committee. We provided a best estimate range for the unit price to assist the GET Committee in meeting this responsibility and consider any price within the best estimate range to be reasonable.

Please see the **Sensitivity Analysis Appendix** for pricing information based on the best estimate range.

Risk Analysis

The program's on-going success depends on maintaining a delicate balance between risk and affordability. In this case, "risk" represents the risk that the state will need to make contributions to the program and "affordability" represents the affordability of future GET units. Improving one factor will typically increase the impact of the other.

The following two tables summarize the latest key risk metrics and the solvency report card. For purposes of the risk analysis, both tables assume the program remains open under a 15 percent reserve policy and reflect data through June 30, 2014 (through June 30, 2013, for the 2013 figures).

Key Risk Metrics

Key Risk Metrics – 15% Reserve + 30 Year Amortization		
Risk Category	**2013**	**2014**
Probability of Insolvency over 50 Years	0.1%	0.1%
Probability of Funded Status Under 50% over 50 years*	6.0%	4.1%
Probability of Purchaser Experiencing a Negative Return**	3.9%	3.2%
Probability of Average Annual Sales Below 750,000 Units	16.9%	16.4%
Average Expected Annual Units Sold (Next 20 Years)	947,906	914,918

**Probability of funded status below 50% over consecutive years is less than the probability of funded status below 50% in a single year.*

***2014-15 enrollment cohort only and assuming a unit price of $172.*

Solvency Report Card

Please see the *2009 GET Solvency Study* for more information on the development and use of the solvency report cards.

Solvency Report Card - 15% Reserve + 30-Year Amortization of Unfunded Liability				
Category	Value	Score	Grade	Weight
Probability of State Contributions	0.1%	100	A	25%
Worst Case 50-Year State Contributions (millions)	$462	99	A	25%
Average Funded Status	157.8%	100	A	20%
Probability of Funded Status Under 50%	4.1%	92	A	20%
Average Annual Change in Premium Level	0.6%	98	A	10%
Total Solvency Score		**98**	**A**	**100%**

As with any financial security program, risks can change over time. We recommend the committee continue to monitor and evaluate the program's risks.

Actuarial Certification

We prepared this analysis to assist the GET Committee in evaluating the current status of the program and in setting a unit price for the next enrollment period (2014-15). Please do not use this analysis for other purposes.

This analysis involves calculations that require assumptions about future economic and demographic events. Actuarial Standards of Practice (ASOP) for prepaid tuition programs have not been defined within the actuarial profession. We used the ASOPs for pensions where possible to guide our analysis of GET. We believe that the assumptions, methods, and calculations used in this analysis are reasonable and appropriate for the primary purpose as stated above, and are in conformity with generally accepted actuarial principles and standards of practice as of the date of this letter. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results.

Since the analysis is based on assumptions about future events, actual results will differ to the extent that future experience differs from those assumptions. Significant differences between the actual and assumed future enrollments will impact the results. This analysis will need to be updated in the future if changes are made to the GET program or the Legislature enacts major reform to current tuition policy.

The GET Program staff provided the participant, asset, and historical data to us. The WSIB also provided recent asset data to us. We checked the data for reasonableness as appropriate based on the purpose of this analysis. An audit of the data was not performed. We relied on all the information provided as complete and accurate. In our opinion, this information is adequate and substantially complete for the purposes of this analysis.

We advise readers of this analysis to seek professional guidance as to its content and interpretation and not to rely upon this communication without such guidance. Please read the analysis shown in this communication as a whole. Distribution of, or reliance on, only parts of this analysis could result in its misuse and may mislead others.

The analysis in this letter will quickly become outdated. Please replace this analysis with next year's price-setting analysis when available.

Consistent with the Code of Professional Conduct that applies to actuaries, I (Matthew Smith) must disclose any potential conflict of interest. I purchased units in GET; however, this does not impair my ability to act fairly. I performed all analysis without bias or influence. The Legislature mandated the Office of the State Actuary to perform actuarial services for GET and I supervised the actuarial analysis performed.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein and are available to provide extra guidance and explanations as needed.

Sincerely,

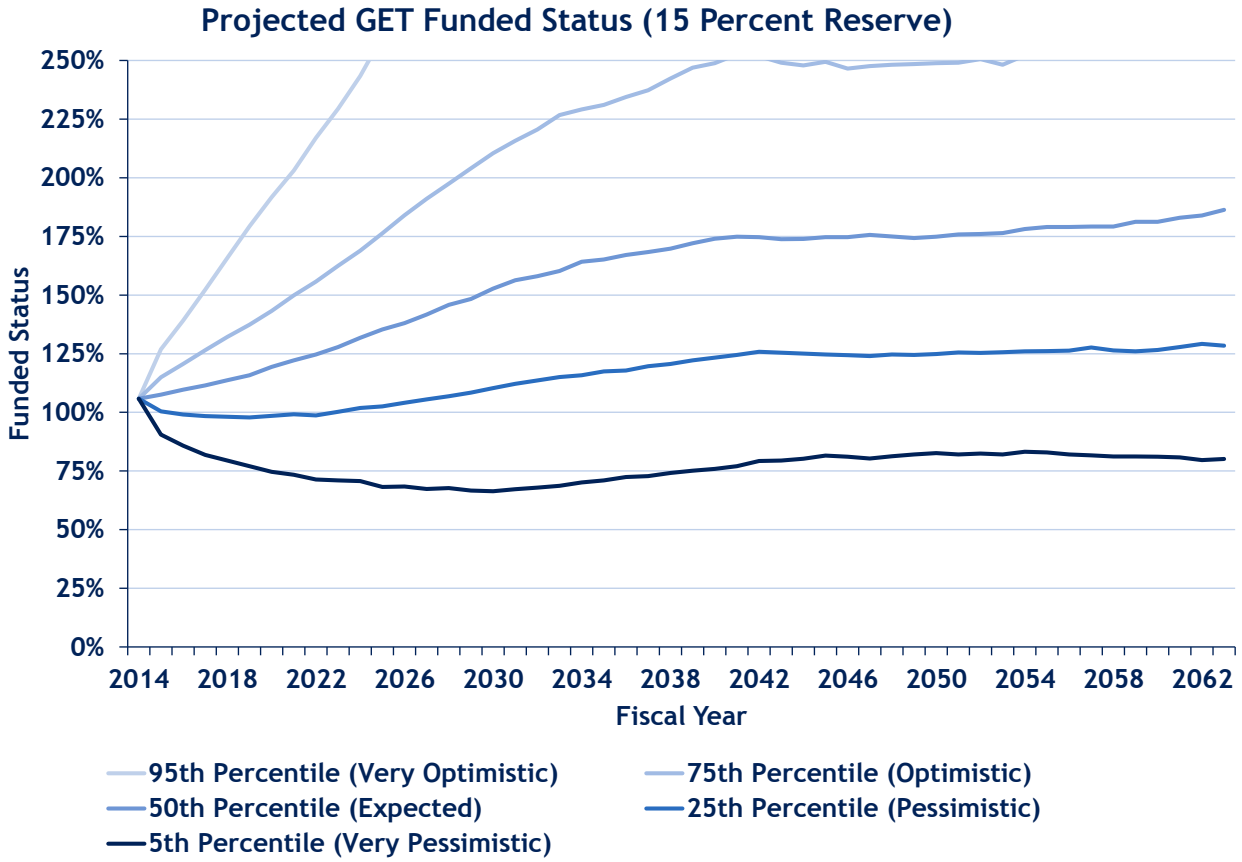
Matthew M. Smith, FCA, EA, MAAA
State Actuary

Lisa Won, ASA, FCA, MAAA
Senior Actuary

Appendix – Sensitivity Analysis And Best Estimate Range

Sensitivity Analysis

Understanding the range of possible future outcomes is just as important as understanding the expected outcome. In the following chart, we provide information to help the reader understand how much the program's funded status may change when actual experience varies from our expectations (i.e., higher than expected tuition growth and lower than expected investment returns [pessimistic]; or, lower than expected tuition growth and higher than expected investment returns [optimistic]).



Best Estimate Range

To develop the best estimate range for the unit price, we varied the assumed level of future state funding for the cost of higher education as follows:

- **Low Estimate** – The assumed percentage of state funding in our tuition growth model will remain at the current level of about 29 percent.
- **High Estimate** – The assumed percentage of state funding in our tuition growth model will fall from 29 to 20 percent over the next eight years, including a 15 percent cut in funding for 2015-17.

When we apply these assumed levels of state support, they lead to the low and high estimate tuition growth assumptions disclosed in the ***Appendix – Data, Assumptions, and Methods*** and the following unit price breakdown.

GET Unit Price Information - Best Estimate Range		
Category	**Low Estimate**	**High Estimate**
Unit Price		
Expected Cost	$121.34	$132.95
Expenses	5.77	5.77
Reserve	19.07	20.83
Amortization	20.82	21.90
Total Unit Price	**$167.00**	**$181.00**

Note: Totals are truncated and may not agree.

**Recognizes new assumptions shown in this letter.*

Appendix – Data, Assumptions, And Methods

Data We Used

We relied on participant and asset data provided by GET program staff and relied on asset data provided by WSIB to perform our analysis. The participant data reflects contract information through June 30, 2014. The asset data reflects actual investment returns through June 30, 2014. We checked the data for reasonableness as appropriate based on the purpose of this analysis. We did not audit this data and have relied on the data as complete and accurate for purposes of this analysis.

Assumptions We Made

Most of the assumptions we made remain unchanged from those disclosed in our *2013 GET Actuarial Valuation Report*. We made the following assumption changes to complete this analysis.

First, we assumed the GET Committee would continue to collect a 15 percent reserve over the 50-year projection period. Current price-setting guidelines require a 15 percent reserve when the program is less than 100 percent funded, a 5 percent reserve when the program is over 150 percent funded, and a 10 percent reserve in between. In addition, 27 years remain on the one-time 30-year amortization period originating in 2011.

We updated the model with actual investment returns through June 30, 2014. The actual rate of investment return from July 1, 2013, through June 30, 2014, was 16.36 percent.

We also changed our tuition growth assumptions in response to the tuition-setting policy enacted in the 2013-15 Budget (see **Tuition Growth Assumption** below for details).

Tuition Growth Assumptions

The table below shows the updated tuition growth assumption under the current tuition-setting policy (intermediate estimate), along with our tuition assumptions under the low and high estimate for the best estimate range (as described in the **Sensitivity Analysis Appendix**).

Tuition Growth Assumption							
	Old Intermediate Estimate	Low Estimate		Intermediate Estimate		High Estimate	
School Year	Tuition Growth	Tuition Growth	Standard Deviation	Tuition Growth	Standard Deviation	Tuition Growth	Standard Deviation
2014-15	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2015-16	8.1%	7.0%	2.0%	8.0%	2.0%	10.0%	2.0%
2016-17	8.1%	7.0%	3.0%	8.0%	3.0%	10.0%	3.0%
2017-18	8.1%	7.0%	4.0%	7.0%	4.0%	10.0%	4.0%
2018-19	8.1%	7.0%	5.0%	7.0%	5.0%	7.0%	5.0%
2019-20	6.5%	5.5%	5.0%	6.0%	5.0%	6.0%	5.0%
2020-21	6.5%	5.5%	5.0%	6.0%	5.0%	6.0%	5.0%
2021-22	6.5%	5.5%	5.0%	5.5%	5.0%	6.0%	5.0%
2022-23	6.5%	5.5%	5.0%	5.5%	5.0%	6.0%	5.0%
2023-24	6.5%	5.5%	5.0%	5.5%	5.0%	6.0%	5.0%
2025+	5.5%	5.5%	5.73%	5.5%	5.73%	5.5%	5.73%

The tables that follow show the structure of the tuition model we used to set the tuition growth assumptions. Structurally, the model has the ability to add extra components such as a high tuition/high financial aid model or changing enrollment. However, since we've assumed these components are steady during this period we've left them out of the display.

The tuition model has three main structural components.

1. **Long-Term Inflationary Growth** – This represents the increase in total dollars spent on instruction. Over the last 20 years, this has increased by about 4.0 percent per year. We assume it will grow by 5.5 percent in the future.
2. **State Funding** – This represents the increase or decrease in the percent of total dollars assumed to come from the state versus tuition. Historically, it has decreased from approximately 80 percent to 29 percent. This has put upward pressure on tuition since tuition increased to replace lost state funding. For the intermediate estimate, we assume state funding will continue to decline to about 25 percent and level out. As a result, we project tuition will increase above long-term inflationary levels over the period where state funding is assumed to decrease.
3. **Peer Catch-Up** – This represents additional total funding growth above the 5.5 percent inflationary component intended to improve quality and catch-up to

peer institutions (assumed to grow at 5.5 percent). We currently assume the University of Washington will not increase total funding over the 2015-19 school years in our intermediate and high range tuition increase assumptions.

For purposes of projecting the program into the future, we assumed the GET Committee would adopt a unit price of $172 for the 2014-15 enrollment, maintain a 15 percent reserve policy, and price future units in line with the intermediate expectations for tuition growth.

The tuition growth assumption does not consider differential tuition. The impact from differential tuition could vary based on how it interacts with the current contracts. If the payout value is tied to the highest rate of differential tuition, the tuition growth assumption would likely increase. However, if the payout value were tied to the lowest rate of differential tuition, the tuition growth assumption could actually decrease as base tuition may not need to increase as fast with higher differential tuition making up the difference.

Tuition Growth Assumption Structure – Intermediate Estimate						
	Step 1 – Inflation		Step 2 – State Funding			
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011-12	686,000		30.9%	212,000	474,000	
2012-13	725,510	5.8%	28.9%	209,465	516,045	8.9%
2013-14	810,786	11.8%	31.3%	253,896	556,890	7.9%
2014-15	855,199	5.5%	28.8%	246,471	608,728	9.3%
2015-16	902,235	5.5%	27.9%	251,410	650,825	6.9%
2016-17	951,858	5.5%	26.9%	256,146	695,711	6.9%
2017-18	1,004,210	5.5%	26.0%	260,643	743,567	6.9%
2018-19	1,059,442	5.5%	25.0%	264,860	794,581	6.9%
2019-20	1,117,711	5.5%	25.0%	279,428	838,283	5.5%
2020-21	1,179,185	5.5%	25.0%	294,796	884,389	5.5%
2021-22	1,244,040	5.5%	25.0%	311,010	933,030	5.5%
2022-23	1,312,462	5.5%	25.0%	328,116	984,347	5.5%
2023-24	1,384,648	5.5%	25.0%	346,162	1,038,486	5.5%

2012 through 2015 data provided by the University of Washington.
Note: State and tuition dollars in a given year are used to develop tuition increases for the following year.

Tuition Growth Assumption Structure – Intermediate Estimate						
	Step 3 – Peer Catch Up					
School Year	Peer Funding (per FTE)*	Peer Funding Growth	UW Funding (per FTE)*	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2013-14	23,776	5.50%	17,201	(3.06%)	72%	
2014-15	25,084	5.50%	16,823	(2.20%)	67%	0.0%
2015-16	26,463	5.50%	17,748	5.50%	67%	8.0%
2016-17	27,919	5.50%	18,724	5.50%	67%	8.0%
2017-18	29,454	5.50%	19,754	5.50%	67%	7.0%
2018-19	31,074	5.50%	20,840	5.50%	67%	7.0%
2019-20						6.0%
2020-21						6.0%
2021-22						5.5%
2022-23						5.5%
2023-24						5.5%
2024-25+						5.5%

**2013-14 Values from University of Washington Planning and Budget Brief, dated June 13, 2014; based on 2011-2012 school year statistics.*

Tuition Growth Assumption Structure – Low Estimate						
	Step 1 – Inflation		Step 2 – State Funding			
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011-12	686,000		30.9%	212,000	474,000	
2012-13	725,510	5.8%	28.9%	209,465	516,045	8.9%
2013-14	810,786	11.8%	31.3%	253,896	556,890	7.9%
2014-15	855,199	5.5%	28.8%	246,471	608,728	9.3%
2015-16	902,235	5.5%	28.8%	260,027	642,208	5.5%
2016-17	951,858	5.5%	28.8%	274,328	677,529	5.5%
2017-18	1,004,210	5.5%	28.8%	289,416	714,794	5.5%
2018-19	1,059,442	5.5%	28.8%	305,334	754,107	5.5%
2019-20	1,117,711	5.5%	28.8%	322,128	795,583	5.5%
2020-21	1,179,185	5.5%	28.8%	339,845	839,340	5.5%
2021-22	1,244,040	5.5%	28.8%	358,536	885,504	5.5%
2022-23	1,312,462	5.5%	28.8%	378,256	934,207	5.5%
2023-24	1,384,648	5.5%	28.8%	399,060	985,588	5.5%

2012 through 2015 data provided by the University of Washington.
Note: State and tuition dollars in a given year are used to develop tuition increases for the following year.

Tuition Growth Assumption Structure – Low Estimate						
	Step 3 – Peer Catch Up					
School Year	Peer Funding (per FTE)*	Peer Funding Growth	UW Funding (per FTE)*	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2013-14	23,776	5.50%	17,201	(3.06%)	72%	
2014-15	25,084	5.50%	16,823	(2.20%)	67%	0.0%
2015-16	26,463	5.50%	17,378	3.30%	66%	7.0%
2016-17	27,919	5.50%	18,594	7.00%	67%	7.0%
2017-18	29,454	5.50%	19,896	7.00%	68%	7.0%
2018-19	31,074	5.50%	21,288	7.00%	69%	7.0%
2019-20						5.5%
2020-21						5.5%
2021-22						5.5%
2022-23						5.5%
2023-24						5.5%
2024-25+						5.5%

**2013-14 Values from University of Washington Planning and Budget Brief, dated June 13, 2014; based on 2011-2012 school year statistics.*

Tuition Growth Assumption Structure – High Estimate						
	Step 1 – Inflation			Step 2 – State Funding		
School Year	Total Dollars	Inflationary Growth	Assumed State %	State Dollars	Tuition Dollars	Tuition Growth After State Funding
2011-12	686,000		30.9%	212,000	474,000	
2012-13	725,510	5.8%	28.9%	209,465	516,045	8.9%
2013-14	810,786	11.8%	31.3%	253,896	556,890	7.9%
2014-15	855,199	5.5%	28.8%	246,471	608,728	9.3%
2015-16	902,235	5.5%	25.9%	234,024	668,211	9.8%
2016-17	951,858	5.5%	23.1%	219,463	732,395	9.6%
2017-18	1,004,210	5.5%	22.0%	220,926	783,284	6.9%
2018-19	1,059,442	5.5%	21.6%	228,839	830,602	6.0%
2019-20	1,117,711	5.5%	21.2%	236,955	880,756	6.0%
2020-21	1,179,185	5.5%	20.8%	245,270	933,915	6.0%
2021-22	1,244,040	5.5%	20.4%	253,784	990,256	6.0%
2022-23	1,312,462	5.5%	20.0%	262,492	1,049,970	6.0%
2023-24	1,384,648	5.5%	20.0%	276,930	1,107,718	5.5%

2012 through 2015 data provided by the University of Washington.
Note: State and tuition dollars in a given year are used to develop tuition increases for the following year.

Tuition Growth Assumption Structure – High Estimate						
	Step 3 – Peer Catch Up					
School Year	Peer Funding (per FTE)*	Peer Funding Growth	UW Funding (per FTE)*	UW Funding Growth	UW Funding as % of Peer	Tuition Growth After State Funding & Peer Catch Up
2013-14	23,776	5.50%	17,201	(3.06%)	72%	
2014-15	25,084	5.50%	16,823	(2.20%)	67%	0.0%
2015-16	26,463	5.50%	17,748	5.50%	67%	10.0%
2016-17	27,919	5.50%	18,724	5.50%	67%	10.0%
2017-18	29,454	5.50%	19,754	5.50%	67%	10.0%
2018-19	31,074	5.50%	20,840	5.50%	67%	7.0%
2019-20						6.0%
2020-21						6.0%
2021-22						6.0%
2022-23						6.0%
2023-24						6.0%
2024-25+						5.5%

**2013-14 Values from University of Washington Planning and Budget Brief, dated June 13, 2014; based on 2011-2012 school year statistics.*

New Entrant/Purchaser Profile

For open group projections and unit pricing, we estimate the makeup of future purchasers. We refer to the entire group of purchasers each year as a "cohort." The cohort for each purchase year is made up of 38 different types of people. The 38 types of people represent a mixture of the entire population. We expect each of the 38 people to remain in the program between two to twenty years before starting to use their units, and are either lump sum or monthly payment plan purchasers. The 38 combinations are the 19 different contract lengths multiplied by the two different payment options. The percent of the population expected to be in each of the combinations is shown below. We updated this assumption using an average of the new entrant profiles in the 2011-12, 2012-13, and 2013-14 enrollment data to improve consistency with the calculated price (and premium) in this letter compared to prior enrollment periods. Overall, the weighted average holding length (before first using units) is assumed to be 13.8 years – a slight increase from an assumed 13.7 years last year.

Average GET Contract (New Entrant Profile)

Years in Program (Length)	Percent in Length	Total Units	Lump Sum Percent	Lump Sum Units	Monthly Percent	Monthly Units	Payments per Monthly Contract
2	0.0%	62	0.0%	62	0.0%	0	0
3	2.0%	68	1.8%	66	0.2%	96	25
4	1.5%	74	1.1%	67	0.4%	94	37
5	2.2%	80	1.5%	73	0.7%	95	48
6	2.9%	87	2.0%	73	0.9%	119	59
7	3.4%	92	2.2%	82	1.2%	107	69
8	3.9%	106	2.6%	96	1.3%	126	80
9	4.2%	103	2.8%	89	1.4%	129	92
10	4.6%	94	3.1%	81	1.5%	123	103
11	4.6%	106	2.9%	93	1.7%	127	114
12	5.0%	102	3.2%	84	1.8%	133	125
13	5.2%	102	3.5%	85	1.7%	136	132
14	7.4%	93	4.9%	75	2.5%	127	144
15	7.0%	79	4.7%	60	2.2%	120	156
16	7.9%	84	5.3%	64	2.6%	123	163
17	9.3%	76	6.5%	54	2.8%	128	175
18	16.1%	78	11.8%	60	4.3%	129	190
19	12.2%	96	8.2%	76	4.0%	139	199
20	0.0%	52	0.0%	3	0.0%	150	112

Methods We Used (How We Applied The Assumptions)

We changed the application of the method we use to calculate the amortization component of the unit price. In previous valuations, we increased this component from the prior year's amortization amount by 5.5 percent, regardless of the growth in the unit price from one year to the next. Starting in 2014, we set the growth in the amortization component to the lesser of 5.5 percent and the rate of growth in the expected cost component of the unit price from the prior year, while not allowing the amortization amount to decrease. This application ensures the amortization component remains a more consistent percentage of the total unit price as we originally intended.

Otherwise, the methods we used are consistent with the methods disclosed in the *2013 GET Actuarial Valuation Report*.

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