

# Virginia529

College Savings Plan



PRESENTATION TO:

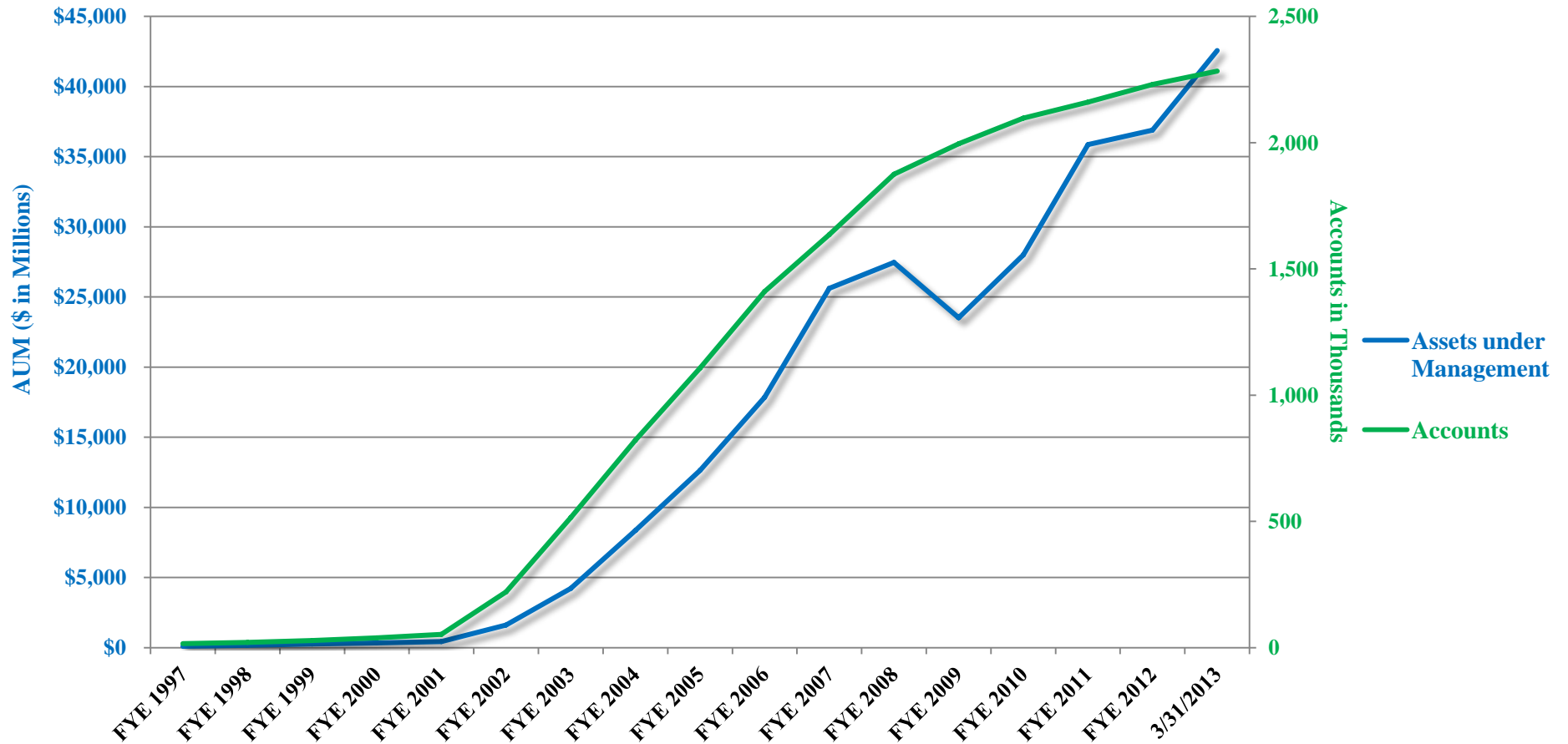
**Joint Legislative Audit and Review Commission**

**July 8, 2013**

Presented by:

*Mary Morris, Chief Executive Officer*

VA529 Assets Under Management and Total Accounts





## Accounts and Assets Under Management as of March 31, 2013

Programs	Accounts	Gross Account Growth in fiscal 2013 (Percent)	Assets Under Management (\$ billions)**	Percent of National 529 Market
prePAID	70,925	3.9%	\$ 2.16	1.2%
inVEST	166,768	*11%	\$ 2.27	*1.3%
CollegeAmerica	2,034,675	***1.92%	\$ 38.07	21.1%
CollegeWealth	10,495	*N/A	\$ .06	*N/A
<b>Totals**</b>	<b>2,282,863</b>		<b>\$ 42.58</b>	<b>23.6%</b>

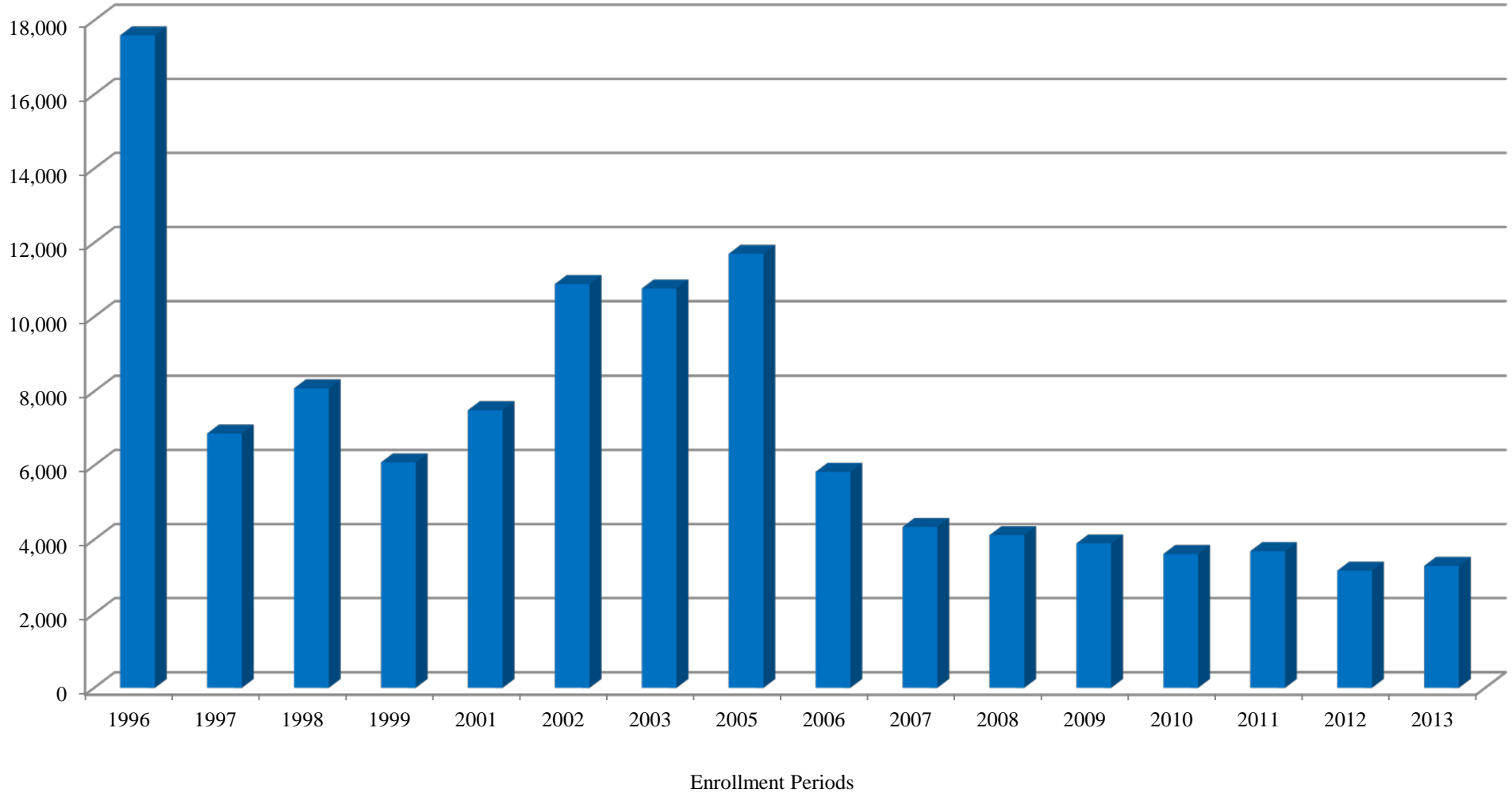
\* Includes both inVEST and CollegeWealth through March 31, 2013

\*\*Figures may not foot due to rounding

\*\*\*Net Account Growth in Fiscal 2013 (Percent)

- **prePAID**
  - Rebrand program: Virginia529 prePAID
  - Semester contracts (enhance accessibility and affordability)
  - Rename contract types:
    - Tier I** (University) and **Tier II** (Community College)
  - Virginia529 prePAID calculator on Virginia529.com
  
- **inVEST**
  - Rebrand program: Virginia529 inVEST
  - Eliminated the Money Market Portfolio at the end of calendar 2012 to preserve stable value investment options in numerous portfolios
  - Daily investment performance on Virginia529 web site/enhanced performance reporting
  
- **CollegeAmerica**
  - Introduction of Target Date Funds
  
- **Morningstar** — Top tier, medalist ratings continue for the two programs rated - inVEST and CollegeAmerica
  
- **Investment Administration**
  - Engaged securities litigation monitoring firms

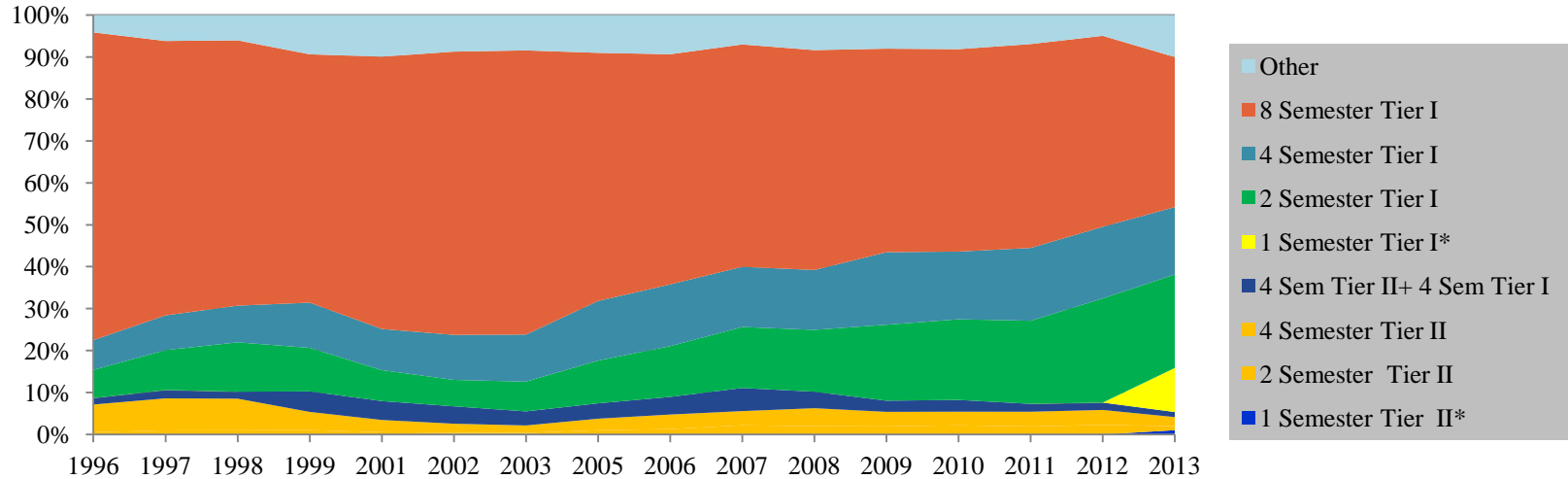
# prePAID Applications



Note: 2000 and 2004 enrollment periods were changed/delayed.

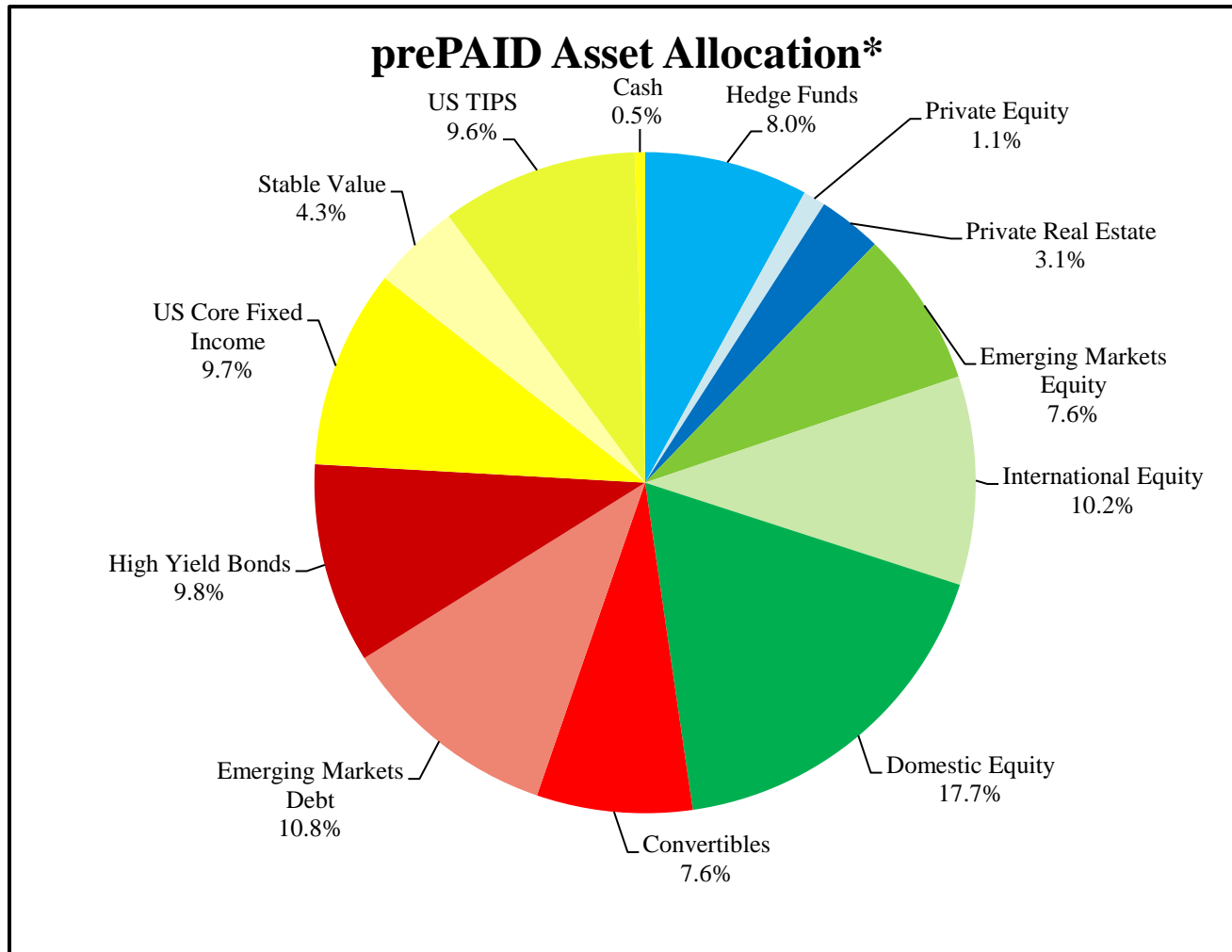
# prePAID Semester Contract Sales by Type

Contract Type as a Percent of Total Contracts by Enrollment Year



Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013
1 Semester Tier II*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.0%
2 Semester Tier II	0.5%	1.0%	1.0%	1.1%	0.5%	0.4%	0.4%	1.0%	1.3%	2.2%	2.0%	1.9%	2.2%	1.9%	2.3%	1.0%
4 Semester Tier II	6.6%	7.6%	7.5%	4.3%	2.9%	2.2%	1.8%	2.7%	3.5%	3.4%	4.3%	3.5%	3.3%	3.5%	3.6%	2.2%
4 Sem Tier II+ 4 Sem Tier I	1.5%	2.0%	1.7%	4.9%	4.5%	4.1%	3.4%	3.7%	4.2%	5.5%	3.9%	2.7%	2.8%	1.9%	1.8%	1.2%
1 Semester Tier I*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.5%
2 Semester Tier I	6.7%	9.5%	11.8%	10.4%	7.4%	6.3%	7.1%	10.2%	12.1%	14.6%	14.8%	18.1%	19.2%	19.8%	24.8%	22.3%
4 Semester Tier I	7.1%	8.3%	8.7%	10.8%	9.8%	10.7%	11.2%	14.2%	14.7%	14.3%	14.3%	17.3%	16.1%	17.4%	17.1%	16.1%
8 Semester Tier I	73.4%	65.4%	63.3%	59.2%	64.9%	67.5%	67.8%	59.2%	54.9%	53.0%	52.4%	48.5%	48.3%	48.6%	45.5%	35.8%
Other	4.1%	6.2%	6.0%	9.3%	9.9%	8.7%	8.4%	9.0%	9.3%	7.0%	8.3%	8.0%	8.1%	6.9%	4.9%	10.0%

# prePAID Asset Allocation as of March 31, 2013

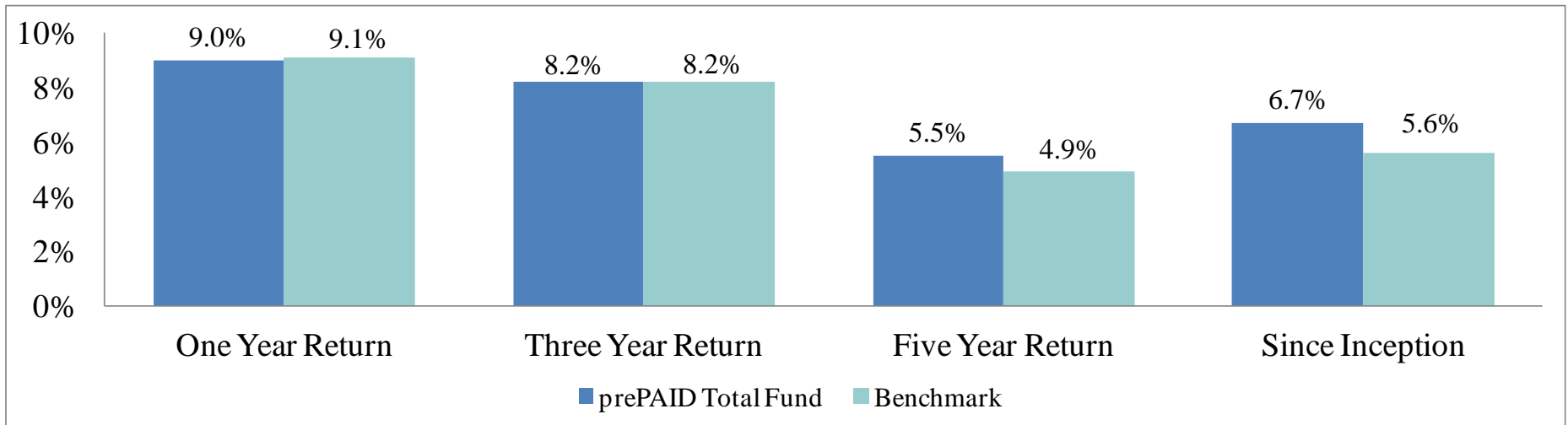


Asset Category	Target
Domestic Equity	15%
International Equity	17.5%
Alternatives	15%
Core-Fixed Income	25%
Non-Core Fixed Income	27.5%

\* Numbers may not add to 100% due to rounding



# prePAID Performance ending 3/31/2013





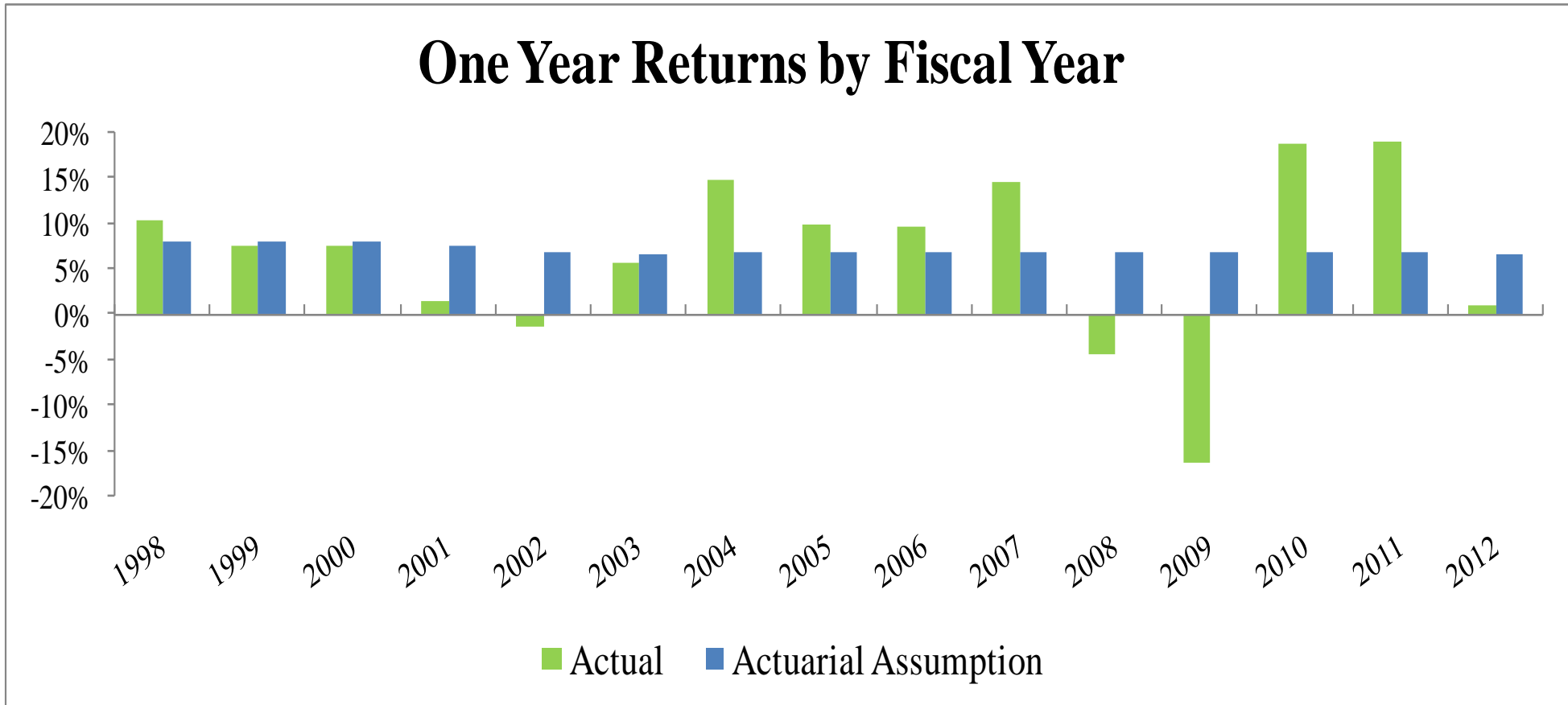
- Key assumptions for VA529 prePAID **actuarial valuation report**
  - Long-term investment return assumption
  - Future tuition growth assumption

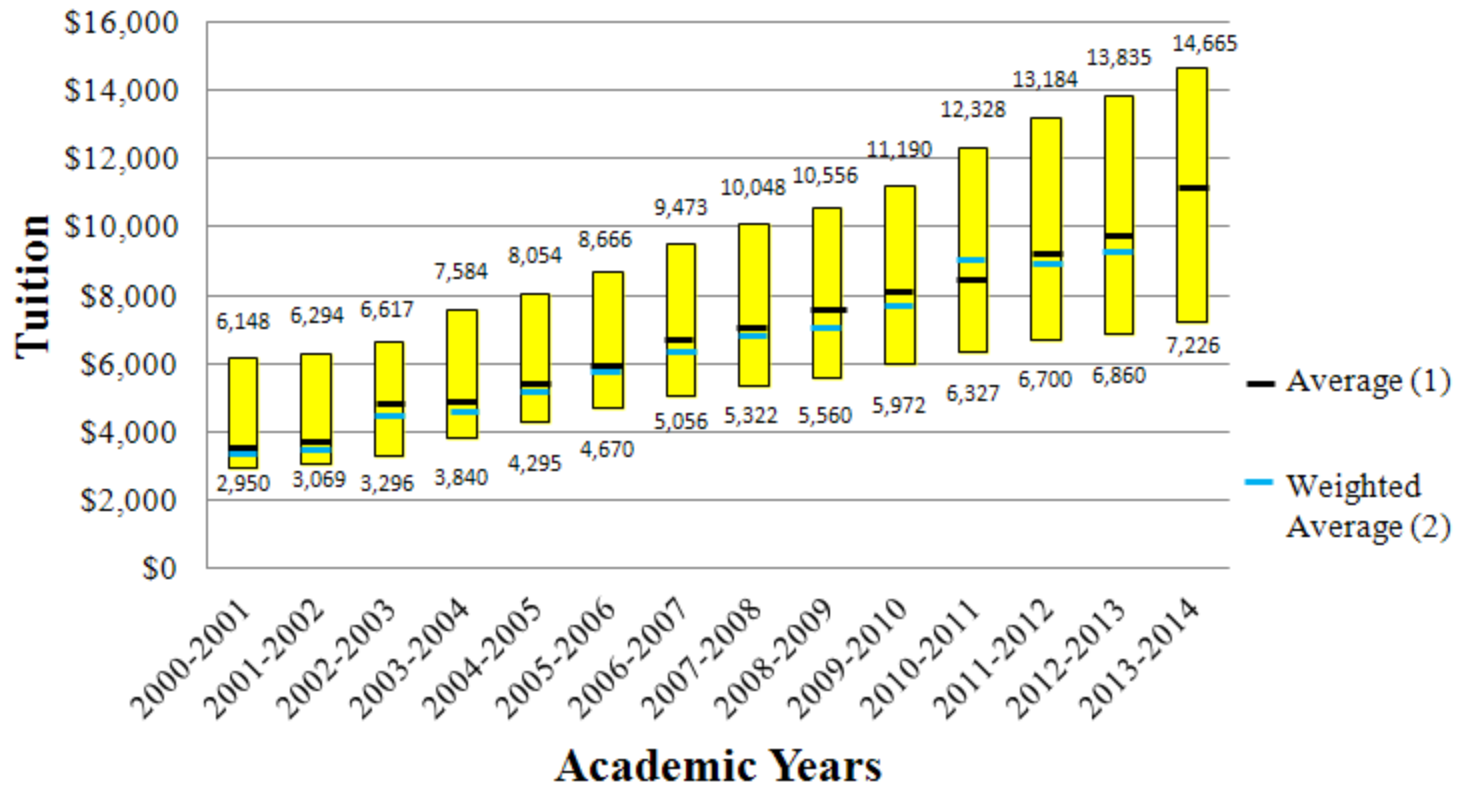
## 2012 Actuarial Valuation Report

- Long-term investment return assumption: **6.75%**
- Future tuition growth assumptions:
  - Four-year colleges and universities: **7.5%**
  - Two-year colleges (community colleges): **7.5%**

# prePAID Annual Return History

## One Year Returns by Fiscal Year





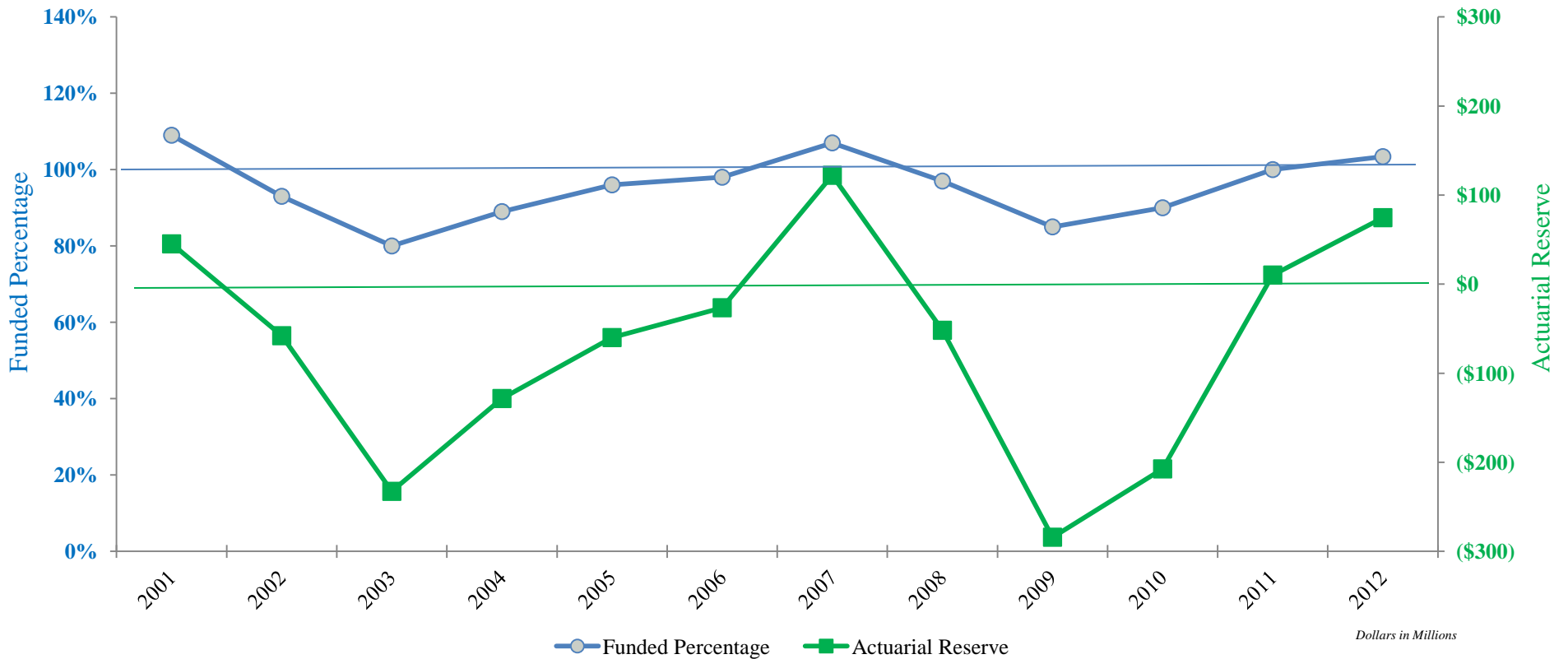
- (1) Simple average of tuition and fee amounts paid from prePAID per academic year
- (2) Enrollment-weighted average tuition and fees as shown in VA529 prePAID Annual Valuation report

# Actuarial Valuations Since Inception

(Amounts in Millions)

FY Ended:	Actuarial Value of Program Assets	Actuarial PV of Future Obligations	Actuarially Funded Percentage	Actuarial Reserve (Deficit)
2001	\$576.2	\$531.0	109%	\$45.2
2002	723.9	781.8	93%	(57.9)
2003	945.2	1,177.8	80%	(232.6)
2004	1,029.3	1,157.7	89%	(128.4)
2005	1,370.4	1,430.4	96%	(60.0)
2006	1,591.0	1,617.5	98%	(26.5)
2007	1,852.7	1,730.5	107%	122.2
2008	1,839.6	1,891.4	97%	(51.8)
2009	1,625.7	1,909.8	85%	(284.1)
2010	1,888.6	2,096.0	90%	(207.4)
2011	2,224.3	2,215.3	100%	9.0
2012	2,249.5	2,175.3	103%	74.2

Virginia529 prePAID Historical Funded Status and Actuarial Reserve



*Statutory definition of Tuition for purposes of prePAID contracts:*

***"Tuition"* means the quarter, semester, or term charges imposed for undergraduate tuition by any two-year or four-year public institution of higher education in the Commonwealth and all mandatory fees required as a condition of enrollment of all students.**

**Va. Code § 23-38.75**

- Virginia higher education tuition and fee policies have evolved significantly since enactment of Title 23, Chapter 4.9 in 1994
  
- Trends include:
  - ✓ Additional charges for certain majors/courses of study (variously called fees or differential tuition )
  - ✓ Move from block charge for full-time students (12-18 credit hours) to:
    - Charges per credit hour
    - Definitions of full-time which include less than 18 hours in a block charge
  - ✓ Tuition guarantees for new students/variability in charges based on class/credits/status

**How best to implement the letter and intent of 70,000+ prePAID contracts as the variance from a traditional standard of a single in-state, undergraduate tuition for all full-time students widens annually?**

- Work closely and collaboratively with JLARC, General Assembly leadership and public universities
- Consider whether legislative changes are required
- Secure agreement from all parties to include VA529 in discussions about tuition and fee policies which may adversely impact the prePAID program
- Currently not a funding issue but a policy issue



# Questions



# Appendix

## Long-term Investment Return Assumptions

<b>Year</b>	<b>Return</b>
<b>1996 - 2000</b>	<b>8.0%</b>
<b>2001</b>	<b>7.5%</b>
<b>2002</b>	<b>7.0%</b>
<b>2003</b>	<b>6.75%</b>
<b>2004 - 2011</b>	<b>7.0%</b>
<b>2012 - 2013</b>	<b>6.75%*</b>

\*Approved by Board in June 2013, upon recommendation of IAC

# inVEST Performance as of 3/31/13

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
<b>AGE-BASED EVOLVING PORTFOLIOS</b>									
<b>James River Portfolio</b>	<b>1.77</b>	<b>4.80</b>	<b>4.80</b>	<b>11.97</b>				<b>8.04</b>	<b>Jan-11</b>
<i>James River Benchmark</i>	1.58	5.32	5.32	12.02				7.61	
<b>Eastern Shore Portfolio</b>	<b>1.56</b>	<b>4.20</b>	<b>4.20</b>	<b>10.87</b>	<b>9.01</b>	<b>4.80</b>		<b>4.10</b>	<b>Feb-08</b>
<i>Eastern Shore Benchmark</i>	1.40	4.67	4.67	11.05	8.28	4.36		3.82	
<b>Alleghany Portfolio</b>	<b>1.35</b>	<b>3.61</b>	<b>3.61</b>	<b>10.03</b>	<b>8.66</b>	<b>4.55</b>		<b>5.28</b>	<b>Aug-05</b>
<i>Alleghany Benchmark</i>	1.22	3.99	3.99	10.21	7.89	3.62		4.58	
<b>Chesapeake Portfolio</b>	<b>1.13</b>	<b>2.99</b>	<b>2.99</b>	<b>9.09</b>	<b>8.26</b>	<b>4.43</b>	<b>8.50</b>	<b>5.97</b>	<b>Jan-02</b>
<i>Chesapeake Benchmark</i>	1.03	3.31	3.31	9.26	7.47	3.65	8.13	5.33	
<b>Potomac Portfolio</b>	<b>0.91</b>	<b>2.40</b>	<b>2.40</b>	<b>7.78</b>	<b>7.45</b>	<b>4.55</b>	<b>8.11</b>	<b>4.56</b>	<b>Jan-00</b>
<i>Potomac Benchmark</i>	0.85	2.69	2.69	8.15	6.80	3.65	7.55	3.13	
<b>Southside Portfolio</b>	<b>0.61</b>	<b>1.53</b>	<b>1.53</b>	<b>6.36</b>	<b>6.59</b>	<b>4.48</b>	<b>7.53</b>	<b>4.46</b>	<b>Jan-00</b>
<i>Southside Benchmark</i>	0.56	1.63	1.63	6.74	5.93	3.38	6.92	3.21	
<b>Blue Ridge Portfolio</b>	<b>0.08</b>	<b>0.06</b>	<b>0.06</b>	<b>3.60</b>	<b>4.78</b>	<b>3.56</b>	<b>6.50</b>	<b>4.17</b>	<b>Jan-00</b>
<i>Blue Ridge Benchmark</i>	0.04	-0.14	-0.14	3.98	4.03	2.19	5.73	2.98	
<b>Piedmont Portfolio</b>	<b>0.11</b>	<b>0.35</b>	<b>0.35</b>	<b>1.73</b>	<b>2.94</b>	<b>3.41</b>	<b>3.84</b>	<b>4.24</b>	<b>Jan-00</b>
<i>Piedmont Benchmark</i>	0.07	0.21	0.21	0.88	0.89	1.43	2.44	3.18	
<b>STATIC PORTFOLIOS</b>									
<b>Aggressive Portfolio</b>	<b>2.37</b>	<b>6.73</b>	<b>6.73</b>	<b>10.71</b>	<b>9.32</b>	<b>3.95</b>	<b>8.07</b>	<b>5.09</b>	<b>Jan-02</b>
<i>Aggressive Benchmark</i>	2.26	6.84	6.84	10.90	9.52	4.85	8.28	5.50	
<b>Moderate Portfolio</b>	<b>1.82</b>	<b>5.07</b>	<b>5.07</b>	<b>9.05</b>	<b>8.52</b>	<b>4.43</b>	<b>7.34</b>	<b>5.16</b>	<b>Jan-02</b>
<i>Moderate Benchmark</i>	1.63	4.92	4.92	9.03	8.51	5.16	7.47	5.52	
<b>Conservative Portfolio</b>	<b>0.70</b>	<b>1.65</b>	<b>1.65</b>	<b>5.41</b>	<b>5.96</b>	<b>4.36</b>	<b>5.21</b>	<b>4.48</b>	<b>Jan-02</b>
<i>Conservative Benchmark</i>	0.61	1.62	1.62	4.91	5.68	4.61	5.04	4.60	
<b>Socially Targeted Portfolio</b>	<b>4.09</b>	<b>12.70</b>	<b>12.70</b>	<b>20.83</b>	<b>11.92</b>			<b>14.37</b>	<b>Nov-09</b>
<i>Socially Targeted Benchmark</i>	3.74	10.58	10.58	13.76	12.47			15.13	
<b>Total Stock Market Portfolio</b>	<b>3.90</b>	<b>10.99</b>	<b>10.99</b>	<b>14.21</b>	<b>12.82</b>	<b>6.33</b>		<b>5.65</b>	<b>Aug-05</b>
<i>Ttl Stock Mkt Benchmark</i>	3.91	11.00	11.00	14.26	12.86	6.30		5.65	
<b>Total Bond Market Portfolio</b>	<b>0.08</b>	<b>-0.11</b>	<b>-0.11</b>	<b>3.74</b>	<b>5.36</b>	<b>5.27</b>		<b>5.13</b>	<b>Sep-05</b>
<i>Ttl Bond Mkt Benchmark</i>	0.06	-0.17	-0.17	3.57	5.32	5.25		5.09	
<b>Ttl International Stock Portfolio</b>	<b>0.85</b>	<b>2.94</b>	<b>2.94</b>	<b>8.53</b>	<b>4.25</b>	<b>-0.80</b>		<b>4.43</b>	<b>Sep-05</b>
<i>Ttl Int'l Stock Benchmark</i>	0.81	5.09	5.09	11.05	4.80	-1.13		3.59	
<b>Inflation-Protected Securities Portfolio</b>	<b>0.25</b>	<b>-0.30</b>	<b>-0.30</b>	<b>5.62</b>	<b>8.35</b>	<b>5.42</b>		<b>5.77</b>	<b>Sep-05</b>
<i>Inflation-Protected Benchmark</i>	0.27	-0.41	-0.41	5.48	8.37	5.66		5.89	
<b>REIT Portfolio</b>	<b>2.98</b>	<b>8.10</b>	<b>8.10</b>	<b>14.78</b>	<b>17.08</b>	<b>7.07</b>		<b>6.86</b>	<b>Sep-05</b>
<i>REIT Benchmark</i>	2.91	8.04	8.04	14.74	17.11	6.51		6.48	

: Performance Returns are calculated by BNY Mellon Asset Servicing. They are presented net of management fees and inVEST administrative fees.

# prePAID Performance as of 3/31/13

Name	3 Month	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>prePAID Total Fund</b>	2.9%	2.9%	9.0%	8.2%	5.5%	8.2%	6.7%	Oct-97
<i>Total Fund Index<sup>1</sup></i>	3.1%	3.1%	9.1%	8.2%	4.9%	7.0%	5.6%	Oct-97
<b>prePAID Total Equity</b>	6.3%	6.3%	13.0%	10.4%	5.1%	10.7%	6.8%	Oct-97
<i>Total Equity Index<sup>2</sup></i>	6.6%	6.6%	11.2%	8.4%	3.0%	8.6%	4.6%	Oct-97
<b>prePAID Total Domestic Equity</b>	12.0%	12.0%	16.5%	13.7%	7.3%	11.1%	7.2%	Oct-97
<i>Domestic Equity Index<sup>3</sup></i>	11.1%	11.1%	14.6%	13.0%	6.3%	9.4%	5.4%	Oct-97
<b>prePAID Total International Equity</b>	1.1%	1.1%	9.6%	7.2%	2.0%	12.4%	6.8%	Oct-97
<i>International Equity Index<sup>4</sup></i>	2.3%	2.3%	7.7%	4.9%	0.1%	11.4%	5.2%	Oct-97
<b>prePAID Alternatives</b>	2.5%	2.5%	6.4%	5.9%	1.0%		4.2%	May-05
<i>Alternatives Index<sup>5</sup></i>	1.9%	1.9%	6.5%	9.2%	1.7%		4.7%	May-05
<b>prePAID Total Fixed Income</b>	0.9%	0.9%	7.1%	7.4%	6.6%	5.7%	6.3%	Sep-97
<i>Fixed Income Index<sup>6</sup></i>	1.1%	1.1%	8.0%	7.9%	6.9%	5.6%	6.2%	Sep-97
<b>prePAID Non Core Fixed Income</b>	1.7%	1.7%	9.8%	8.9%	6.0%		6.2%	May-05
<i>Non-Core Fixed Index<sup>7</sup></i>	2.3%	2.3%	12.0%	10.3%	7.0%		7.0%	May-05
<b>prePAID Core Fixed Income</b>	-0.1%	-0.1%	4.1%	6.0%	5.5%	5.1%	5.9%	Sep-97
<i>Core-Fixed Income Index<sup>8</sup></i>	-0.1%	-0.1%	4.0%	5.7%	5.3%	5.0%	5.8%	Sep-97

<sup>1</sup>35% MSCI ACWI Index, 3.3% NCREIF ODCE Index, 0.7% Russell 3000 + 3%, 6.2% Citigroup 3-Month T-Bill + 3.5%, 2.1% Citigroup 3-Month T-Bill + 4%, 10% Barclays US Corporate High Yield Index, 7.7% BofA ML US Convertibles Index, 10% JPMorgan EMBI, 10% Barclays Capital US Aggregate Index, 10% Barclays US TIPS Index, 5% Citigroup 3-Month T-Bill + 1%

<sup>2</sup>100% MSCI AC World Index

<sup>3</sup>100% Russell 3000 Index

<sup>4</sup>57% MSCI EAFE, 43% MSCI Emerging Markets

<sup>5</sup>27% NCREIF ODCE Index, 6% Russell 3000 + 3%, 50% Citigroup 3-Month T-Bill + 3.5%, 17% Citigroup 3-Month T-Bill + 4%

<sup>6</sup>14% BofA ML US Convertibles Index, 18% Barclays US Corporate High Yield Index, 18% JPMorgan EMBI, 20% Barclays Capital US Aggregate Index, 20% Barclays US TIPS Index, 10% Citigroup 3-Month T-Bill + 1%

<sup>7</sup>28% BofA ML US Convertibles Index, 36% Barclays US Corporate High Yield Index, 36% JPMorgan EMBI,

<sup>8</sup>40% Barclays Capital US Aggregate Index, 40% Barclays US TIPS Index, 20% Citigroup 3-Month T-Bill + 1%

## prePAID Payments – AY 2011-12

### Virginia Public Universities

Public Colleges	Students with prePAID Contracts	prePAID payments to Colleges
Christopher Newport University	448	\$ 4,363,339
College of William & Mary	608	\$ 7,881,627
George Mason University	717	\$ 6,343,714
James Madison University	1087	\$ 8,837,374
Longwood University	396	\$ 3,691,906
Norfolk State University	16	\$ 77,908
Old Dominion University	559	\$ 3,635,735
Radford University	431	\$ 3,373,190
University of Mary Washington	290	\$ 2,480,312
University of Virginia	1304	\$ 14,824,187
University of Virginia at Wise	31	\$ 223,443
Virginia Commonwealth University	1096	\$ 9,690,905
Virginia Military Institute	82	\$ 1,020,442
Virginia State University	20	\$ 129,623
Virginia Tech	1879	\$ 19,207,888

## prePAID payments – AY 2011-12

### Virginia Community Colleges and Richard Bland College

Community College	Students with prePAID Contracts	prePAID payments to Comm Colleges
Blue Ridge Community	39	\$ 126,186
Central Virginia Community	26	\$ 47,367
Dabney S Lancaster Community	7	\$ 20,090
Danville Community	14	\$ 31,821
Eastern Shore Community	2	\$ 6,616
Germanna Community	85	\$ 213,297
J Sargeant Reynolds Community	147	\$ 372,841
John Tyler Community	130	\$ 278,379
Lord Fairfax Community	61	\$ 134,231
Mountain Empire Community	1	\$ 3,294
New River Community	30	\$ 75,777
Northern Virginia Community	558	\$ 1,614,292
Patrick Henry Community	5	\$ 11,216
Paul D Camp Community	4	\$ 9,056
Piedmont Virginia Community	55	\$ 117,628
Rappahannock Community	17	\$ 32,951
Richard Bland College	24	\$ 65,385
Southside Virginia Community	12	\$ 19,866
Southwest Virginia Community	6	\$ 12,653
Thomas Nelson Community	55	\$ 150,726
Tidewater Community	152	\$ 488,413
Virginia Highlands Community	3	\$ 8,349
Virginia Western Community	41	\$ 113,931
Wytheville Community	5	\$ 10,164

## prePAID payments - AY 2011-12 In-State Private & Out-of-State

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Other Colleges	Students with prePAID Contracts	prePAID payments to Colleges
In-State Private	789	\$ 6,525,260
Out-of-State	1638	\$ 9,542,986