



JLARC

July 10, 2017

Presenter: Mary Morris, Chief Executive Officer

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Virginia529 Overview



Virginia529* created by 1994 Virginia Acts of Assembly

- Codified at Title 23.1, Chapter 7 (Va. Code § 23.1-700 et seq.)
- Mandate pre-dates I.R.C. § 529, to implement a prepaid tuition program; subsequent amendments reference § 529 and savings programs
- Body politic and corporate and independent state agency created to develop, implement and administer college savings programs



College Savings

Based on AUM as of March 31, 2017 Virginia529 is currently the largest 529 Plan in the country:

- Over 2.5 million accounts;
- Nearly \$62 billion in AUM;
- Control about 21.4% of 529 plan market; and
- One of eleven** states that offer prepaid plan



Active with two primary industry groups and on legislative and regulatory issues at federal level:

- College Savings Foundation (CSF), Chairman, 2014-2016; Member, Executive Committee, 2014-Present
- College Savings Plan Network (CSPN), Chair, Federal Initiatives Committee, 2012-Present; Treasurer, 2012-14



ABLEnow

- 2015 General Assembly Session - Amended Virginia529 Enabling Statute
- Authorized ABLE savings trust accounts to assist persons w/ disabilities to save toward qualified disability expenses
- ABLEnow Launched: December 2016

As of March 31, 2017

- Over 1,150 accounts & over \$1.7 million AUM



*Originally, the Virginia Higher Education Tuition Trust Authority

** Source: Strategic Insights – Market Data on 529 Prepaid Plans by Plan as of 4Q 2016

Virginia529 Program Timeline

Prepaid529
1996

Invest529
1999

CollegeAmerica
2002

CollegeWealth
2007-2017

SOAR Virginia
2010

ABLEnow
2016
ABLEAmerica
[2018]

Prepaid529 Savings Program

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

Direct-Sold Savings Program

with 19 Investment options including age-based and static portfolios with a diverse range of investment managers.
-Virginia529: program sponsor & manager.

Advisor-Sold Savings Program

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

Direct Savings Program

in conjunction with two banks, FDIC-insured savings accounts.
-Virginia529: program sponsor & manager.
-CollegeWealth being discontinued; notices to banking partners in 2016.
-Intent to transfer accounts/funds to FDIC Insured Invest529 Portfolio in 2017.

Early Commitment Scholarship Program

to inspire eligible high school students to reach post-secondary goals. Partnership with Virginia's college access providers. -
-Virginia529: program sponsor & manager.

Disability Savings Programs

Direct & Advisor-Sold
to encourage and assist individuals and families in saving to support individuals with disabilities.
-Virginia529 is the program sponsor and manager for ABLEnow.
-American Funds will be program manager for ABLEAmerica.

Accounts and Assets Under Management as of 3/31/2017

Virginia529 Programs	Virginia529 Accounts	Gross Account Growth in fiscal 2017 (Percent)	Assets Under Management (\$ Billions)**	Percent of National 529 Market****
Prepaid529	65,042	5.0%	\$2.53	10.8%
Direct-Sold Savings Programs				
Invest529	238,715	*11.9%	\$3.74	*2.6%
CollegeWealth	18,955		\$0.11	
Advisor-Sold Savings Program				
CollegeAmerica	2,239,447	***1.9%	\$55.61	46.6%
Totals**	2,562,159		\$61.99	21.4%

*Includes both Invest529 and CollegeWealth through March 31, 2017. Growth figures adjusted to exclude 3,350 Invest529 accounts setup during March 2017 to facilitate the Union CollegeWealth Transition.

**Figures may not foot due to rounding.

***Net Account Growth in Fiscal 2017 (Percent) through March 31, 2017.

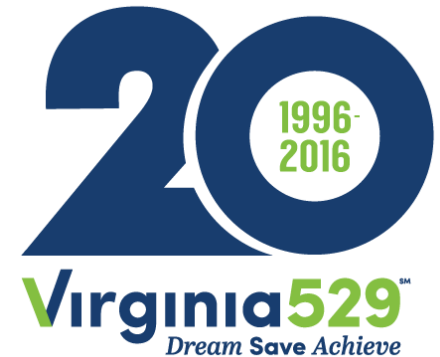
****Market shares shown by program represent share of industry AUM for the corresponding product or sales channel (i.e., prepaid, direct-sold savings and advisor-sold savings). Total market share represents total VA529 assets as a percent of total industry 529 assets.

Virginia529 Account Growth

	Fiscal Year 2016		Fiscal Year 2015		Fiscal Year 2014		Fiscal Year 2013	
	Net	Gross	Net	Gross	Net	Gross	Net ¹	Gross
Prepaid529	-1.9%	5.5%	-2.2%	4.9%	-1.1%	5.5%	-1.7%	4.6%
Invest529	9.7%	13.7%	12.2%	16.5%	11.8%	16.9%	10.8%	12.7%
CollegeAmerica	2.7%	N/A	1.2%	N/A	2.8%	N/A	3.2%	N/A
CollegeWealth	11.4%	17.5%	17.9%	23.6%	24.8%	30.7%	35.1%	41.2%

¹On June 27, 2013 VA529 closed all zero balance Invest529 accounts with no activity for the trailing 18 months. Invest529 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 Invest529 program.

Fiscal 2017 Plan Highlights



- Celebrated 20th Anniversary!
- New Mission Statement: ***Dream • Save • Achieve***
- Rebranding Completed (Program names, logos, colors)
- Redesigned Website
 - Web performance updated: <https://www.virginia529.com/resources/performance>
- RFP for Investment Consultant – Re-engaged Mercer Investment Consulting, February 2017
- Board approved staff to explore development of revisions to Prepaid529 in October 2016 following program review and recommendations in a Sustainability Study.
- Launched ABLEnow, December 2016
- Commenced review of Invest529 Age-Based portfolios, Spring 2017
- PolicyTech – Centralized Policy and Procedure Library in FY2017
- Statewide payroll system change project launched – to be completed May 2018
- Terminated College Savings Systems (CSS) relationships / contracts
- Continued to implement improvements in on-line functionality for customers
- Workflow solution project implementation – EDM

Fiscal 2017 Plan Highlights (cont.)

- **Morningstar Gold rating Invest529 and Silver rating CollegeAmerica**
- **Savings Program Portfolio Changes**
 - **Invest529**
 - ✓ Reduced fees July 1, 2016
 - ✓ Opened FDIC-Insured Portfolio, December 2016
 - ✓ Began taking steps to close CollegeWealth Program, December 2016
 - ✓ Rebranded age-based portfolios –
 - Changed names from geographic regions to industry standard using years corresponding to expected matriculation date
 - ✓ Categorized stable value portfolio as a static portfolio
 - **CollegeAmerica**
 - ✓ Reduced fees July 1, 2016
 - ✓ No new funds / investment options added in FY 2017
 - ✓ Approved additional share classes December 2016 in anticipation of DOL Rule
 - ✓ Four share classes; 529-A, 529-C, 529-F-1, and 529-E
 - ✓ 529-T shares: no rights of accumulation or rights of exchange; sales charge and 12b-1 fees apply
 - ✓ 529-F-2 and 529-F-3 shares: low fees, designed for RIA's



Virginia529SM

prepaid529SM

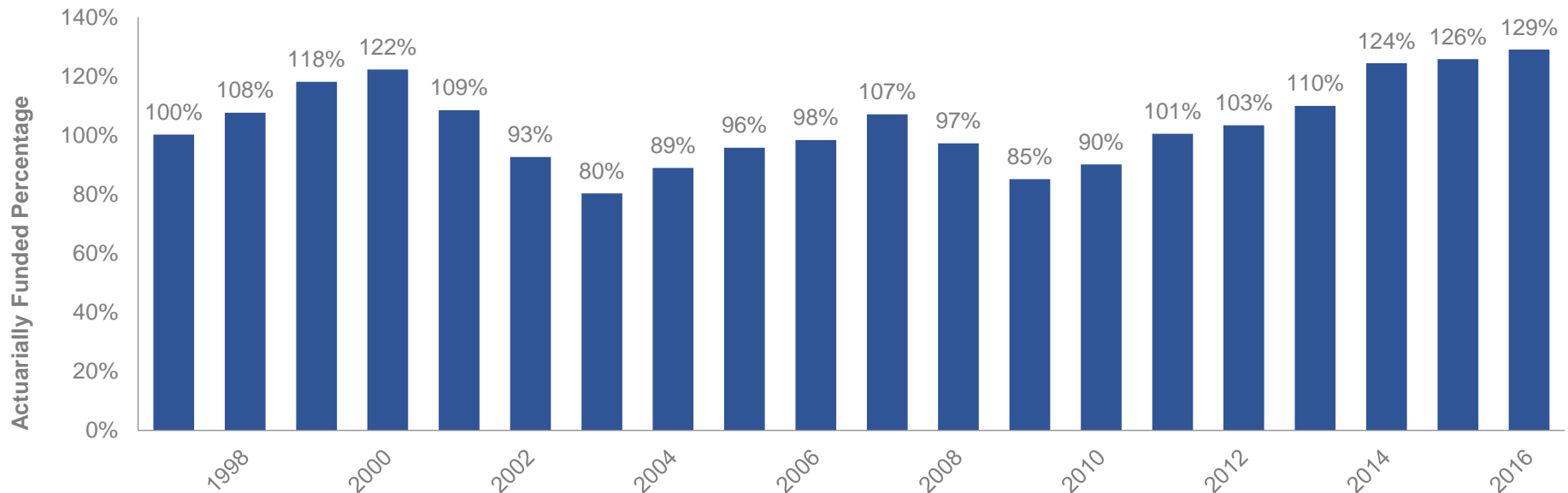


2016 Actuarial Valuation Report - Key Actuarial Assumptions

1. Long-term investment return assumption 6.25%*
2. Future tuition growth assumption**
 - 5% for 2017–18 and 2018-19 academic years, increasing to 6.5% thereafter for four-year and two-year institutions

Prepaid529 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 - 2017	6.25%

Prepaid529 Actuarially Funded Percentage as of June 30th



*6.25% Long-term return assumption retained for the 2017 valuation report

**2017 Tuition growth % not established

Source: Virginia529 2016 Annual Report p.55

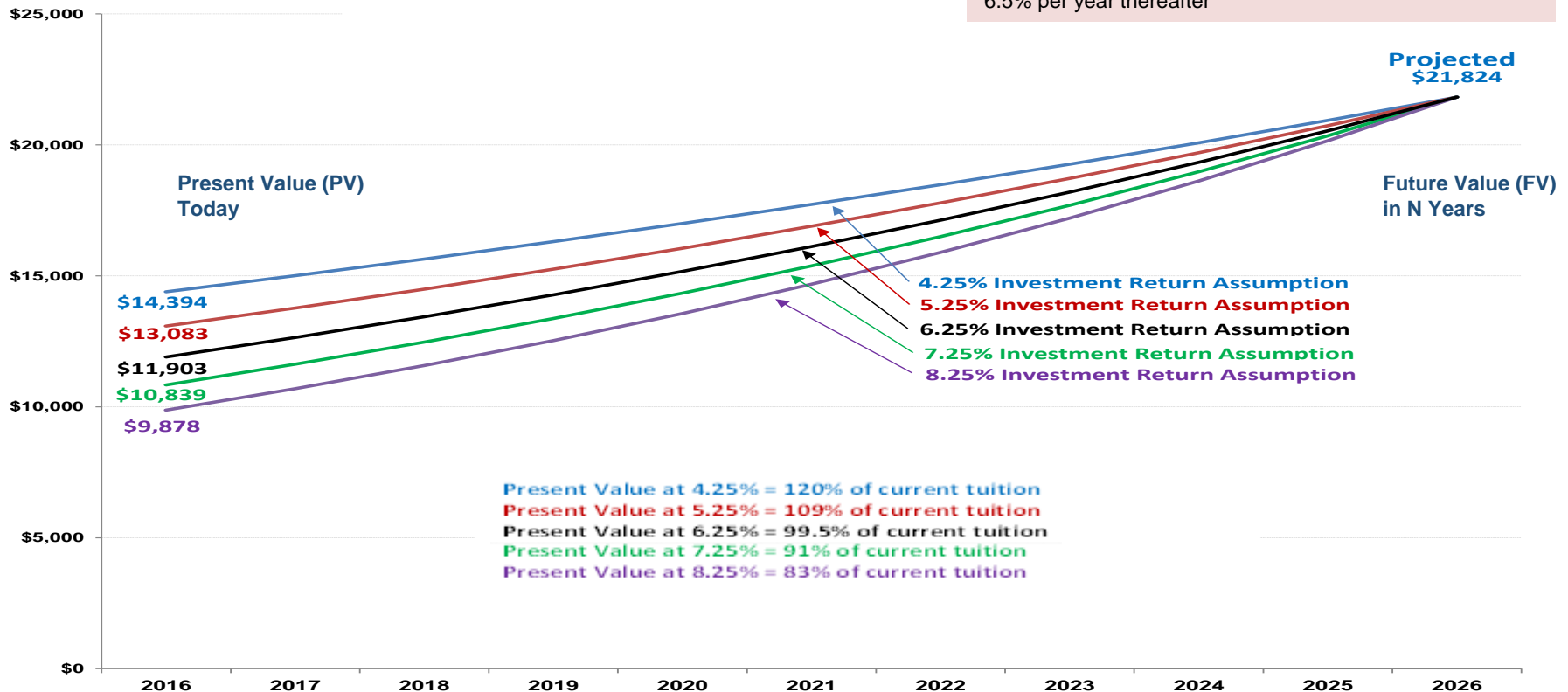
Prepaid529 Contract Pricing

Accumulate forward at compound growth rate $FV = PV \times (1 + \text{rate})^N$

Discount backward at compound growth rate $PV = FV / (1 + \text{rate})^N$

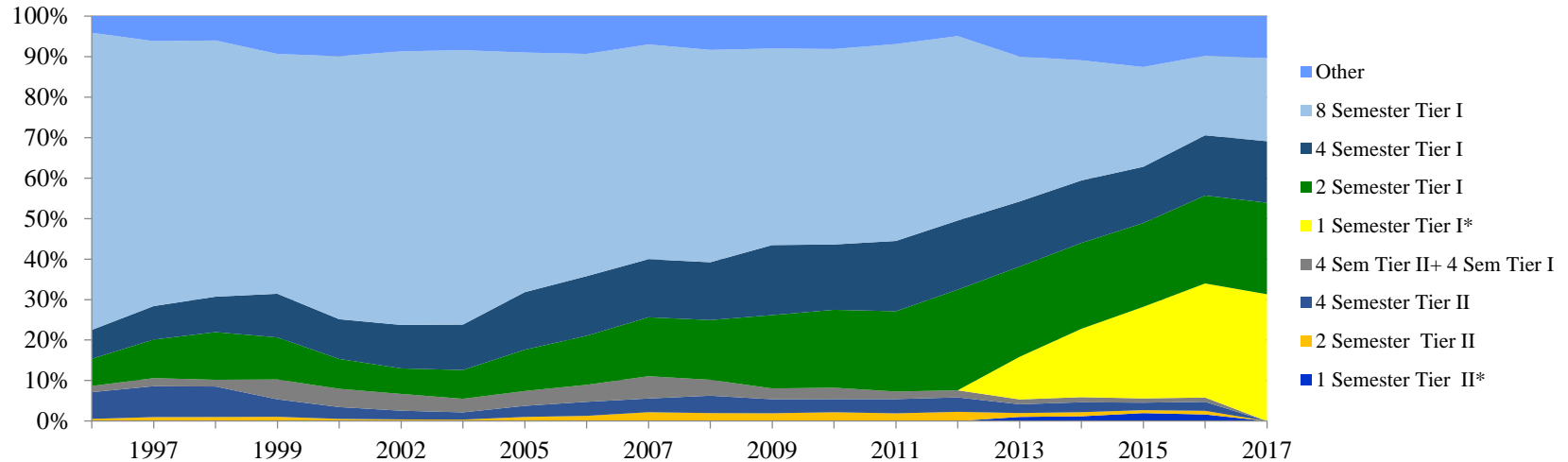
Compounded Increase in Average Tuition & Fees		
	University	Community College
Over the last 5 years:	4.7%	4.7%
Over the last 10 years:	6.2%	8.8%
Over the last 15 years:	7.9%	10.6%
Over the last 20 years:	5.6%	6.7%
Over the last 25 years:	5.7%	6.7%

2016-2017 Weighted Average Tuition and Fees = \$11,961
Tuition expected to grow at 5.0% for two years and then 6.5% per year thereafter



Prepaid529 Semester Contract Sales by Type

Contract Type as a Percent of Total Contracts by Enrollment Year

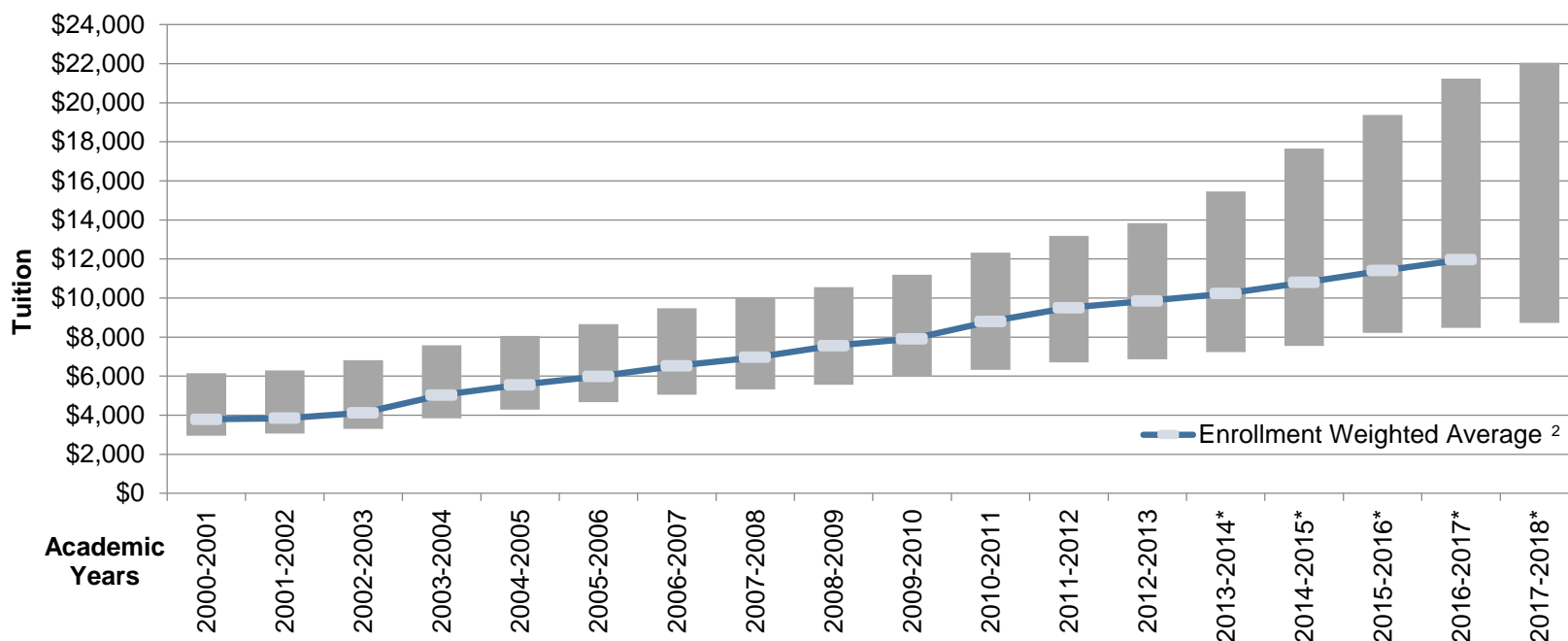


Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014	2015	2016	2017**
1 Semester Tier II*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.0%	1.2%	2.0%	1.6%	N/A
2 Semester Tier II	0.5%	1.0%	1.0%	1.1%	0.5%	0.4%	0.4%	1.0%	1.3%	2.2%	2.0%	1.9%	2.2%	1.9%	2.3%	1.1%	1.0%	0.7%	0.9%	N/A
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%	N/A
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%	N/A
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%	31.3%
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%	22.6%
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%	15.2%
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%	20.5%
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%	10.4%

*Beginning with the 2012/2013 enrollment period, contracts offered on a semester basis as opposed to a full year

**Beginning with the 2016/2017 enrollment period, Tier II contracts were eliminated

Virginia Public University Tuition and Fee Ranges



1. Simple average of tuition and fee amounts paid from Prepaid529 per academic year

2. Enrollment-weighted average tuition and fees as shown in Virginia529 Prepaid529 Annual Valuation report. EWA 2017-18 yet to be determined

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

Prepaid529 – 2016 Sustainability Study

Prepaid529 has been very successful, but required review in light of the challenges posed by:

- Unpredictable tuition growth;
- Changes in tuition and fee funding models (differential tuition, credit-hour pricing, low-cost options);
- Disparity among low- to high-tuition public institutions within Commonwealth;
- Customer expectations of Prepaid529 in light of changes to funding models;
- Proposed legislation impacting tuition and fee models that may impact Prepaid529; and
- Changing patterns and choices for post-secondary education.

Prepaid529 - 2016 Sustainability Study (cont.)

- In late 2015, Virginia529's Board authorized a study, completed in 2016, to examine the long-term sustainability of the Prepaid529 model and the optimum program features for the future. Many options were considered, including:
 - i. Maintain the current program unchanged;
 - ii. Maintain the status quo but with minimal modifications (e.g., single-price model; single-tier pricing);
 - iii. Close the current program to new enrollment and manage existing contracts through depletion;
 - iv. Consider a new structure, such as weighted average payout program for new contracts; and/or
 - v. Consider a new structure that includes risk sharing among Virginia529 and Virginia public higher education institutions for new contracts. Florida, Texas and Private College 529 provide possible templates for this model.
- In October 2016, the Board authorized (i) a single tier contract for the 2016-2017 enrollment period and (ii) staff to explore the development and implementation of changes to Prepaid529
- Summer 2017, Virginia529 staff meeting with higher education institutions, General Assembly members and Administration to review and discuss proposed changes



Quadrennial Audit of Actuary



2017 Quadrennial Audit of the Prepaid529 Program

Finding

- GRS: Prepaid529 is (i) actuarially sound, (ii) the primary actuarial assumptions (tuition increase, investment returns and economic and demographic) used by Milliman are reasonable, (iii) the content, detail and scope of the valuation report is complete and appropriate, and (iv) that Milliman followed actuarial best practices.
- VA529: Concurs with the findings.

Reasonableness of Pricing – Actuarial Reserve

- GRS: Recommends that Virginia529 consider reducing the pricing reserve on its contracts which GRS noted is actuarially sound but “could be considered to be conservative”
- VA529:
 - ✓ Board establishes contract prices based on sound and prudent assumptions reviewed and established annually
 - ✓ The Board retains an actuarial reserve and adopts prices **absent speculation** of future events and funded status. VA529 embraces a conservative approach that best protects current and future contract holders as well as the Commonwealth of Virginia which supports the Program with a statutory sum sufficient appropriation.

Actuarial Valuation Methods: Asset Allocation

- GRS: Recommends that Virginia529 consider “an asset allocation that further reduces risk in order to maintain a surplus position if there is adverse future investment experience.”
- VA529:
 - ✓ Virginia529’s actuary (Milliman) and investment consultant (Mercer Investment Consulting LLC) periodically conduct in-depth asset-liability studies to review Prepaid529’s asset allocation and make recommendations for modifications to Prepaid529’s investment risk/return profile
 - ✓ Last study - Spring 2016
 - ✓ Reviewed current asset allocation and five alternative portfolios, including a “de-risking” portfolio
 - ✓ Results: Virginia529’s current asset allocation largely efficient given its risk/return objectives

2017 Quadrennial Audit of the Prepaid529 Program (cont.)

Contract Data: Assumptions re: Installment Payments Due

- GRS: Recommends that Milliman address and consider the underlying raw data with respect to contracts that reflect remaining payments due and payable beyond projected enrollment years
- VA529:
 - ✓ Virginia529 does not distribute any Program benefits until **all** payments have been made, so there is no monetary risk to Prepaid529 from contracts which appear for whatever reason to have payments due beyond the contract benefit payment date. The current presentation is conservative, consistent with the Plan's basic philosophy
- GRS: Recommends that Milliman consider changing its methodology to be consistent with the administration of the Program such that all payments are assumed to be made prior to the projected college enrollment year.
- VA529:
 - ✓ Agree to make that change in the valuation report for the year ended June 30, 2017

Demographic Assumptions

- GRS: Finds that the demographic assumptions are reasonable but contain some degree of conservatism
- VA529:
 - ✓ In 2014, Milliman completed an Experience Study which examined Prepaid529 transactions over a ten-year period from July 2003 through June 2013
 - ✓ As a result, the Board adopted several changes in the assumptions in August 2014, which were incorporated into the 2014 actuarial valuation report and the 2014-15 enrollment period contract pricing (and subsequent reports and pricings), reflecting the demographic assumptions noted by GRS
 - ✓ The Plan is satisfied currently with the demographic assumptions and general conservative approach



Prepaid529 Investment Study



2017 Prepaid529 Program Investment Study

September 12, 2016: Commission directed JLARC staff “to review the investment management structure of the VA529 Prepaid529 fund and assess whether there are options to more efficiently manage the fund, including but not limited to, assigning the management of Prepaid529 investments to the Virginia Retirement System or the Virginia Department of Treasury.”

Finding 1

- JLARC: Recommends that investment management not be reassigned. Virginia529 has a “well-defined investment management structure that is similar to other institutional investors and prepaid programs..”
- VA529:
 - ✓ VA529 concurs with the finding and recommendation

Finding 2

- JLARC: “Prepaid529 has a well-defined investment management structure that utilizes investment experience and incorporates checks and balances. The Virginia529 board and its Investment Advisory Committee (IAC) oversee investment of the Prepaid529 fund. The board and IAC receive guidance and support from Virginia529 staff and an investment consultant when making investment decisions. The investment management structure for Prepaid529 is similar to those in other states where a college savings plan agency, as opposed to a state treasurer or investment board, is responsible for investment management of prepaid programs.”
- VA529:
 - ✓ VA529 concurs with the finding

2017 Prepaid529 Program Investment Study (cont.)

Recommendation 1

- JLARC: Virginia529 should contract with a third party to conduct an independent review of Prepaid529 benchmarks
- VA529:
 - ✓ In 2017 Virginia529's Investment Advisory Committee (IAC) commenced a benchmark review and adopted at the June IAC meeting a revised benchmark framework for its alternatives portfolio. This review is ongoing.
 - ✓ Will pursue an independent third party review of existing benchmarks and report the findings and any actions taken by the Plan's IAC and/or Board to JLARC at a future date

Recommendation 2

- JLARC: Virginia529 should perform attribution analysis of the Prepaid529 fund at the total fund and asset class level
- VA529:
 - ✓ The IAC and investment consultant review portfolio attribution against the benchmark(s) every quarter. This includes attribution review at the total fund level, asset class level and manager level. Virginia529 does not produce a written attribution summary.
 - ✓ The IAC will develop a methodology for a more "formal" attribution analysis, for the entire portfolio, than has been standard practice and looks forward to receiving examples of such analyses from JLARC staff to ensure development of a document that addresses the question raised

Recommendation 5

- JLARC: Virginia529 should change the IAC Charter to remove the CFO as an ex-officio voting member
- VA529:
 - ✓ The IAC will recommend the change to the Board at its August 2017 meeting

2017 Prepaid529 Program Investment Study (cont.)

Recommendations 3 and 4

- JLARC 3: Virginia529 should work with an executive search firm and gather input from the board and members of the IAC to establish roles and responsibilities of an Investment Director position
- JLARC 4: The General Assembly may wish to consider amending Virginia529's Enabling Act to create an Investment Director position that would have "investment responsibility" at Virginia529
- VA529:
 - ✓ Virginia529's existing investment management strategy fosters an active and constructive flow of ideas; conservative investment management with a long-term rather than short-term approach; active debate among the staff, IAC and consultant as to allocation and managers; and prudent and deliberate decision making
 - ✓ Of the eleven open prepaid programs nationwide, the majority do NOT utilize a CIO model, and none of the three largest that control over 70% of the assets use a CIO model
 - ✓ Long-term and short-term Prepaid529 fund performance is satisfactory with the since-inception performance exceeding the benchmark by 60 basis points net of fees
 - ✓ Portfolio attribution against benchmark explains difference in performance versus the benchmark, which is set at the global fund level as opposed to the manager or more granular level
 - ✓ Prepaid529 was 129% funded on an actuarial basis as of June 30, 2016
 - ✓ Investment management structure is reviewed annually by Morningstar and Virginia529 receives a Gold rating – last updated October 2016
 - ✓ Investment and programmatic management is monitored and improved constantly with NO negative reports from APA or JLARC

Virginia529SM

**Invest529 and
CollegeAmerica**





invest529SM

Rated Gold
by investment
research firm
Morningstar

*"A **notable fee reduction** in 2016 adds to Virginia inVEST's already strong appeal. The plan reduced its program management fee to 0.10% from 0.15% in July 2016."*

*"That reduction, paired with a move to **cheaper share classes** for two underlying funds earlier in the year, made the Age-Based funds' fees attractively priced, particularly given their significant use of actively managed strategies."*

*"**Combine the low fees with a thoughtful approach** and strong underlying managers, and the plan readily earns its Morningstar Analyst Rating upgrade to Gold from Silver."*

"The plan complements the traditional stock and bond funds found in its single Age-Based track with specialty asset classes not often found in direct sold 529 plans."

"Virginia residents may deduct up to \$4,000 of contributions per account from their state income, leaving little reason to look elsewhere. The attractive offerings mean nonresidents may also want to size it up against other plans."



CollegeAmerica[®]

Rated Silver
by investment
research firm
Morningstar

"Virginia's CollegeAmerica remains among the most compelling advisor-sold 529 plans for state residents and nonresidents alike."

*"The plan's well-regarded lineup of equity and balanced funds forms the basis of the Silver rating. Morningstar rates 18 of those funds; all come recommended by its analysts, and 10 of those earn ratings of **Gold**, a mark of analysts' highest conviction in the funds' potential to deliver strong results."*

"In the 529 space or otherwise, few investment firms have actively managed strategies that inspire similar levels of confidence."

"The plan offers a wide variety of equity options... united by a long-term outlook and multimanager structure that have produced low-turnover and well diversified portfolios."

*"offers some of the **lowest-priced investments** in the advisor-sold space, which gives investors a discernible head start over the competition."*

Invest529 Advantages

- ❖ Provides a defined contribution saving vehicle as a compliment to Prepaid529
- ❖ Consistent returns – long-term outperformance relative to benchmarks
- ❖ Institutional share class fees - no minimum investment beyond \$25 opening balance
- ❖ Periodic review of offerings – leverage research and analysis of Prepaid529 portfolio
- ❖ Offers mix of low-cost, passively and actively-managed static portfolios and age-based portfolios
- ❖ Invest529 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
 - ✓ Progressive glide path - Age-Based Rebalancing Policy provides for interim changes to smooth the evolution between three-year stages

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
AGE-BASED PORTFOLIOS									
2036 Portfolio	1.05	5.73	5.73					5.73	Jan-17
2036 Benchmark	0.67	5.34	5.34					5.34	
2033 Portfolio	1.06	5.58	5.58	12.18	5.00			5.27	Jan-14
2033 Benchmark	0.69	5.10	5.10	12.19	5.00			5.20	
2030 Portfolio	0.94	4.96	4.96	11.12	4.85	7.32		6.85	Jan-11
2030 Benchmark	0.62	4.54	4.54	10.99	4.76	7.38		6.74	
2027 Portfolio	0.80	4.35	4.35	9.71	4.38	6.74		4.81	Feb-08
2027 Benchmark	0.53	4.00	4.00	9.58	4.36	6.83		4.68	
2024 Portfolio	0.70	3.77	3.77	8.62	4.16	6.20	4.00	5.27	Aug-05
2024 Benchmark	0.48	3.47	3.47	8.41	4.13	6.24	3.61	4.82	
2021 Portfolio	0.48	2.86	2.86	6.82	3.64	5.49	3.75	5.61	Jan-02
2021 Benchmark	0.33	2.63	2.63	6.63	3.60	5.53	3.54	5.14	
2018 Portfolio	0.20	1.50	1.50	4.10	2.82	4.56	3.48	4.37	Jan-00
2018 Benchmark	0.15	1.36	1.36	4.09	2.85	4.60	3.27	3.27	
2015 Portfolio	0.14	0.41	0.41	2.56	2.51	3.63	3.23	4.11	Jan-00
2015 Benchmark	0.12	0.34	0.34	2.16	2.20	3.44	2.84	3.07	
PASSIVELY-MANAGED STATIC PORTFOLIOS									
Aggressive Growth Portfolio	0.92	5.55	5.55	12.95	5.84	8.64	4.86	5.87	Jan-02
Aggressive Growth Benchmark	0.84	5.55	5.55	12.65	5.67	8.66	5.34	6.17	
Moderate Growth Portfolio	0.67	4.33	4.33	9.82	5.20	7.15	4.79	5.55	Jan-02
Moderate Growth Benchmark	0.64	4.46	4.46	9.10	4.65	6.92	5.09	5.75	
Conservative Income Portfolio	0.21	1.81	1.81	3.54	3.61	3.95	3.96	4.25	Jan-02
Conservative Income Benchmark	0.24	2.30	2.30	2.26	2.49	3.39	3.91	4.18	
Total Stock Market Portfolio	0.07	5.78	5.78	17.97	9.56	12.96	7.49	8.00	Aug-05
Ttl Stock Mkt Benchmark	0.07	5.77	5.77	17.97	9.57	12.98	7.48	8.00	
Total Bond Market Portfolio	-0.07	0.90	0.90	0.32	2.48	2.15	4.08	3.95	Sep-05
Ttl Bond Mkt Benchmark	-0.07	0.82	0.82	0.38	2.52	2.16	4.07	3.95	
Ttl International Stock Portfolio	2.83	8.44	8.44	13.60	0.96	4.67	1.18	4.19	Sep-05
Ttl Int'l Stock Benchmark	2.50	7.95	7.95	13.55	1.31	5.73	0.88	3.88	
Inflation-Protected Securities Portfolio	-0.07	1.36	1.36	1.32	1.93	0.82	3.95	3.61	Sep-05
Inflation-Protected Benchmark	-0.06	1.24	1.24	1.37	1.89	0.81	4.04	3.70	
REIT Portfolio	-2.40	0.93	0.93	3.01	9.82	9.61	4.80	7.37	Sep-05
REIT Benchmark	-2.38	0.97	0.97	3.05	9.92	9.66	4.49	7.15	
FDIC-Insured Portfolio	0.03	0.09	0.09					0.09	Jan-17
FDIC-Insured Benchmark	0.04	0.10	0.10					0.10	
ACTIVELY-MANAGED STATIC PORTFOLIOS									
Active Aggressive Portfolio	1.06	5.80	5.80	12.44				11.84	Oct-15
Active Aggressive Benchmark	0.67	5.34	5.34	12.55				12.11	
Active Moderate Portfolio	0.76	4.20	4.20	9.19				8.94	Oct-15
Active Moderate Benchmark	0.52	3.84	3.84	8.99				8.87	
Active Conservative Portfolio	0.39	2.53	2.53	5.69				5.89	Oct-15
Active Conservative Benchmark	0.27	2.30	2.30	5.43				5.65	
Socially Targeted Portfolio	0.41	4.41	4.41	12.41	9.25	13.56		12.98	Nov-09
Socially Targeted Benchmark	0.11	6.05	6.05	17.05	10.23	13.14		13.97	
Stable Value Portfolio	0.14	0.41	0.41	1.67	1.53	1.52	2.76	3.59	Jan-00
Stable Value Benchmark	0.12	0.34	0.34	1.23	1.01	0.95	1.54	2.66	

Note: Performance Returns are calculated by BNY Mellon Asset Servicing. They are presented net of management fees and Invest529 administrative fees.

CollegeAmerica *an Advisor-Sold Program*

❖ **Investment options: American Funds mutual funds (closed architecture)**

- Performance reviewed quarterly by IAC and Board
- American Funds mutual fund investment options approved annually

❖ **Omnibus Conversions / Transitions – Update**

- Edward Jones, Wells Fargo Advisors, Raymond James and over 140 dealers that participate in the Pershing 529 omnibus platform can hold College America assets directly on their systems
- 2016 – Raymond James converted their 529 accounts resulting in a 38% increase in sales YTD
- 2017 - Merrill Lynch launched CollegeAmerica on their brokerage omnibus platform (May). Morgan Stanley expected to launch CollegeAmerica on their omnibus platform (September)
- 2018 and beyond – Active discussions continue with dealer firms including National Financial (NFS)/Fidelity, Charles Schwab, LPL, and UBS

❖ **Account Information as of March 31, 2017**

- 2,239,447 unique active accounts
- 1,305,409 unique account owners
- \$55.61 billion – assets under management



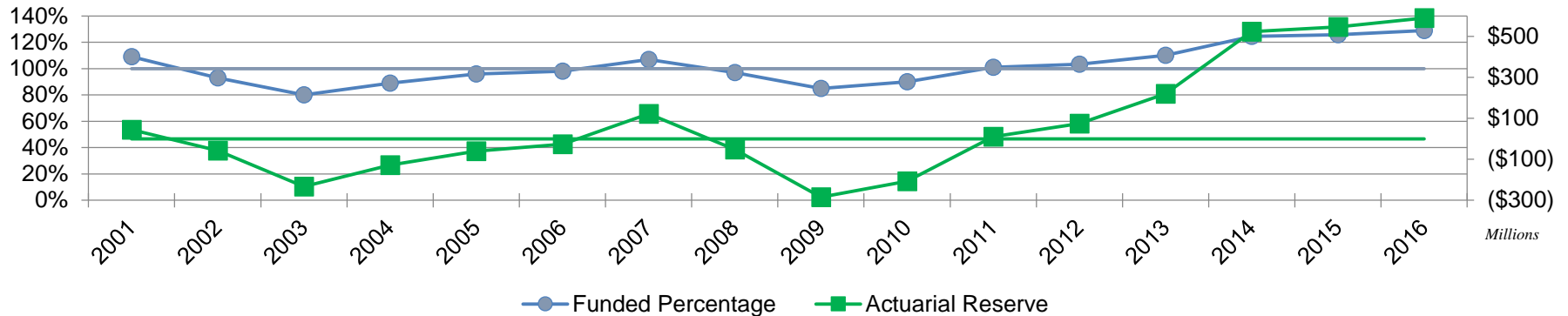
Appendix

Virginia529SM

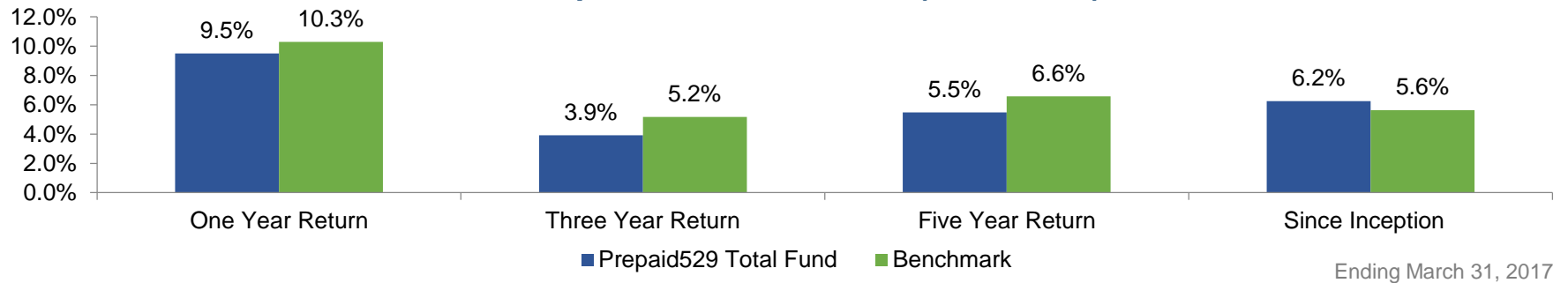
Prepaid529



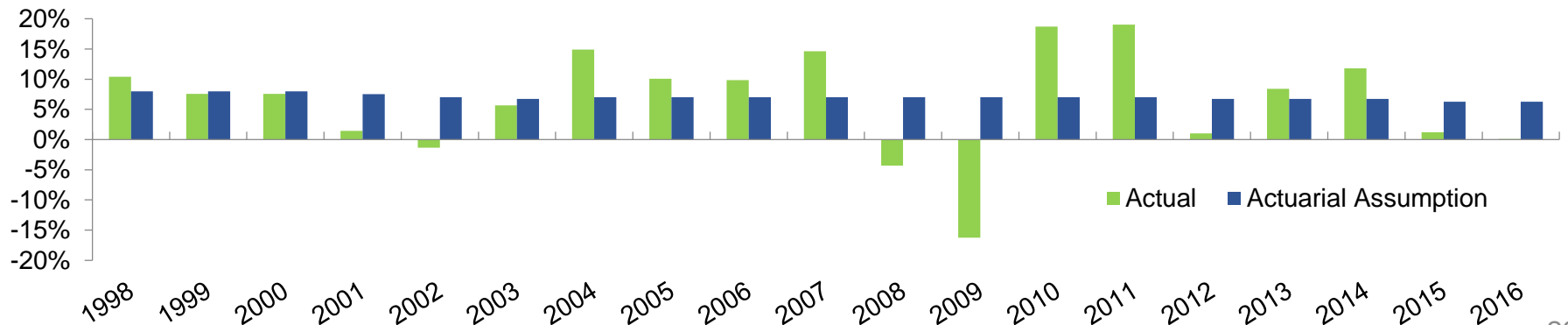
Prepaid529 Historical Funded Status and Actuarial Reserve



Prepaid529 Performance (net of fees)

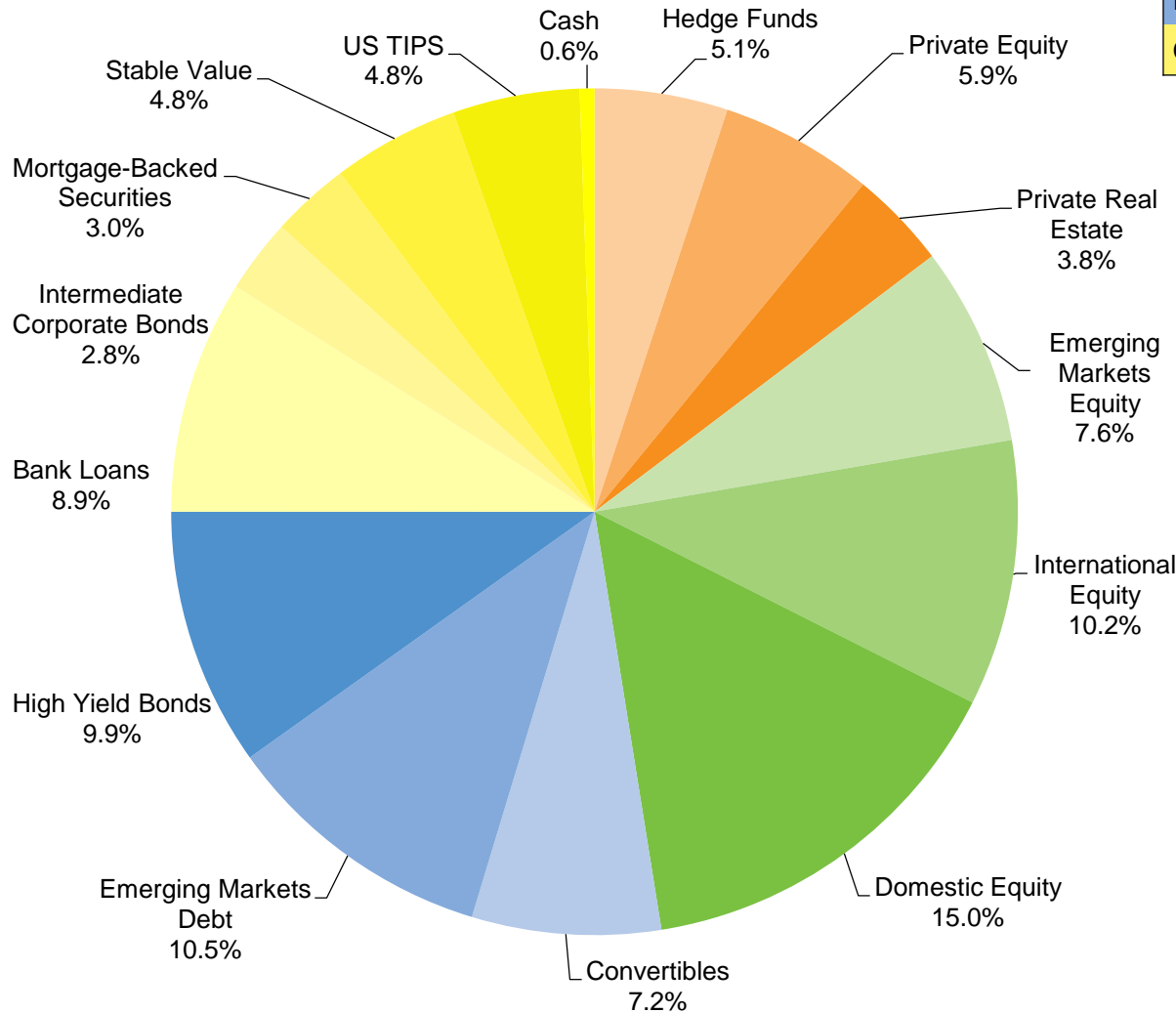


One Year Returns by Fiscal Year



Asset Allocation as of March 31, 2017

As of March 31, 2017		
Asset Category	% of Fund	% Target
Alternatives	14.7%	15.0%
Equities	32.8%	32.5%
Non-Core Fixed Income	27.5%	27.5%
Core Fixed Income	25.0%	25.0%



Virginia529SM

ABLE^{now}[®]

**Launch and
ABLEAmerica
Update**



Achieving a Better Life Experience Programs



Federal ABLE Act H.R. 647:

- 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's Direct-sold ABLE Program

- Launched in December 2016
- Contract with PNC Bank to offer Direct Sold ABLEnow Program
- Structured similar to HSA Program with low-cost target risk mutual funds as investment options
- Web site live: www.ABLE-now.com
- Developed partnerships in disability community
- Developed customer friendly, cost effective program
- Developed marketing strategy to build national ABLE programs
- Added state tax deduction and no impact on state need-based aid.

2014

2015

2016

[2018]

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
- Approval by Virginia529 Board
- Direct Sold Program – ABLEnow
- Advisor Sold Program – ABLEAmerica

Federal ABLE Act H.R. 647 Amended

- Home state requirement eliminated - opened potential for national programs

ABLEAmerica

Virginia529 - program sponsor

American Funds - program manager

- Currently under development as a broker-sold option
- Anticipated launch in mid- to late-2018

March 31, 2017

1,152 - total active accounts

\$1.7 million - assets under management

ABLEnow Investment Portfolios

Aggressive Growth



Vanguard LifeStrategy Growth Fund
Approx. 80% Equity
Approx. 20% Fixed Income

Conservative Income



Vanguard LifeStrategy Income Fund
Approx. 20% Equity
Approx. 80% Fixed Income

Moderate Growth



Vanguard LifeStrategy Moderate Growth Fund
Approx. 60% Equity
Approx. 40% Fixed Income

Money Market



Fidelity® Investments Money Market Government Portfolio
100% Cash & cash equivalents

ABLEnowSM

Achieving a Better Life Experience

ABLEnowSM is a new way to save, invest and pay for qualified disability-related expenses. Now, for the first time ever, eligible individuals can save up to \$14,000 a year without endangering eligibility for certain benefit programs critical to their health and well-being.

ABLEnow accounts are made possible by the Achieving a Better Life Experience (ABLE) Act, which authorized states to establish tax-advantaged savings programs for individuals with disabilities and their families.

Who is Eligible?

Individuals who developed the onset of their disability before the age of 26 may be eligible to open an ABLEnow account. ABLEnow accounts are available to eligible U.S. citizens and legal residents, regardless of state residency.

Why Save with ABLEnow?

It's Flexible

ABLEnow accounts are designed to be flexible—easy to manage, easy to contribute and easy to use to pay for qualified disability expenses. There's no minimum to open an account. Pay for qualified expenses online or with the ABLEnow Card.

It's Tax-Advantaged

Earnings grow free from federal taxes. In addition, some states may offer state tax incentives. For example, in Virginia, earnings grow free from federal and state taxes. Virginia also offers an annual state income tax deduction of up to \$2,000 per contributor for contributions to an ABLEnow account.

It Doesn't Impact Benefits

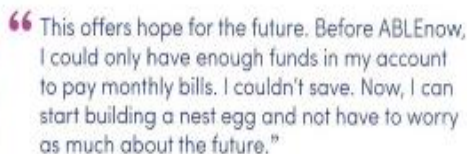
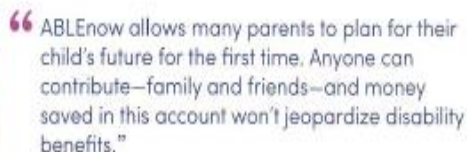
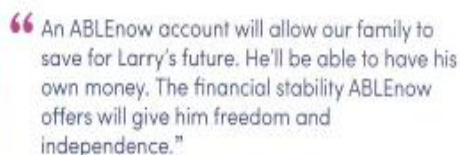
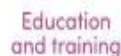
Generally, funds in an ABLEnow account are disregarded when determining eligibility for certain federal means-tested benefits programs, such as Medicaid and Supplemental Security Income (SSI). For these rules and details, please visit able-now.com.

ABLEnow Card



ABLEnow account holders receive the ABLEnow Card—a debit card providing a simple, fast way to pay for qualified disability expenses.


ABLEnow accounts may be used to pay a variety of expenses related to maintaining health, independence and quality of life.



https://www.able-now.com/ | ABLE savings accounts for L... | Convert | Select


RESOURCES | CONTACT

ABLEnow™

What is ABLEnow | Eligibility | Qualified Expenses | Investments | [Stay Informed](#) | 

**Now, a better
quality of life
for people with
disabilities.**

[Watch the Video »](#)



As of : March 31, 2017

Glossary

(1) Current month additions/contributions is a net amount. For contract amounts, new accounts are netted against cancellations. Total Dollars Under Management is the net of contributions and market changes.

(2) Total Unique Active Accounts is defined as unique open accounts at period end. An account could have multiple investment options.

Community Outreach

- Creating partnerships and developing relationships with state and national partner organizations
- Event attendance/speaking engagements



BORN THIS WAY **A&E**

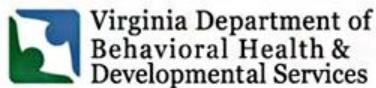


VIRGINIA DEPARTMENT OF
SOCIAL SERVICES



Virginia Board for
People with Disabilities

*Building a better economic future
for Americans with disabilities*



*For people with intellectual
and developmental disabilities*



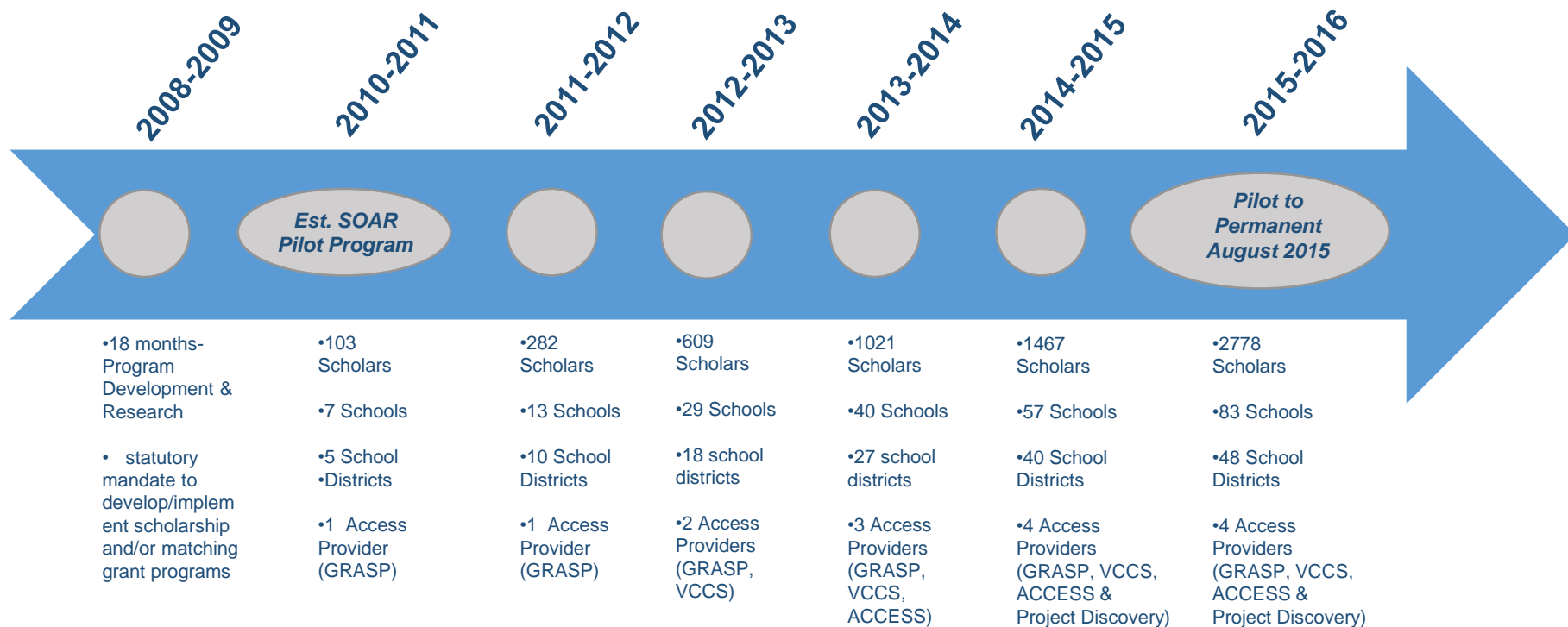
Dream Save Achieve

Virginia529SM

SOAR Virginia[®]



SOAR Virginia® Timeline



Goals and Accomplishments

- Inspire students from low to moderate income families to complete high school and pursue higher education
- Assisted almost 2,800 high school graduates through June 30, 2016
- Students (Scholars) pledge to meet program criteria
- Virginia529 commits scholarship dollars towards an Invest529 account each year of high school
- Supported by Virginia529's non-general operating funds
- Administered in partnership with college access providers across the Commonwealth:

The SOAR Virginia* Pledge

I pledge that...

- I will maintain a minimum cumulative GPA¹ 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

¹ or comparable academic achievement as determined by SOAR Virginia

As a SOAR Virginia scholar, I can expect:

- Advising on academic preparation for post-secondary education
- Financial literacy training
- Assistance completing college applications
- Assistance obtaining financial aid, including help completing the FAFSA
- Scholarship support of up to \$2,000 to apply toward post-secondary education²
- Support from an Early Commitment Advisor and the SOAR Virginia community
- Recognition as a SOAR Virginia scholar

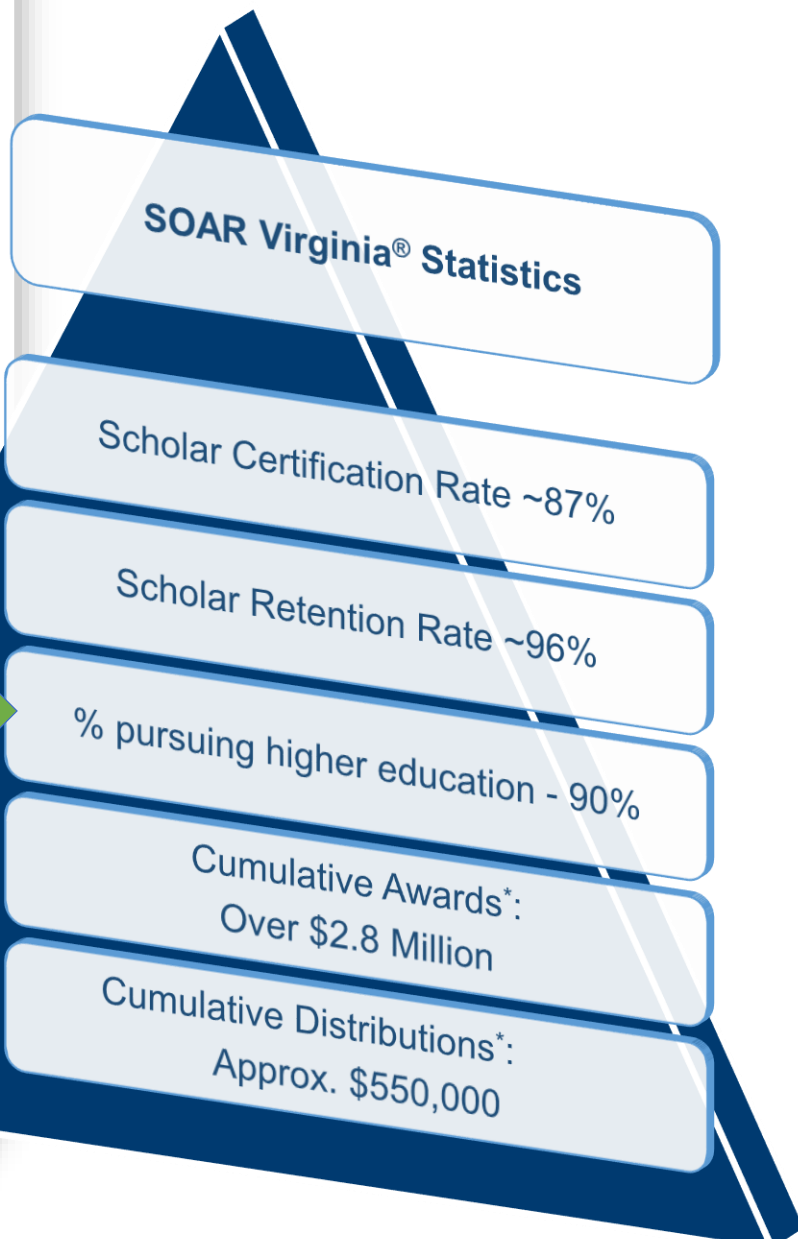
² Funds from awards are intended for use by SOAR Virginia scholars for higher education tuition and fees. Throughout the program, funds remain the property of Virginia529 and will be paid only to higher education institutions on behalf of the SOAR Virginia scholar. Funds from awards are invested in Virginia529 INVEST accounts and involve investment risk, including the possible loss of principal.

© Virginia Welcome Kit



Sophmores	Juniors	Seniors
<ul style="list-style-type: none"> • Explore interests through extracurricular activities. • Make a college wish list - majors offered, location, size and cost. • Attend a college fair. • Complete a career and interest assessment using the Virginia Wizard. • Think about what kind of education/training different careers require. • Set goals for the school year. • Discuss next year's classes. • Plan and prepare early for midterm exams. • Evaluate study skills. • Take the PSAT test. • Continue or start saving money in a college savings account. • Get the facts about what college costs. 	<ul style="list-style-type: none"> • Investigate careers of interest. • Create a list of prospective colleges. • Research those colleges. • Consider community college opportunities. • Stay organized during a busy year. • Select challenging courses for senior year to enhance the high school transcript. • Leverage scholarship opportunities. • Brainstorm scholarship opportunities. • Visit a college campus. 	<ul style="list-style-type: none"> • Request all college applications and scholarship information and make a list of deadlines. • Take SAT and/or ACT. • Complete all college applications prior to winter break. • As soon as possible after Jan. 1, complete and submit your Free Application for Federal Student Aid (FAFSA). • Check your Student Aid Report. • When you receive a distribution from the Virginia College Scholarship Program.

✓ 90% in Virginia schools
✓ 78% in 4-year programs, 22% in 2-year programs
✓ 82% to public schools



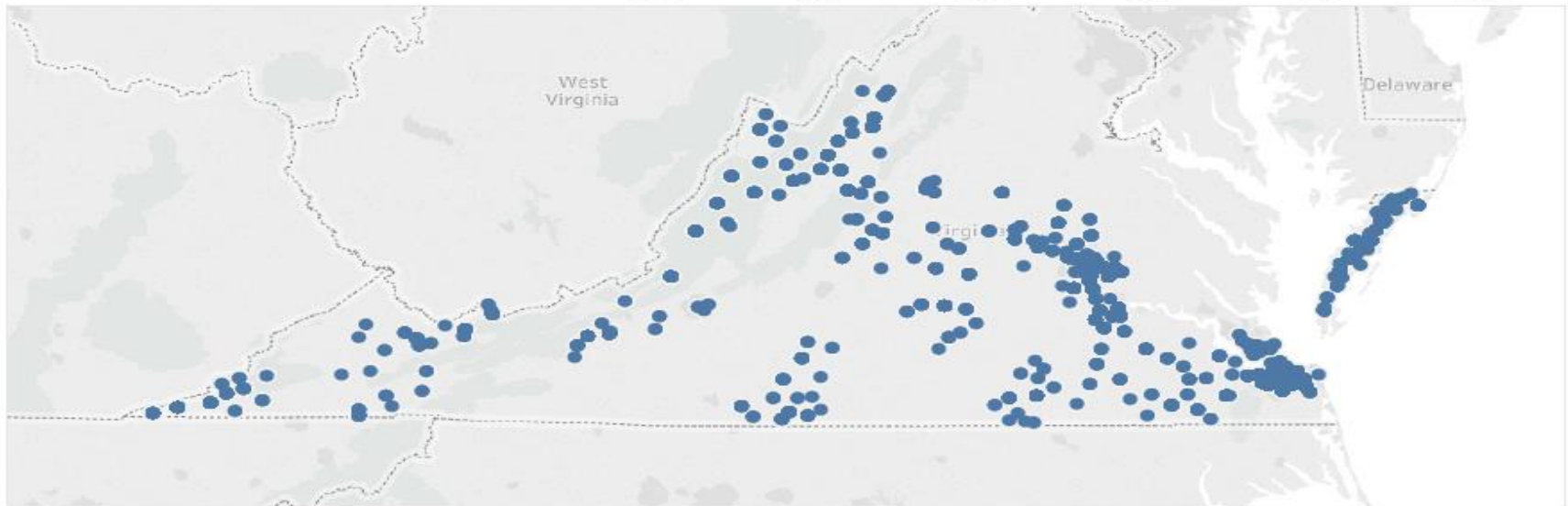
SOAR Virginia® Scholarship Program

Current SOAR Student Status

Active in HS	1,482
Graduated from HS	1,096
Other	200
Grand Total	2,778

Totals Awarded 2011-2016

Students	Amount
2,529	\$2,873,750



-Award amounts are cumulative amounts awarded since program inception
 -Locations are based on the student's current mailing address



Virginia529SM

Virginia529.com

Toll-Free 1.888.567.0540

customerservice@virginia529.com



Facebook.com/VA529



@Virginia529

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Facebook.com/ABLEnowVA



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