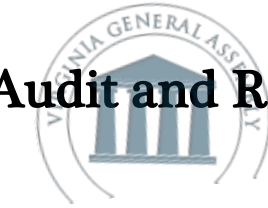


PRESENTATION TO:

# Joint Legislative Audit and Review Commission



July 11, 2016

Presented by:

*Mary Morris, Chief Executive Officer*



## Contents:

- Virginia529 Plan Overview
- Virginia529 prePAID Program
- ABLEnow and ABLEAmerica Programs
- SOAR Virginia
- Virginia529 InVEST and CollegeAmerica
- Appendix

# Virginia College Savings Plan

prePAID

• 1996



**Prepaid contracts** provide a defined benefit and serve as a hedge against tuition inflation. Statutory sum sufficient appropriation. Key assumptions – long term return and tuition and fee increases. Virginia529: sponsor & program manager.

inVEST

• 1999



**Direct savings program** with 19 investment options including age-based evolving portfolios and non-evolving portfolios with a diverse range of investment managers. Virginia529 is sponsor and program manager.

CollegeAmerica

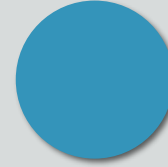
• 2002



**Advisor savings program** with a wide selection of portfolios from the American Funds, one of the largest mutual fund families in the country. Virginia529 is sponsor and the American Funds is program manager.

CollegeWealth

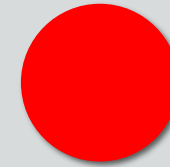
• 2007



**Direct savings program** in conjunction with BB&T and Union Bank & Trust. FDIC-insured high-yield savings accounts. Virginia529 is sponsor and program manager.

ABLEnow  
ABLEAmerica

• 2016/2017



**Disability savings programs** being developed (Direct & Advisor-Sold) to encourage and assist individuals and families in saving to support individuals with disabilities.



# Accounts & Assets Under Management

Virginia529 Programs	Virginia529 Accounts	Gross Account Growth in fiscal 2016 (Percent)	Assets Under Management (\$ Billions)**	Percent of National 529 Market
prePAID	65,849	4.7%	\$2.33	1.0%
Direct-Sold Savings Programs				
inVEST	212,123	*10.8%	\$3.21	*1.4%
CollegeWealth	17,885		\$0.11	
Advisor-Sold Savings Program				
CollegeAmerica	2,180,549	***1.9%	\$49.23	20.9%
Totals**	2,476,406		\$54.89	23.3%

\*Includes both inVEST and CollegeWealth through March 31, 2016

\*\*Figures may not foot due to rounding

\*\*\*Net Account Growth in Fiscal 2016 (Percent) through March 31, 2016

as of 3.31.2016

## Virginia529 Account Growth

	Fiscal Year 2015		Fiscal Year 2014		Fiscal Year 2013	
	Net	Gross	Net	Gross	Net <sup>1</sup>	Gross
prePAID	-2.2%	4.9%	-1.1%	5.5%	-1.7%	4.6%
inVEST	12.2%	16.5%	11.8%	16.9%	10.8%	12.7%
CollegeAmerica	1.2%	N/A	2.8%	N/A	3.2%	N/A
CollegeWealth	17.9%	23.6%	24.8%	30.7%	35.1%	41.2%

<sup>1</sup>On June 27, 2013 VA529 closed all zero balance inVEST accounts with no activity for the trailing 18 months. inVEST accounts reported prior to this date have been adjusted retroactively as if the zero balance account policy had been in effect since inception of the inVEST program.

# Virginia529 Industry Standing

- ✓ Largest 529 Plan in nation - \$55 billion in AUM as of March 31, 2016
- ✓ Control about 23.3% of 529 plan market based on AUM as of March 31, 2016
- ✓ One of twelve states that manage a prepaid tuition program with ongoing enrollment

<http://plans.collegesavings.org/planComparisonState.aspx>

- ✓ Active with two primary industry groups;
  - College Savings Plans Network (CSPN), an affiliate of the National Association of State Treasurers; Virginia529 CEO serves as Committee Chair
  - College Savings Foundation; Virginia529 CEO serves as Chairman
- ✓ Active in legislative and regulatory issues at federal level

# prePAID Historical Funded Status and Actuarial Reserve



# prePAID Key Actuarial Assumptions

Key assumptions for Virginia529 prePAID actuarial valuation report\*

- Long-term investment return assumption
- Future tuition growth assumption

## \*2015 Actuarial Valuation Report

- Long-term investment return assumption: 6.25%\*\*
- Future tuition growth assumptions\*\*\*:
  - Four-year colleges and universities: 6.5%
  - Two-year colleges (community colleges): 6.5%

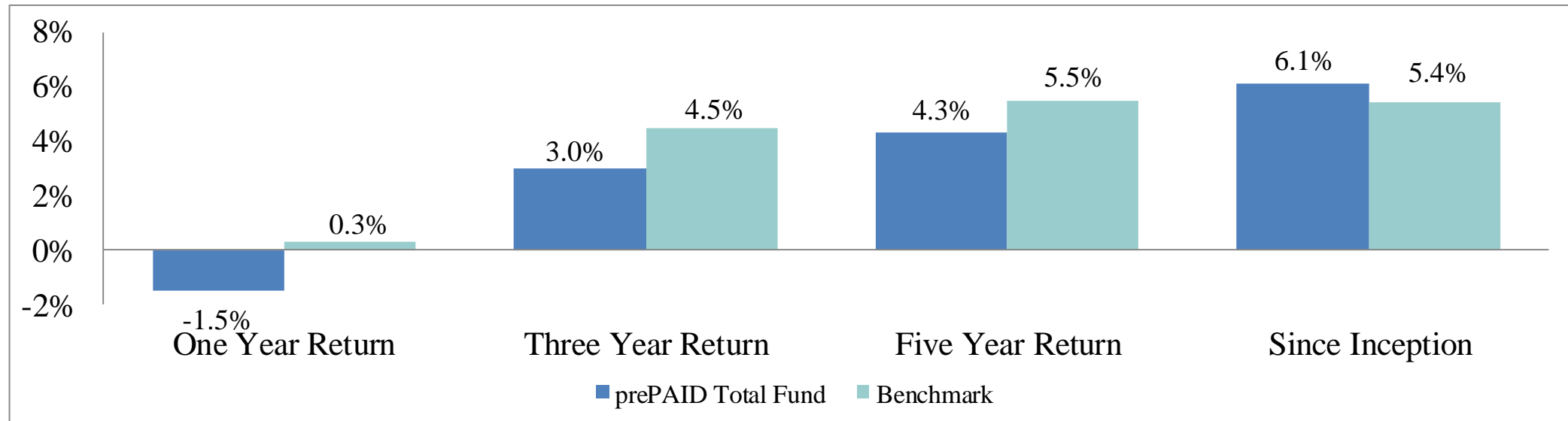
\*\*6.25% Long-term return assumption retained for the 2016 valuation report

\*\*\*2016 Tuition growth % not established





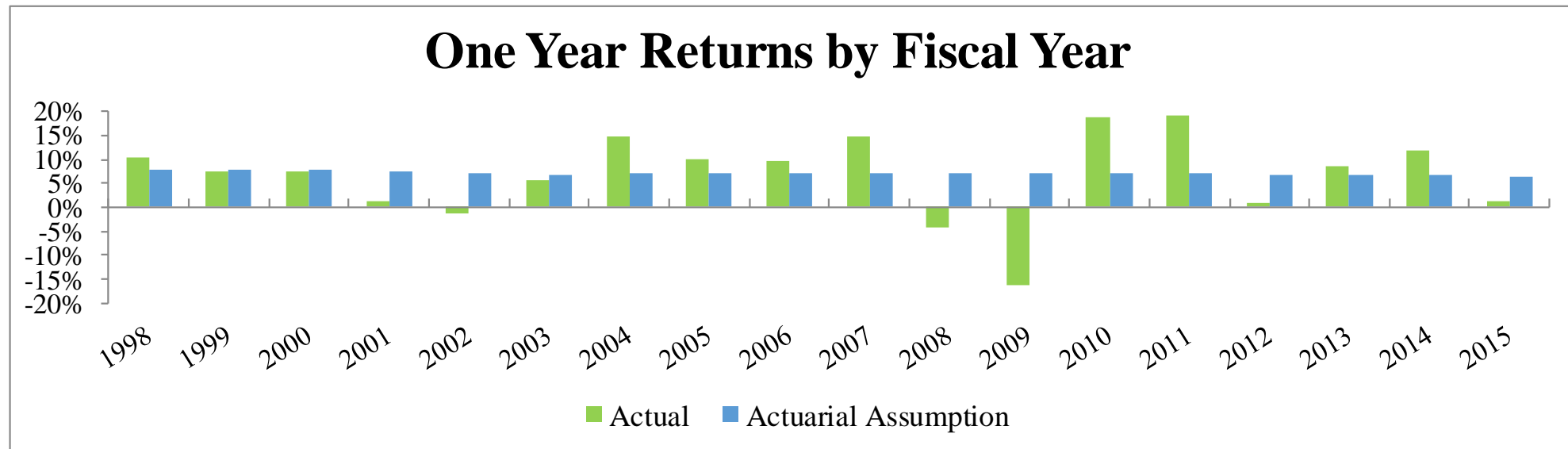
# prePAID Performance (net of fees)



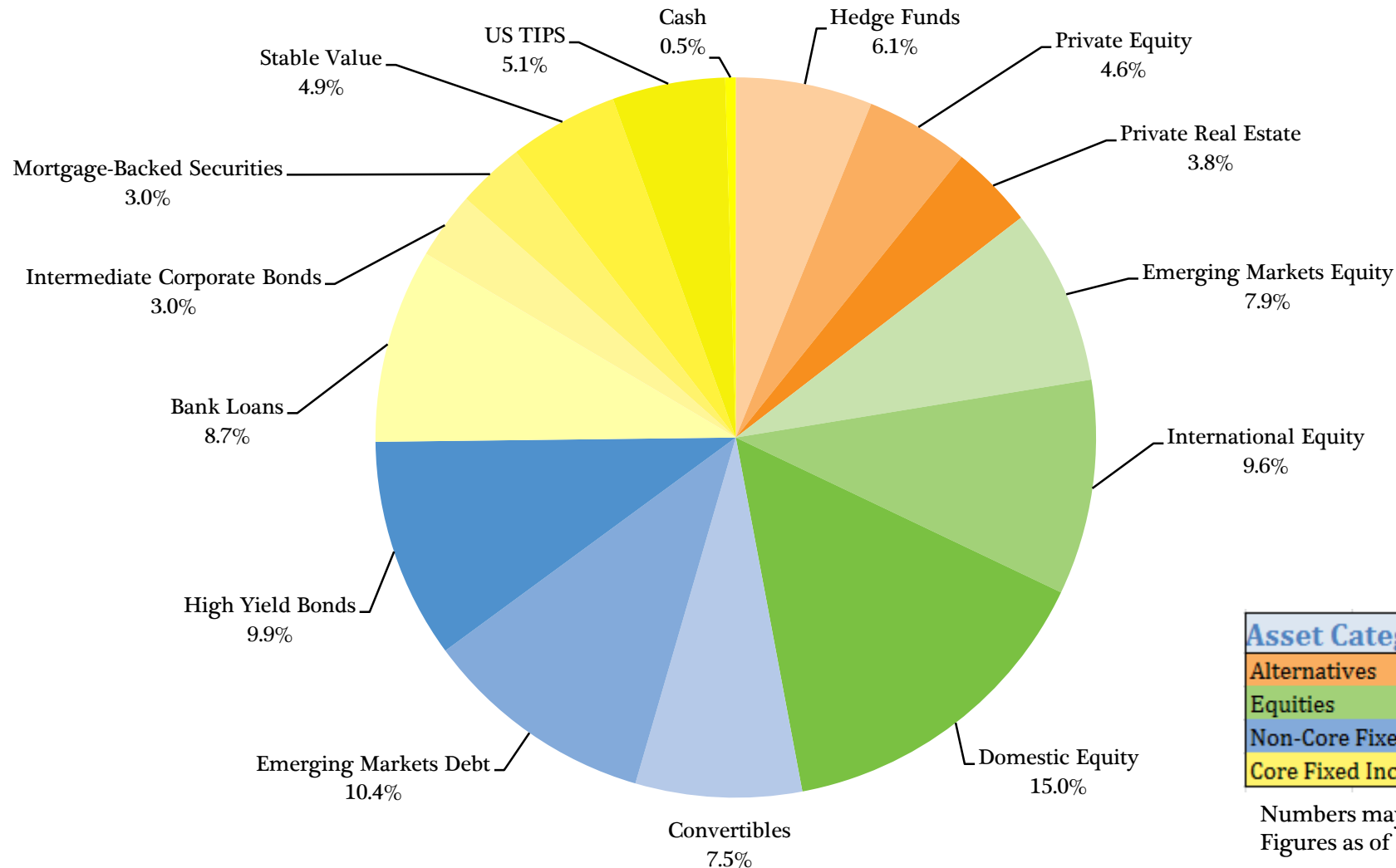
Ending March 31, 2016



# prePAID Annual Return History



# prePAID Asset Allocation



Asset Category	% of Fund	% Target
Alternatives	14.5%	15.0%
Equities	32.5%	32.5%
Non-Core Fixed Income	27.8%	27.5%
Core Fixed Income	25.2%	25.0%

Numbers may not add to 100% due to rounding  
Figures as of March 31, 2016

# Tuition and Mandatory Fee Policies



Virginia higher education tuition and fee policies have evolved significantly since Virginia529 was created in 1994

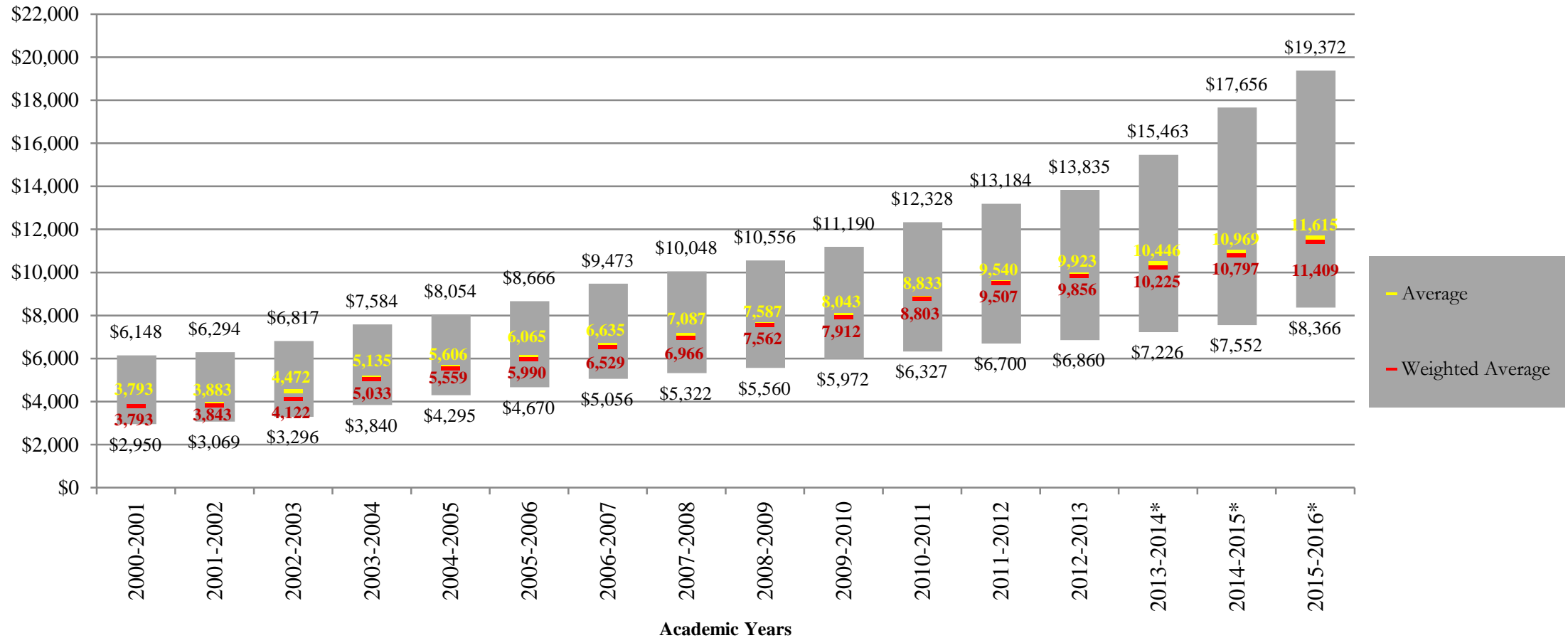


Trends include:

- ✓ 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  
*(e.g., Virginia Commonwealth University)*
  - 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  
*(e.g., William & Mary Promise and University of Virginia Affordable Excellence)*



# Virginia Public University Tuition and Fee Ranges



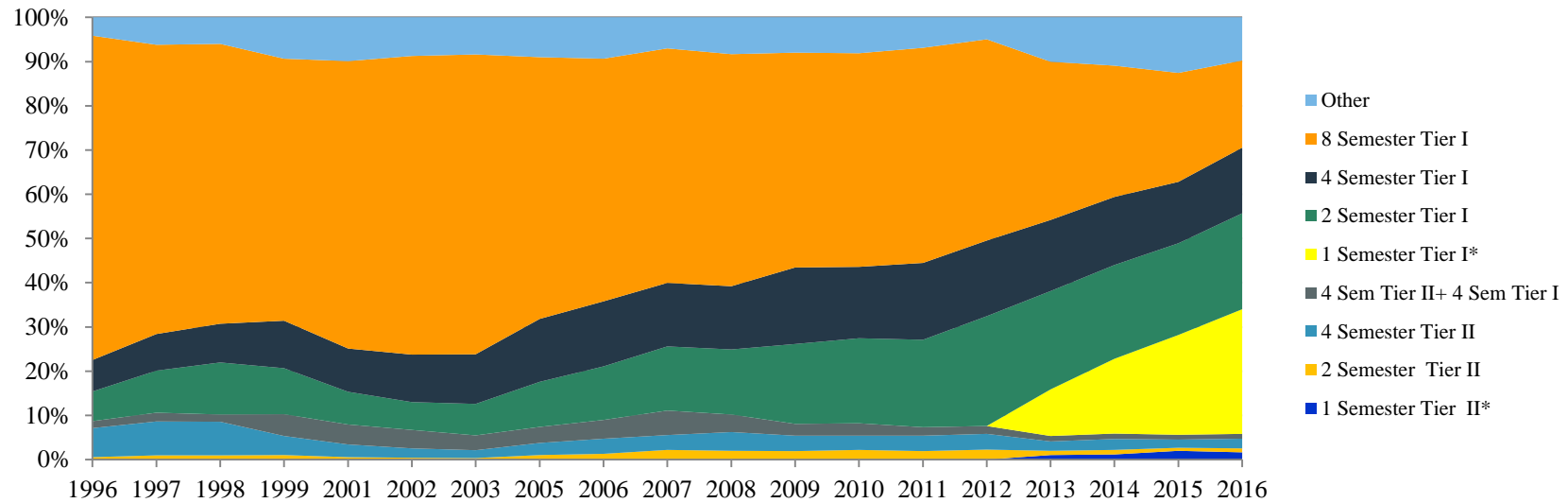
(1) Simple average of tuition and fee amounts paid from prePAID per academic year

(2) Enrollment-weighted average tuition and fees as shown in Virginia529 prePAID Annual Valuation report

\*Highest tuition paid represents the highest Virginia529 payout based on student cohorts under the William & Mary Promise

# prePAID Semester Contract Sales by Type

Contract Type as a Percent of Total Contracts by Enrollment Year



\*\*Beginning with 2013 enrollment period contracts offered on a semester basis as opposed to full year

Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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%	1.2%	2.0%	1.6%
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%	1.1%	1.0%	0.7%	0.9%
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%	2.3%	2.5%	1.8%	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%	1.3%	1.1%	1.1%
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%	16.9%	22.6%	28.2%
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%	22.2%	21.2%	20.7%	21.7%
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%	16.0%	15.4%	13.9%	14.9%
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%	35.7%	29.7%	24.6%	19.7%
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%	10.9%	12.6%	9.8%

# Challenge for Virginia529

How best to implement the letter and intent of 65,000+ prePAID contracts as the variance from a traditional standard of a single in-state, undergraduate tuition for all full-time students widens annually?

- Currently not a funding issue, but a policy issue



# Challenges for the Future

- ❖ Calculation of consistent prePAID benefits, as schools shift from the traditional standard of a single in-state, undergraduate tuition for all full-time students to different tuition models

## Tuition-related bills considered in 2015 and 2016 General Assembly Sessions

	HOUSE	House Summary	SENATE	Senate Summary
2015	2268	Relieves qualified beneficiary of Virginia529 prePAID contract from the obligation to pay differential tuition	806	Requires four-year institutions to fix cost of tuition, room and board, and mandatory fees for incoming freshmen for four consecutive years
	1980 (Ch. 325)	Four-year institutions must maintain updated website with fees, rates, and post-secondary education and employment information	1183	Requires four-year institutions to fix cost of tuition, room and board, and mandatory fees for incoming freshmen for four consecutive years
2016	863	Admission of undergraduate students domiciled in Virginia	501	Prohibits increases of in-state undergraduate tuition that exceeds twice the annual percent increase of Average Consumer Price Index
	961 (Ch. 523)	Permits higher education institutions to offer alternative tuition or fee structures that result in lower cost of attendance to students	503	Requires four-year institutions to annually establish, for each of the following four years, an in-state tuition rate class dollar cap
	1367	Permits higher education institutions to offer alternative tuition or fee structures that result in lower cost of attendance to students	-	

## Joint Subcommittee on Future Competitiveness of Virginia Higher Education

- Created in 2015 Appropriation Act, Chapter 665
- Continued in 2016 Appropriation Act, Chapter 780 and duties expanded to examine alternative tuition and fee structures



# prePAID – 2016 Sustainability Study

In 2014 and 2015, Virginia529 began to discuss potential future impacts on prePAID from:

- Unpredictable tuition growth;
- Changes in tuition and fee models (college funding models);
- Disparity among low- to high-tuition public institutions within Commonwealth;
- Customer expectations of prePAID in light of changes to funding models; and
- Proposed legislation impacting tuition and fee models that may adversely impact prePAID.

# prePAID – 2016 Sustainability Study (cont.)

In late 2015, Board authorized a study, to be completed in 2016, to examine the sustainability of the prePAID program, considering all options, including:

- Maintain current program unchanged;
- Maintain the status quo but with minimal modifications (single-price model; single-tier pricing);
- Close to new enrollment and manage existing contracts through depletion;
- Consider new structure, such as weighted average payout program for new contracts; and/or
- Consider a program with some risk sharing among Virginia529 and Virginia public institutions\* (e.g., Florida and Texas programs).

\*Florida, Texas and Private College 529 provide possible templates

# Achieving a Better Life Experience (ABLE)

## **Federal ABLE Act – H.R. 647**

- Enacted by Congress - December 2014
- Signed into law by President Obama - December 19, 2014
- First major federal legislation for the disabled since the 1990 Americans with Disabilities Act
- Creates IRC § 529A - tax-advantaged savings accounts to encourage and assist individuals and families in saving to support individuals with disabilities
- Modeled in part after § 529 college savings accounts
- ABLE programs must be established and administered by states

## **Virginia ABLE Act: Chapters 227 and 311 - 2015 Virginia Acts of Assembly**

- Amended Virginia529's Enabling Act - added ABLE program to statutory mission
- ABLE savings trust account means an account established...to assist individuals and families to save private funds to support individuals with disabilities to maintain health, independence, and quality of life

## **ABLEnow and ABLEAmerica**

- Under development by VA529 for launch late 2016 (ABLEnow) and early 2017 (ABLEAmerica)
- Web site live: [www.ABLE-now.com](http://www.ABLE-now.com).
- Developing partnerships in disability community, developing customer friendly, cost effective program, and developing marketing strategy to build national ABLE programs



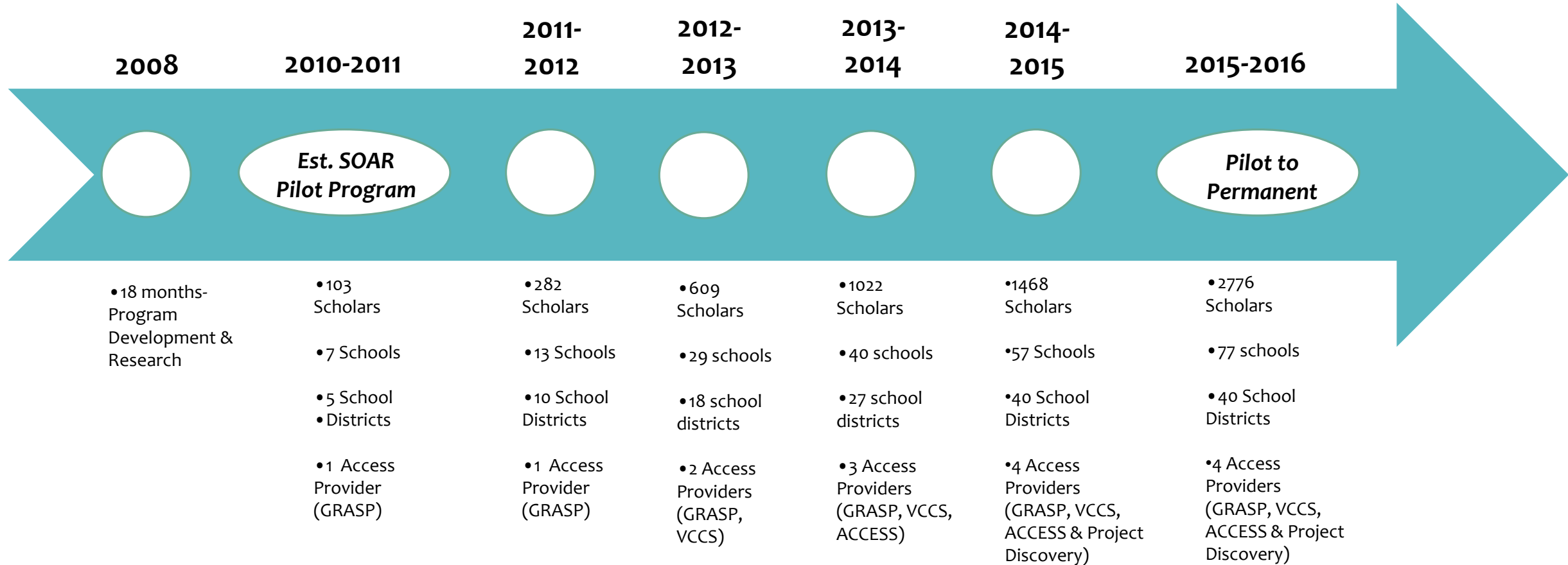
## **An Early Commitment Scholarship Program**

# SOAR Virginia

- Designed to inspire students from low to moderate income families to complete high school and pursue higher education
- Assisted approximately 1,150 high school graduates through June 30, 2016
- Students (Scholars) pledge to meet program criteria
  - ✓ I will maintain a minimum cumulative GPA\* of 2.5
  - ✓ I will meet with my early commitment advisor regularly
  - ✓ I will complete financial literacy training during high school
  - ✓ I will behave in a manner consistent with my school's Code of Student Conduct
  - ✓ I will attend school regularly without unexcused absences
  - ✓ I will participate in community service activities
  - ✓ I will complete a Free Application for Federal Student Aid (FAFSA) during my senior year
  - ✓ I will apply to an eligible educational institution, including a 2- or 4-year college or university or technical school
    - \* or comparable academic achievement as determined by SOAR Virginia
- Virginia529 commits scholarship dollars towards an inVEST account each year of high school
  - ✓ Supported by Virginia529's non-general operating funds
- Administered in partnership with college access providers across the Commonwealth:

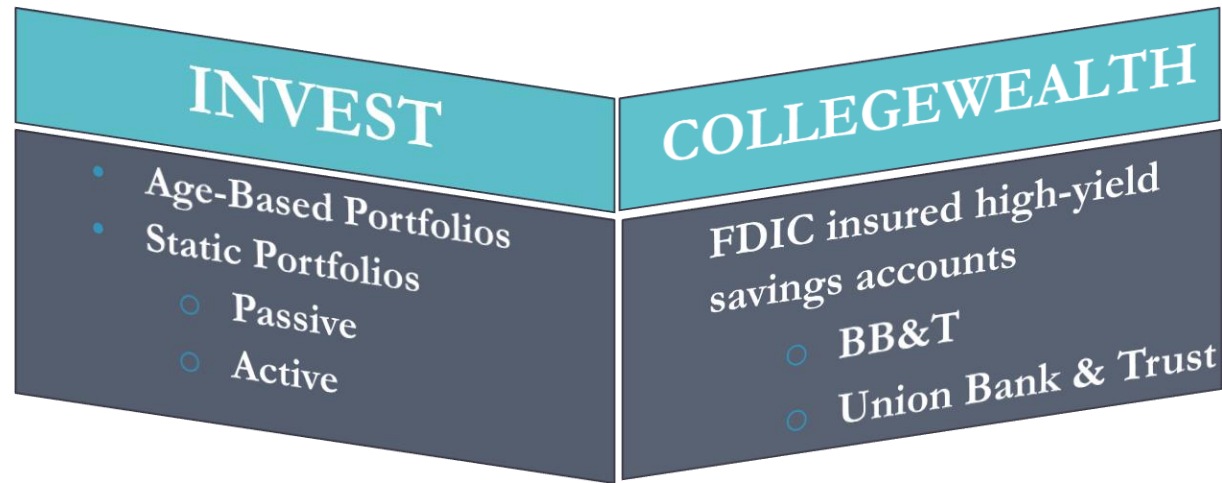


# SOAR Virginia Timeline



# Direct Savings Programs

- ❖ Complement to prePAID, providing a savings vehicle for all qualified higher education expenses (QHEE)



## ❑ Snapshot as of March 31, 2016

- Nineteen portfolios open to new participants
  - 212,123 unique active inVEST accounts
  - \$3.2 billion – inVEST AUM
  - 17,885 unique active CollegeWealth accounts
  - \$113 million – CollegeWealth AUM

## ❑ Manager and fund performance reviewed quarterly by IAC and Board

# Morningstar 529 Savings Plan Ratings



Morningstar rates plans/programs that utilize mutual funds by forward, qualitative ratings using medalist categories (gold, silver, bronze, neutral, and negative)

Analyst's conviction that plan will outperform relevant benchmark and peers on a risk-adjusted basis over long term

## Five rating pillars:

Process, Performance, People, Parent, and Price

***SILVER RATED***

## 2015 Ratings

- ✓ Virginia is the only state with two programs in top two tiers
- ✓ 4 programs rated gold, 7 silver, 18 bronze, 32 neutral, and 2 negative
- ✓ Morningstar recognized Virginia's governance and structure in the Parent category





# inVEST *a Low Cost Option*

➤ **Access** - top tier active management in Age-Based Portfolios at institutional prices

➤ **Affordable** - **No minimum account size (after \$25 opening balance)**

➤ **Low fees**

➤ Vanguard stand alone index options

☐ Bond Index Fund

☐ TIPS Fund

☐ International Index Fund

☐ Stock Index Fund

☐ REIT Index Fund

➤ Vanguard index and actively-managed target-risk portfolio options

➤ **Low Virginia529 administrative fee – 0.10% (Reduced 7/1/2016 – last fee reduction 1/1/14)**

➤ No administrative or asset fees for CollegeWealth

➤ **Online application fees eliminated as of May 2014**

➤ **No account maintenance fees** - inVEST fees asset-based only

➤ Asset weighted average - inVEST expense ratios as of March 31, 2016

☐ inVEST Total – 0.40%

☐ inVEST and CW Total – 0.39%

☐ inVEST Age-Based (Active/Passive) – 0.47%

☐ inVEST Balanced Portfolios (Passive) – 0.29%

☐ inVEST Balanced Portfolios (Active) – 0.61%

☐ inVEST Stand-Alone Options (Passive) – 0.21%

# CollegeWealth *an FDIC-Insured Option*

- **Investment Options**

- *Union Bank & Trust – High Yield Savings Account*
- *BB&T – Money Market Savings Account*
- *Virginia529 reviews Union Bank & Trust and BB&T's CollegeWealth operations and monitors banks*

- **Account Management**

- *\$25 minimum deposit to establish account*
- *No minimum balance or maintenance fees; no annual fees*
- *Opened directly with partner banks (dual account opened simultaneously at Virginia529)*
- *Account maintenance, distributions managed by Virginia529*

- **Interest Compounded Monthly**



Tier	Rate	APY†
\$1 - \$9,999	.50%	.50%
\$10,000+	.75%	.75%



Tier	Rate	APY†
\$0 - \$24,999	.25%	.25%
\$25,000+	.25%	.25%

†FDIC limits apply, Rates as of 6/30/2016



# CollegeAmerica – Program Enhancements

- **Omnibus Conversions / Transitions - Ongoing**

- Move from manual, paper process to accounts on broker-dealer books
- Consistent with current practices in broader mutual fund industry
- Improves client service, enhanced statements and account management
- Compliance with 529 requirements maintained

- **Collaboration among American Funds (Capital Research and Management), Virginia529, and broker-dealer firms to implement**

- Edward Jones and Pershing - May 2011 and March 2012, respectively
- Wells Fargo and Raymond James – January 2015 and June 2016, respectively
- Other broker-dealer conversions pending (Merrill Lynch, Morgan Stanley)

- **June 21, 2016 Board Meeting**

- Contract extended to 2050
- Virginia529 Administration fee adjusted effective July 1, 2016
  - .10% on first \$20 billion of assets
  - .05% from \$20 to \$100 billion
  - .03% on assets over \$100 billion
  - Current blended effective rate = .07%
- American Fund's annual administration fee waived effective July 1, 2014 at time of last fee reduction

**March 31, 2016**

2,180,549 unique active accounts

1,273,666 unique account owners

\$49.23 billion - assets under management

# Appendix

# Fiscal 2016 Plan Highlights

## Deposit of State Tax Refunds into Virginia529 Accounts

- New initiative – allows taxpayer to deposit all or a portion of State tax refund into Virginia529 account(s) – effective for tax year 2014

	Tax Year 2014 Calendar Year 2015	Tax Year 2015 Calendar Year 2016*
<b>Transactions:</b>	748	770
<b>Dollars Received:</b>	\$443,780	\$483,424

\* Through June 30, 2016

## Online Distributions

- Disburse funds for Virginia529 (inVEST and CollegeWealth) savings programs
- Improved access to funds: ability to distribute via ACH rather than check
- Improved efficiency and convenience: ability to transact on-line
- Launched April 2016



# Fiscal 2016 Plan Highlights (cont.)

## Savings Program Portfolio Changes

### ➤ inVEST

- ✓ October 2015: Opened three actively managed target risk funds for static lineup

### ➤ CollegeAmerica

- ✓ American Funds Corporate Bond Fund – approved October 2015
- ✓ American Funds Strategic Bond Fund – approved December 2015
- ✓ American Funds Emerging Markets Bond Fund – approved February 2016

## Improved Distribution of prePAID Program Benefits

- Transfer prePAID benefits for students attending school outside Virginia to inVEST accounts to improve flexibility and timeliness of payments
- Simplified (plain English) inVEST and prePAID Benefits Guides

# Fiscal 2016 Plan Highlights (cont.)

## Customer Identification Program (CIP) Implementation

- Enhanced customer verification and identification
- Fully implemented Summer 2015
- Bank Secrecy Act (BSA) and Anti-Money Laundering (AML)

## Cardinal Implementation

- Participated initially as a Wave I Agency in FY2014
- Due to competing priorities stemming from Cardinal, moved to Wave II in FY2015
- Interfaced and converted to Cardinal from CARS February 2016

## GASB 72; Fair Value Measurement and Application

- GASB 72 provided guidance for determining fair value measurements for financial reporting purposes
- Also provided guidance for applying fair value to investments and related disclosures
- Given Virginia529's goal of providing transparency to participants and others, we implemented GASB 72 in FY2015 - one year prior to the required period
- Virginia529 first State agency to implement GASB 72

# prePAID Long-term Investment Return Assumptions

Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2011	7.0%
2012 - 2014	6.75%
2015 - 2016	6.25%



# Actuarial Valuations Since Inception

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	1,625.8	1,909.8	85%	(284.0)
2010	1,888.6	2,096.0	90%	(207.4)
2011	2,225.5	2,215.3	101%	10.2
2012	2,249.5	2,175.3	103%	74.2
2013	2,408.5	2,189.0	110%	219.5
2014	2,663.7	2,140.4	124%	523.3
2015	2,663.2	2,116.8	126%	546.4

# PERIODIC TABLE OF INDEX RETURNS

## FIRST QUARTER 2016

MARKET OVERVIEW EQUITY FIXED INCOME ALTERNATIVES REAL ASSETS

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1Q16	1 Year
US REITS 38.1%	Emerging Markets 32.4%	Treasury 15.7%	Emerging Markets 76.5%	US REITS 38.0%	Treasury 9.8%	US REITS 15.7%	Small Cap Core 38.5%	US REITS 38.0%	Private Equity All 3.2%	EMD Local 15.0%	US REITS 4.7%
Emerging Markets 32.1%	Private Equity All 16.5%	Aggregate 5.2%	High Yield 55.2%	Small Cap Core 35.2%	Private Equity All 9.8%	Emerging Markets 19.2%	Mid Cap Core 34.8%	Private Equity All 16.7%	US REITS 3.6%	US REITS 5.9%	Treasury 2.6%
Developed International 35.2%	EMD Local 10.3%	EMD Local -5.2%	Mid Cap Core 40.5%	Mid Cap Core 35.5%	US REITS 9.3%	Developed International 13.3%	Large Cap Core 32.4%	Large Cap Core 19.7%	Large Cap Core 1.4%	Emerging Markets 6.7%	Blended 65/35 2.1%
Private Equity All 34.7%	Bloomberg Commodity 15.2%	Hedge Fund of Funds -21.6%	Global Equity 34.5%	Emerging Markets 19.3%	Aggregate 2.9%	Mid Cap Core 12.3%	Global Equity 22.8%	Mid Cap Core 15.2%	Blended 65/35 1.5%	High Yield 3.3%	Aggregate 2.0%
Global Equity 25.0%	Global Equity 15.7%	Private Equity All -24.0%	Developed International 21.8%	Private Equity All 18.2%	High Yield 5.0%	EMD Local 15.9%	Developed International 22.8%	Blended 65/35 11.0%	Treasury 0.8%	Treasury 3.2%	Large Cap Core 1.8%
Small Cap Core 19.4%	Developed International 11.2%	Blended 65/35 -24.7%	US REITS 28.0%	Bloomberg Commodity 15.8%	Blended 65/35 4.4%	Small Cap Core 15.2%	Private Equity All 21.5%	Aggregate 6.0%	Aggregate 6.6%	Aggregate 3.0%	EMD Local -1.5%
Large Cap Core 19.5%	Hedge Fund of Funds 10.2%	High Yield -25.2%	Small Cap Core 27.2%	EMD Local 15.7%	Large Cap Core 2.1%	Global Equity 15.1%	Blended 65/35 18.2%	Treasury 5.0%	Hedge Fund of Funds -0.2%	Mid Cap Core 2.2%	High Yield -3.7%
Mid Cap Core 15.5%	Treasury 9.0%	Small Cap Core -22.8%	Large Cap Core 25.5%	High Yield 15.1%	Mid Cap Core -1.5%	Large Cap Core 15.0%	Hedge Fund of Funds 5.0%	Small Cap Core 4.9%	Developed International -0.2%	Blended 65/35 2.0%	Mid Cap Core -4.0%
EMD Local 15.2%	Aggregate 2.0%	Bloomberg Commodity -26.7%	EMD Local 22.0%	EMD Local 15.3%	EMD Local -1.8%	High Yield 15.9%	High Yield 7.5%	Global Equity 4.2%	Global Equity -2.4%	Large Cap Core 1.2%	Global Equity -4.2%
High Yield 15.0%	Blended 65/35 5.3%	Large Cap Core -27.0%	Blended 65/35 19.6%	Global Equity 12.7%	Small Cap Core -4.2%	Private Equity All 12.5%	US REITS 3.9%	Hedge Fund of Funds 2.4%	Mid Cap Core -2.4%	Bloomberg Commodity 0.4%	Hedge Fund of Funds -5.4%
Blended 65/35 11.7%	Mid Cap Core 5.8%	US REITS -27.7%	Bloomberg Commodity 18.9%	Blended 65/35 12.5%	Hedge Fund of Funds -5.7%	Blended 65/35 19.5%	Aggregate -2.0%	High Yield 2.5%	Small Cap Core -4.4%	Global Equity 0.2%	Developed International -9.3%
Hedge Fund of Funds 10.4%	Large Cap Core 5.5%	Mid Cap Core -41.5%	Private Equity All 14.7%	Developed International 7.8%	Global Equity -7.2%	Hedge Fund of Funds 4.9%	Emerging Markets -3.5%	Emerging Markets -3.2%	High Yield -4.5%	Small Cap Core -1.5%	Small Cap Core -5.8%
Aggregate 4.5%	High Yield 1.5%	Global Equity -42.2%	Hedge Fund of Funds 7.5%	Aggregate 5.5%	Developed International -12.1%	Aggregate 4.2%	Treasury -3.8%	Developed International -4.9%	Emerging Markets -14.9%	Hedge Fund of Funds -2.8%	Emerging Markets -12.0%
Treasury 2.1%	Small Cap Core -1.5%	Developed International -52.4%	Aggregate 5.9%	Treasury 5.9%	Bloomberg Commodity -12.2%	Treasury 2.0%	EMD Local -9.0%	EMD Local -5.7%	EMD Local -14.5%	Developed International -9.0%	Bloomberg Commodity -19.5%
Bloomberg Commodity 2.1%	US REITS -15.7%	Emerging Markets -52.2%	Treasury -3.5%	Hedge Fund of Funds 5.7%	Emerging Markets -19.4%	Bloomberg Commodity -1.1%	Bloomberg Commodity -9.5%	Bloomberg Commodity -10.0%	Bloomberg Commodity -24.7%	Private Equity All N/A	Private Equity All N/A

### MARKET INDICES AND 10 YEAR AVERAGE RETURN

7.2%	Large Cap Core Equity S&P 500
5.0%	Mid Cap Core Equity Russell Midcap
5.8%	Small Cap Core Equity Russell 2000
4.8%	Global Equity MSCI ACWI Net
2.0%	Developed Intl Equity MSCI EAFE Net
2.0%	Emerging Market Equity MSCI EMF Net
4.5%	Aggregate Bonds Barclays U.S. Aggregate Bond
4.2%	Treasury Bonds Barclays U.S. Treasury
7.0%	High Yield Bonds Barclays US Corporate High-Yield
4.2%	Emerging Debt Local JP Morgan Emerging Market GBI-EM
7.4%	US REITS FTSE NAREIT Equity
-2.4%	Commodity Bloomberg Commodity
2.2%	Hedge - Fund of Funds HFRI Fund of Funds
11.1%	Private Equity All Burgiss Economics All
6.0%	Blended 65/35 65%S&P 500/35% Banc Agg

✳ Click here for index disclosure  
✳ Click here for important notices.

† 100% for Private Equity asset classes are not available for 1Q16 and 1 Year ending 3/31/2016.  
Note: Ten year average return represents 10 year ending 12/31/2015

MAKE TOMORROW, TODAY



# History of Enrollment-Weighted Average Tuition and Mandatory Fees at Four Year Universities and Community Colleges in Virginia

Virginia529 prePAID

## History of Enrollment-Weighted Average Tuition and Mandatory Fees at Four Year Universities and Community Colleges in Virginia

<u>Academic Year</u>	<u>University Tuition and Fees</u>	<u>% Increase</u>	<u>Community College Tuition and Fees</u>	<u>% Increase</u>
1988-1989	\$2,377		\$778	
1989-1990	2,544	7.0%	798	2.5%
1990-1991	2,702	6.2%	894	12.0%
1991-1992	2,985	10.5%	1,050	17.4%
1992-1993	3,357	12.5%	1,230	17.1%
1993-1994	3,659	9.0%	1,320	7.3%
1994-1995	3,789	3.6%	1,359	3.0%
1995-1996	3,949	4.2%	1,445	6.3%
1996-1997	4,002	1.3%	1,445	0.0%
1997-1998	4,095	2.3%	1,445	0.0%
1998-1999	4,217	3.0%	1,445	0.0%
1999-2000	3,721	(11.8%)	1,159	(19.8%)
2000-2001	3,793	1.9%	1,159	0.0%
2001-2002	3,843	1.3%	1,159	0.0%
2002-2003	4,122	7.3%	1,671	44.3%
2003-2004	5,033	22.1%	1,882	12.6%
2004-2005	5,559	10.5%	2,006	6.5%
2005-2006	5,990	7.8%	2,135	6.4%
2006-2007	6,529	9.0%	2,269	6.3%
2007-2008	6,966	6.7%	2,404	5.9%
2008-2009	7,562	8.6%	2,584	7.5%
2009-2010	7,912	4.6%	2,781	7.6%
2010-2011	8,803	11.3%	3,285	18.1%
2011-2012	9,507	8.0%	4,179*	27.2%*
2012-2013	9,856	3.7%	4,426	5.9%
2013-2014	10,225	3.7%	4,619	4.4%
2014-2015	10,797	5.6%	4,835	4.7%
2015-2016	11,409	5.7%	5,101	5.5%

\* Starting with the 2011-2012 year, Community College Tuition and Fees is measured as an enrollment-weighted average. Prior to that, a non-enrollment-weighted average was used. Enrollment numbers taken from SCHEV's website.

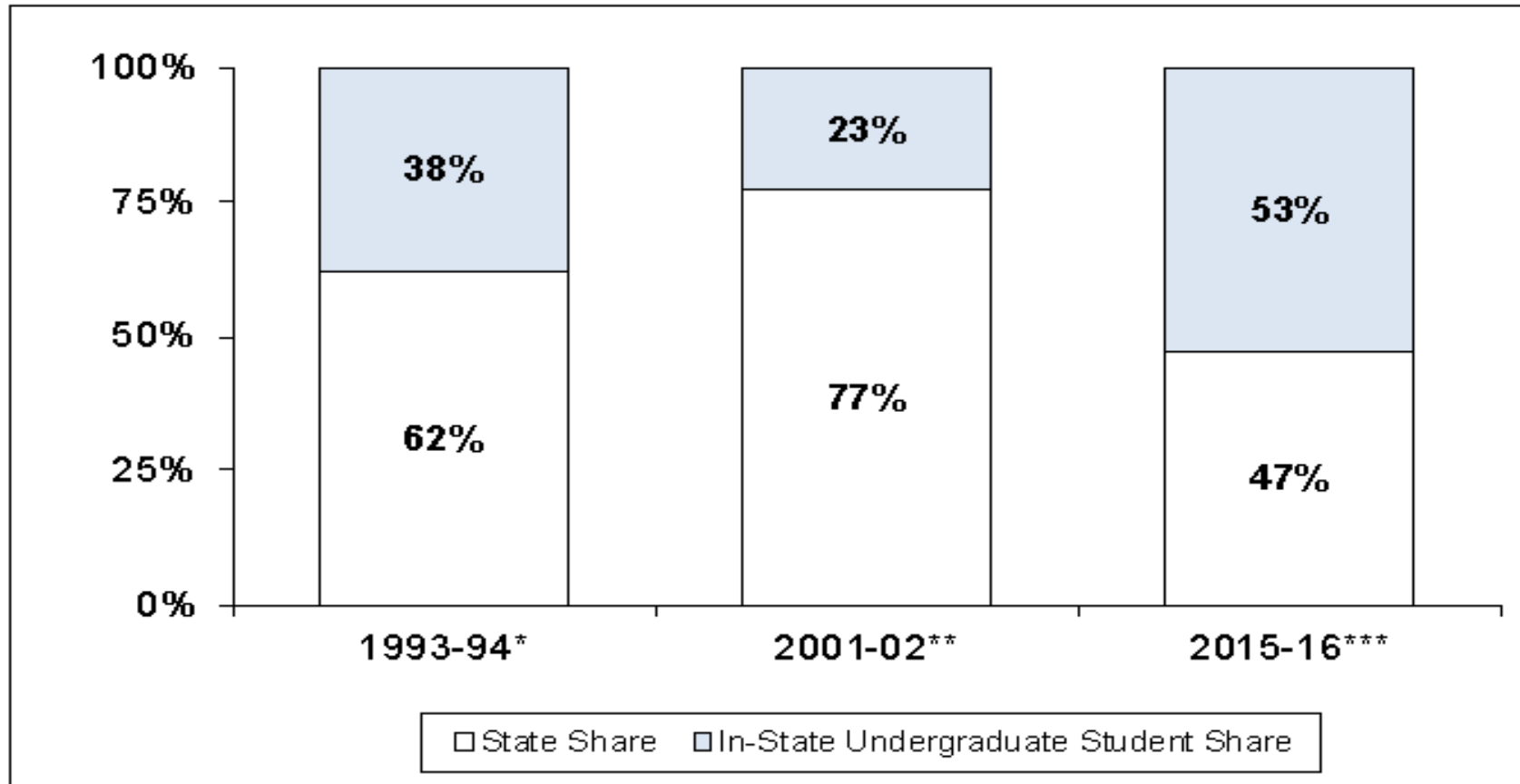
### Compounded Increase in Average Tuition

Over last 5 years:	5.3%	9.2%
Over last 10 years:	6.7%	9.1%
Over last 15 years:	7.6%	10.4%
Over last 20 years:	5.4%	6.5%
Over last 25 years:	5.9%	7.2%

Appendix D  
(Page 3 of 3)

This work product was prepared solely for the Virginia College Savings Plan for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

# Cost-Share Relationship between the State and In-State Undergraduate Students



\*The tuition policy required out-of-state students to pay 100% of cost, but had no cost-share requirement for in-state undergraduate students. Calculation based on the average appropriated cost of education.

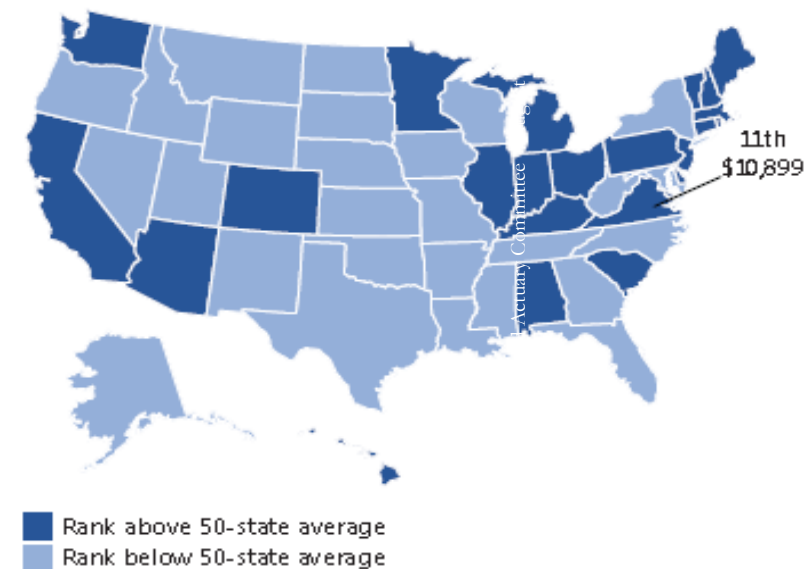
\*\*The goal of the tuition policy was for in-state undergraduate students to pay 25% of the cost. Calculation based on the average appropriated cost of education.

\*\*\*The goal of the tuition policy is for students to pay 33% of the cost. Calculation based on average guideline calculated cost of education.

Source: 2015-16 SCHEV Tuition and Fees Report

## Average Annual In-State Tuition & Fees at Public 4-Year Institutions 2014-15

		\$
1	New Hampshire	14,712
2	Vermont	14,419
3	Pennsylvania	13,246
4	New Jersey	13,002
5	Illinois	12,770
6	Michigan	11,909
7	South Carolina	11,449
8	Delaware	11,448
9	Massachusetts	10,951
10	Rhode Island	10,934
11	Virginia	10,899
12	Washington	10,846
13	Connecticut	10,620
14	Minnesota	10,527
15	Arizona	10,398
16	Ohio	10,100
17	Hawaii	9,740
18	Colorado	9,487
19	Alabama	9,470
20	Maine	9,422
21	Kentucky	9,188
22	California	9,173
23	Indiana	9,023
	<b>50-state average</b>	<b>9,012</b>
24	Oregon	8,932
25	Texas	8,830
26	Wisconsin	8,781
27	Maryland	8,724
28	Tennessee	8,541
29	Missouri	8,383
30	Georgia	8,094
31	Kansas	8,086
32	Iowa	7,857
33	South Dakota	7,653
34	Arkansas	7,567
35	North Dakota	7,513
36	Nebraska	7,404
37	Louisiana	7,314
38	New York	7,292
39	Oklahoma	6,895
40	Mississippi	6,861
41	North Carolina	6,677
42	West Virginia	6,661
43	Idaho	6,602
44	Nevada	6,418
45	Florida	6,351
46	Montana	6,279
47	New Mexico	6,190
48	Utah	6,177
49	Alaska	6,138
50	Wyoming	4,646



### FAST FACTS

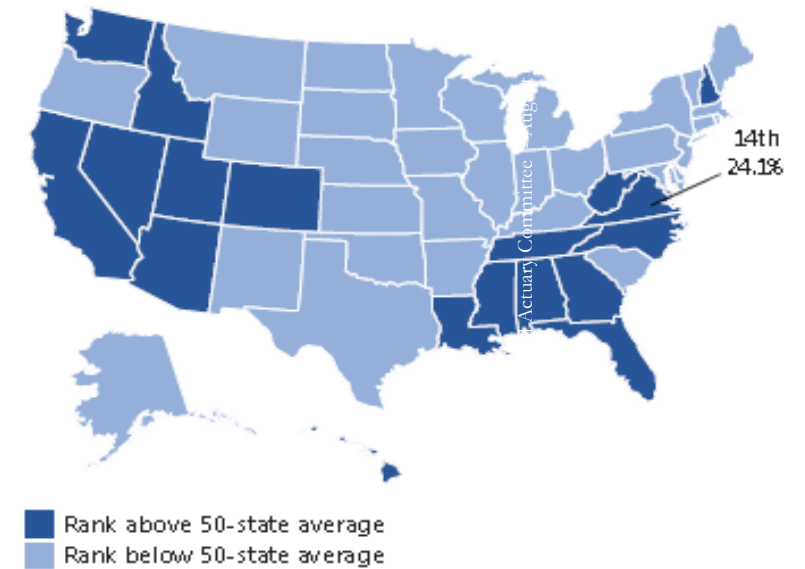
- Average tuition and fees at Virginia's public four-year higher education institutions increased by \$550 from 2013 to 2014 (5.3%, or 3.5% when adjusted for inflation).
- Average tuition and fees at Virginia's private nonprofit four-year institutions was \$28,395 for 2014-15.

Source: College Board, Trends in College Pricing, <http://trends.collegeboard.org> (2014); State Council of Higher Education for Virginia, 2014-15 Tuition and Fees at Virginia's State Supported Colleges and Universities (Jul. 2014).

Note: Prices shown are enrollment-weighted average prices, which means that charges reported by colleges with larger FTEs are weighted more heavily than those of institutions with smaller enrollments. Excludes room and board.

# Percentage Change In In-State Tuition & Fees at Public 4-Year Institutions 2009-10 to 2014-15

		%
1	Louisiana	54.4
2	Georgia	46.1
3	Arizona	43.4
4	Colorado	36.8
5	Washington	33.9
6	Florida	33.0
7	North Carolina	33.0
8	Hawaii	32.6
9	Alabama	32.0
10	Nevada	27.7
11	Tennessee	26.6
12	California	26.6
13	Mississippi	25.2
14	Virginia	24.1
15	Idaho	22.1
16	Utah	22.1
17	West Virginia	20.9
18	New Hampshire	20.1
	<b>50-state average</b>	<b>17.9</b>
19	New Mexico	16.9
20	Oregon	16.9
21	Kentucky	16.7
22	Rhode Island	16.2
23	Kansas	15.8
24	Oklahoma	15.0
25	New York	14.8
26	Delaware	14.8
27	South Dakota	14.7
28	Arkansas	14.4
29	Connecticut	13.5
30	Alaska	12.7
31	Wyoming	12.7
32	Pennsylvania	11.2
33	Illinois	10.9
34	Wisconsin	10.7
35	Michigan	10.3
36	Texas	8.9
37	South Carolina	8.7
38	Vermont	8.5
39	Minnesota	8.3
40	Nebraska	7.4
41	Ohio	7.3
42	North Dakota	7.2
43	Massachusetts	7.1
44	Indiana	6.7
45	Iowa	5.8
46	New Jersey	5.6
47	Maryland	5.5
48	Missouri	5.0
49	Montana	3.5
50	Maine	-0.3



## FAST FACTS

- Tuition and fees (not adjusted for inflation) at Virginia's public four-year higher education institutions increased by 37% between 2009-10 and 2014-15.
- Average charges for a resident undergraduate at a four-year institution (tuition and fees plus room and board) were approximately 47% of per capita disposable income for the 2014-15 academic year.

Source: College Board, Trends in College Pricing, <http://trends.collegeboard.org> (2014); State Council of Higher Education for Virginia (SCHEV), 2014-15 Tuition and Fees at Virginia's State Supported Colleges and Universities (Jul. 2014).

Note: Adjusted for inflation. The College Board uses the Consumer Price Index, All Urban Consumers to adjust for inflation. SCHEV defines per capita disposable income as income available to individuals for spending and saving.

# Key components of Federal ABLE Act of 2014 (§ 529A)

- **Ownership** – the eligible beneficiary is the account owner
- **Age** – the disability must have occurred before the age of 26
- **Disability Criteria** – (i) entitled to benefits under Title II or XVI of the Social Security Act OR (ii) disability certification filed with Secretary of the Treasury
- **Number** - one account per qualified beneficiary
- **Residency** – must be a resident of the State offering the program OR of a contracting State
- **Maximum Annual Contributions** – limited to the annual gift tax exclusion amount (currently \$14,000) for an individual (no joint elections)
- **Regulations** – U.S. Treasury Department to circulate draft regulations
- **Federal Tax Benefits**– no federal tax on gains if used for Qualified Disability Expenses
- **State Claim on Balances** - Upon death of designated beneficiary – State has a claim on ABLE account balances to offset total medical assistance paid to beneficiary under Virginia's Medicaid plan
- **Qualified disability expenses** - Include housing, education, transportation, medical and other expenses if related to their disability
- **Asset exemption** - from \$2,000 cap on conventional savings accounts (which impacts eligibility for Medicaid and Supplemental Security Income (SSI) benefits)

Note: Some components have been revised in statute and regulation



# Developing the ABLÉ Program

- Approval by Virginia529 Board to develop advisor-sold and direct-sold programs – August 2015
- American Funds agreed to develop as part of existing partnership pending regulatory changes – April 30, 2015
- Original ABLÉ statute and draft IRS regulations issued July 6, 2015 contained onerous rules and requirements for State sponsors and participants; e.g.,
  - ✓ Designated beneficiary is the account owner
  - ✓ ABLÉ accounts may only be established in the beneficiary's state of residence
  - ✓ Annual contributions cannot exceed annual federal gift tax exclusion limit (\$14,000)
  - ✓ Only individuals with a severe disability prior to the age of 26 may open an ABLÉ account
  - ✓ Reporting requirements to Social Security Administration and IRS





# Developing the ABLE Program (cont.)

- 2015 explored opportunities to develop in-house direct-sold program and contract with other states pending issuance of revised regulations
- IRS Regulation 2015-81 recd. 11-20-15<sup>3</sup>
  - ✓ Categorization of distributions not required
  - ✓ Contributor's TIN's not required assuming program has system to reject excess contributions
  - ✓ Disability diagnosis certification permitted
- Federal ABLE statute changed December 15, 2015 – eliminated residency requirement and thereby allowing national programs
- March 17, 2016 – three bills introduced in Congress;
  - ✓ ABLE Financial Planning Act – allows rollovers from 529 college savings to ABLE
  - ✓ ABLE Act Adjustment Act – Raises age limit from 26 to 46
  - ✓ ABLE to Work Act – Raises annual contribution limit if beneficiary works, and allows Savers Credit

# Developing the ABL Program (cont.)

- April 5, 2016 MSRB / SEC issued regulatory notice – ABL accounts are deemed to be “municipal securities”, therefore ABL accounts sold by a broker, dealer or muni securities dealer may be subject to MSRB rules
- June 21, 2016 MSRB – ABL offering documents to be available on EMMA
- April 2016 - nine states announced a consortium that will manage ABL accounts – Alaska, Illinois, Iowa, Kansas, Minnesota, Missouri, Nevada, Pennsylvania and Rhode Island
- Virginia529 RFP for Outsourcing Program issued March 2016, four proposals recd. April 2016, reviewed and PNC Bank selected
- June 2016 – Ohio opens first ABL Program
- Virginia529 negotiating contract with PNC Bank for direct-sold Virginia ABLEnow Program
- Virginia ABLEnow Program to be structured similar to HSA program with low-cost, target-risk mutual funds as investment options
- Virginia ABLEnow expected to open December 2016
- American Funds agreed to develop broker-sold ABLEAmerica program to be opened first quarter 2017

# SOAR Virginia Statistics

- Scholar Certification Rate - approximately 85%
- Scholar Retention Rate - approximately 95%
- % pursuing higher education - 86%
  - 90% in Virginia schools
  - 70% in 4 year programs/30% in 2 year programs
  - 85% to public schools
- Cumulative Awards\*: \$1,766,000
- Cumulative Distributions\*: \$320,000

\*As of June 30, 2016

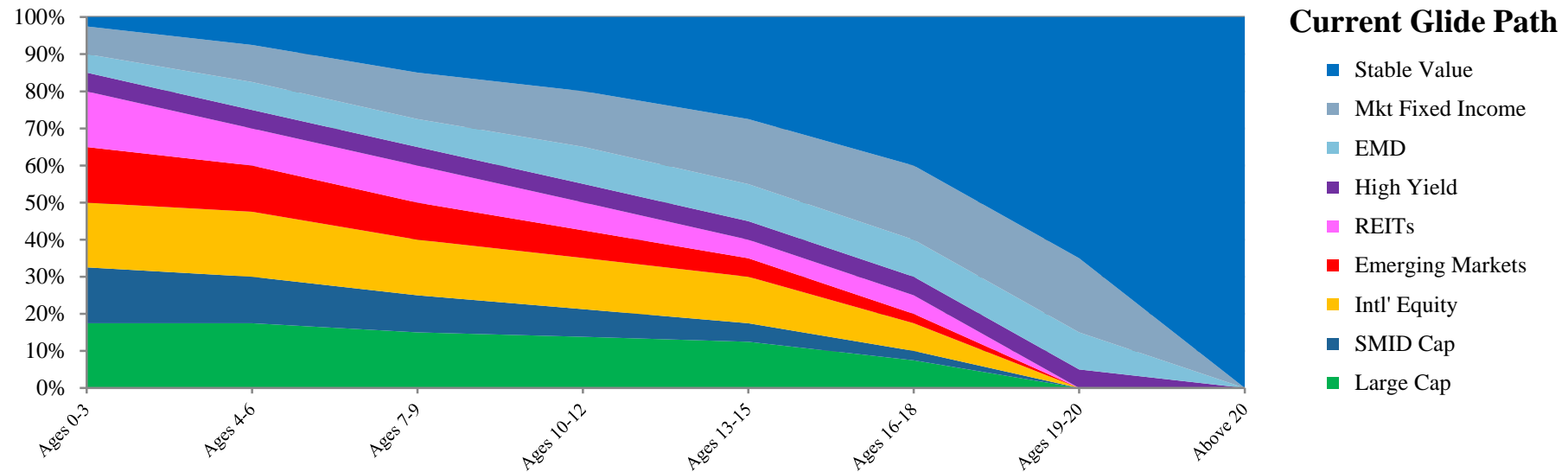
# inVEST Advantages

- **Consistent returns** – long-term outperformance relative to benchmarks
- **Institutional share class fees** with no minimum investment beyond \$25 opening balance
- **Periodic review of offerings** – leverage research and analysis of prePAID portfolio
- **inVEST Age-Based Portfolios**
  - ❑ Two year transition step prior to final evolution in Age-Based Portfolios
    - 100% Fixed-Income (65% stable value, 20% bond index, 10% emerging debt, 5% high yield bonds) transitioning to 100% stable value
    - Maintain conservative mix while recognizing continued tuition increases while in college
  - ❑ Flexible glide path entry based on participant's risk tolerance, with suggested age bands
    - Beneficiary age ranges are suggestions only – allows for a more conservative or aggressive track depending on investor preference

## inVEST Static Portfolios

inVEST Portfolio	Underlying Fund	Date added to inVEST
<b>Passive</b>		
Aggressive Growth Portfolio	Vanguard LifeStrategy Growth Fund	January 2002
Moderate Growth Portfolio	Vanguard LifeStrategy Moderate Growth Fund	January 2002
Conservative Income Portfolio	Vanguard LifeStrategy Income Fund	January 2002
Total Stock Market Index Portfolio	Vanguard Total Stock Market Index Fund	August 2005
Total Bond Market Index Portfolio	Vanguard Total Bond Market Index Fund	September 2005
Total International Index Portfolio	Vanguard Total International Index Fund	September 2005
Inflation Protected Securities Portfolio	Vanguard Inflation Protected Securities Fund	September 2005
REIT Index Portfolio	Vanguard REIT Index Fund	September 2005
<b>Active</b>		
Socially Targeted Portfolio	Parnassus Core Equity Fund	October 2009
Active Aggressive Portfolio	Multiple Underlying Managers	October 2015
Active Moderate Portfolio	Multiple Underlying Managers	October 2015
Active Conservative Portfolio	Multiple Underlying Managers	October 2015

# inVEST Age-Based Glide Path



Suggested Age	Ages 0-3	Ages 4-6	Ages 7-9	Ages 10-12	Ages 13-15	Ages 16-18	Ages 19-20	Above 20
College Year	2033	2030	2027	2024	2021	2018	In College	In College
Large Cap	17.5%	17.5%	15.0%	13.8%	12.5%	7.5%	0.0%	0.0%
SMID Cap	15.0%	12.5%	10.0%	7.5%	5.0%	2.5%	0.0%	0.0%
Intl' Equity	17.5%	17.5%	15.0%	13.8%	12.5%	7.5%	0.0%	0.0%
Emerging Markets	15.0%	12.5%	10.0%	7.5%	5.0%	2.5%	0.0%	0.0%
REITs	15.0%	10.0%	10.0%	7.5%	5.0%	5.0%	0.0%	0.0%
High Yield	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%
EMD	5.0%	7.5%	7.5%	10.0%	10.0%	10.0%	10.0%	0.0%
Mkt Fixed Income	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%	20.0%	0.0%
Stable Value	2.5%	7.5%	15.0%	20.0%	27.5%	40.0%	65.0%	100.0%

# inVEST Performance

as of March 31, 2016

	Current Month	3 Months Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
<b>AGE-BASED PORTFOLIOS</b>								
<b>Rappahannock Portfolio</b>	7.28	2.47	-3.42				2.34	Jan-14
<i>Rappahannock Benchmark</i>	7.48	2.17	-3.50				2.23	
<b>James River Portfolio</b>	6.41	2.26	-2.91	4.60	5.72		6.06	Jan-11
<i>James River Benchmark</i>	6.57	1.99	-2.85	4.72	5.43		5.95	
<b>Eastern Shore Portfolio</b>	5.54	2.18	-2.17	4.44	5.20		4.22	Feb-08
<i>Eastern Shore Benchmark</i>	5.73	1.99	-2.07	4.57	4.92		4.10	
<b>Alleghany Portfolio</b>	4.81	2.14	-1.52	4.16	4.97	4.33	4.97	Aug-05
<i>Alleghany Benchmark</i>	4.89	1.95	-1.35	4.24	4.70	3.88	4.49	
<b>Chesapeake Portfolio</b>	3.90	1.93	-0.82	3.88	4.73	4.23	5.53	Jan-02
<i>Chesapeake Benchmark</i>	3.97	1.76	-0.71	3.95	4.51	3.95	5.04	
<b>Potomac Portfolio</b>	2.77	1.92	0.21	3.66	4.38	4.15	4.39	Jan-00
<i>Potomac Benchmark</i>	2.80	1.77	0.21	3.69	4.19	3.83	3.22	
<b>Southside Portfolio</b>	0.89	1.67	1.64	3.09	3.73	4.00	4.21	Jan-00
<i>Southside Benchmark</i>	0.80	1.45	1.18	2.90	3.41	3.54	3.13	
<b>Blue Ridge Portfolio</b>	0.14	0.40	1.52	0.96	1.71	2.82	3.57	Jan-00
<i>Blue Ridge Benchmark</i>	0.09	0.26	0.93	0.65	1.31	2.21	2.50	
<b>Piedmont Portfolio</b>	0.14	0.40	1.52	1.40	1.86	3.07	3.71	Jan-00
<i>Piedmont Benchmark</i>	0.09	0.26	0.93	0.89	0.88	1.79	2.75	
<b>PASSIVELY-MANAGED STATIC PORTFOLIOS</b>								
<b>Aggressive Growth Portfolio</b>	6.15	1.09	-2.48	6.56	6.59	4.77	5.39	Jan-02
<i>Aggressive Growth Benchmark</i>	6.26	1.33	-1.55	6.85	7.07	5.29	5.78	
<b>Moderate Growth Portfolio</b>	4.82	1.65	-1.21	5.66	5.97	4.87	5.26	Jan-02
<i>Moderate Growth Benchmark</i>	5.12	2.06	-0.40	5.65	6.15	5.23	5.55	
<b>Conservative Income Portfolio</b>	2.17	2.71	0.88	3.61	4.17	4.39	4.30	Jan-02
<i>Conservative Income Benchmark</i>	2.83	3.45	1.70	3.23	4.05	4.37	4.31	
<b>Total Stock Market Portfolio</b>	7.03	0.89	-0.61	10.94	10.81	6.84	7.11	Aug-05
<i>Ttl Stock Mkt Benchmark</i>	7.03	0.91	-0.60	10.96	10.83	6.83	7.11	
<b>Total Bond Market Portfolio</b>	0.94	3.06	1.68	2.24	3.57	4.70	4.30	Sep-05
<i>Ttl Bond Mkt Benchmark</i>	0.97	3.09	1.73	2.30	3.58	4.67	4.29	
<b>Ttl International Stock Portfolio</b>	8.24	-0.20	-8.30	0.63	0.52	1.72	3.34	Sep-05
<i>Ttl Int'l Stock Benchmark</i>	8.29	-0.27	-7.85	1.57	1.82	1.43	3.01	
<b>Inflation-Protected Securities Portfolio</b>	1.88	4.54	1.40	-0.90	2.83	4.31	3.83	Sep-05
<i>Inflation-Protected Benchmark</i>	1.79	4.42	1.36	-0.88	2.84	4.41	3.92	
<b>REIT Portfolio</b>	10.43	6.23	3.78	10.19	11.58	6.54	7.79	Sep-05
<i>REIT Benchmark</i>	10.43	6.27	3.90	10.28	11.66	6.26	7.54	
<b>ACTIVELY-MANAGED STATIC PORTFOLIOS</b>								
<b>Active Aggressive Portfolio</b>	7.31	2.44					5.21	Oct-15
<i>Active Aggressive Benchmark</i>	7.47	2.17					5.47	
<b>Active Moderate Portfolio</b>	4.92	2.23					4.17	Oct-15
<i>Active Moderate Benchmark</i>	4.89	1.95					4.22	
<b>Active Conservative Portfolio</b>	2.82	1.96					3.10	Oct-15
<i>Active Conservative Benchmark</i>	2.80	1.77					2.99	
<b>Socially Targeted Portfolio</b>	5.83	2.59	2.88	11.61	12.15		13.07	Nov-09
<i>Socially Targeted Benchmark</i>	6.78	1.31	1.63	11.66	11.40		13.49	

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







# CollegeAmerica Portfolio Options

CollegeAmerica Assets Under Management				
Fund Name	Fund Number (hidden)	3/31/2016	% of Total	\$ Change
<b>Growth Funds</b>		16,190,216,795	31.9%	16,900,341,191
AMCAP Fund		1,822,917,338	3.7%	1,858,384,992
EuropeLife Growth Fund		1,391,426,212	3.2%	1,756,905,986
The Growth Fund of America		7,863,816,853	16.0%	8,113,424,812
The New Economy Fund		586,101,854	1.2%	572,750,748
New Perspective Fund		2,065,762,629	4.2%	2,124,581,199
New World Fund		905,616,498	1.8%	1,029,104,753
Sundlup World Fund		1,352,575,412	2.7%	1,445,218,701
<b>Growth-and-Income Funds</b>		12,639,110,188	25.7%	13,176,574,420
American Mutual Fund		984,592,222	2.0%	1,012,712,659
Capital World Growth and Income		3,779,019,885	7.7%	4,109,656,165
Developing World Growth & Income		29,586,585	0.1%	24,692,952
Fundamental Investors		2,432,794,100	4.9%	2,401,343,659
International Growth and Income		163,020,929	0.3%	173,849,110
The Investment Company of America		2,830,123,060	5.7%	2,942,826,656
Washington Mutual Investors Fund		2,419,975,406	4.9%	2,511,513,220
<b>Equity-Income Funds</b>		5,062,373,364	10.3%	5,294,570,644
Capital Income Builder		3,024,233,484	6.1%	3,153,091,322
The Income Fund of America		2,038,039,779	4.1%	2,141,479,322
<b>Balanced Funds</b>		4,452,377,437	9.0%	4,410,786,996
American Balanced Fund		4,146,986,330	8.4%	4,109,416,678
American Funds Global Balanced Fund		305,391,107	0.6%	301,362,318
<b>Bond Funds</b>		3,560,639,356	7.2%	3,747,544,936
American High-Income Trust		430,437,457	0.9%	524,854,939
American Funds Inflation Linked Bond Fund		4,072,171	0.0%	1,378,428
The Bond Fund of America		1,398,544,310	2.8%	1,454,794,816
Capital World Bond Fund		498,088,825	1.0%	552,347,544
Intermediate Bond Fund of America		540,842,382	1.1%	538,942,526
Short-Term Bond Fund of America		438,952,944	0.9%	436,426,322
U.S. Government Securities Fund		218,395,520	0.4%	214,398,719
American Funds Strategic Bond Fund (All Share Classes)		111,210	0.0%	0
American Funds Mortgage Fund		31,196,537	0.1%	24,400,643
<b>Money Market Fund</b>		1,315,378,793	2.7%	1,159,833,185
American Funds Money Market Fund		1,315,378,793	2.7%	1,159,833,185
<b>Portfolio Series Funds</b>		1,664,407,775	3.4%	1,367,205,462
American Funds Balanced Portfolio		316,809,652	0.6%	270,197,694
American Funds Global Growth Portfolio		203,773,221	0.4%	166,804,011
American Funds Growth and Income Portfolio		449,937,888	0.9%	387,890,829
American Funds Growth Portfolio		458,950,809	0.9%	340,266,028
American Funds Income Portfolio		129,103,737	0.3%	122,567,164
American Funds Preservation Portfolio		105,832,468	0.2%	79,479,737
<b>Target Date Funds</b>		4,362,149,809	8.9%	3,165,126,433
American Funds College 2015 Fund		0	0.0%	335,864,015
American Funds College 2018 Fund		835,984,849	1.7%	652,023,424
American Funds College 2021 Fund		905,262,146	1.8%	640,759,232
American Funds College 2024 Fund		778,573,584	1.6%	551,226,328
American Funds College 2027 Fund		600,168,810	1.2%	418,543,180
American Funds College 2030 Fund		691,504,693	1.4%	478,354,817
American Funds College 2033 Fund		113,097,506	0.2%	178,840
American Funds College Enrollment Fund		417,558,220	0.8%	88,176,998
<b>Total</b>		49,246,553,417		49,331,996,668
				24,557,749

\*Source: Final Asset Value Reports received from American Funds