



July 6, 2020

Joint Legislative Audit and Review Commission

Mary G. Morris, Chief Executive Officer
Michael Nguyen, Investment Director

Virginia529 Overview and
Program/Study Updates

- **Mary Morris**
Chief Executive Officer

Impact – Action – Reaction
COVID-19

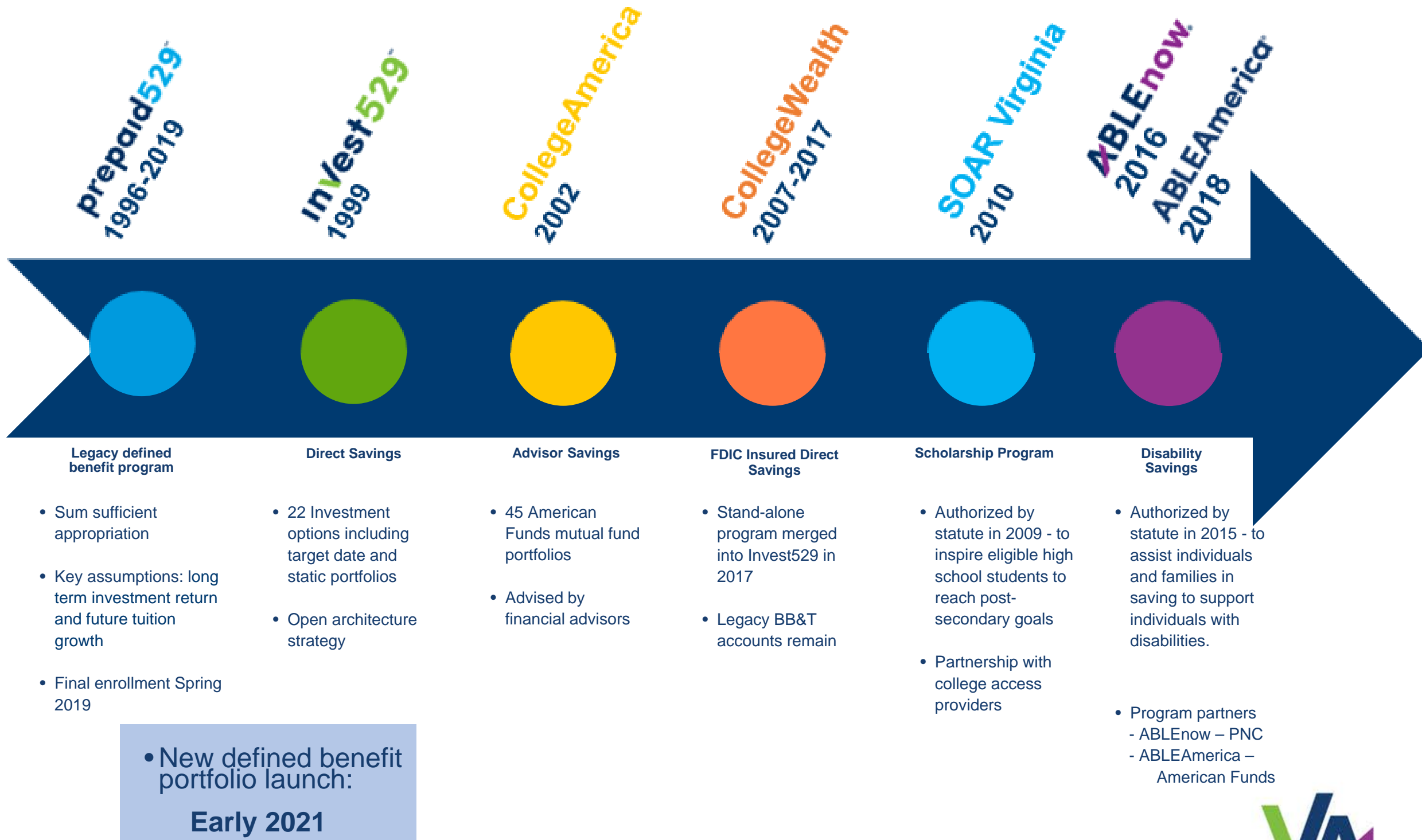
- **Mary Morris**
Chief Executive Officer

Investment and Legacy Prepaid529
Update

- **Michael Nguyen**
Investment Director



Virginia529 Sponsored Programs



Assets and Account Growth As of March 31, 2020

Programs	Accounts	Assets Under Management	Account Growth	Percent of National 529 (and 529A) Market ⁴
<i>Education Savings (\$ Billions)¹</i>				
Prepaid529^{2,7}	59,410	\$2.5	-5%	11%
Invest529^{2,5}	352,272	5.0	8%	3%
CollegeAmerica³	2,396,416	61.0	2%	48%
Totals¹	2,808,098	\$68.5		21%
<i>Disability Savings (\$ Millions)¹</i>				
ABLEnow²	7,882	\$33.0	28%	9%
ABLEAmerica^{3,6}	658	6.0	95%	2%
Totals¹	8,540	\$39.0		11%

1. Figures may not foot due to rounding

2. Direct-sold program

3. Advisor-sold savings program

4. Total market share represents total VA529 and assets as a percent of total industry 529 and 529A assets. Industry data obtained from Strategic Insight.

5. Invest529 amounts are inclusive of CollegeWealth, which merged into Invest529 during 2017. CollegeWealth is closed to new participants and has no account growth.

6. ABLEAmerica opened July 2018.

7. Prepaid529 closed to new participants during 2019.

Dream Save Achieve



Program Updates

Invest529[®]

- ✓ As of January 1, 2020, 10% administrative fee reduction (0.10% to 0.09%)
- ✓ FDIC Portfolio rate
 - Ladder CDs and savings
 - 1.34% annual percentage yield (as of 5/31/20)
- ✓ New offerings:
 - In FY20: 2039 Portfolio (target enrollment)
 - Coming in FY21: Defined Benefit Portfolio – successor to Prepaid529



- ✓ As of January 1, 2020, 5% administrative fee reduction (effective rate from ~.065% to ~.06%)
- ✓ New FY20 offerings:
 - Global Insight Fund
 - International Vantage Fund
 - Multi-Sector Income Fund

Guiding Principles (available 1Q2021)

Flexibility

Account owner in charge of how and when to use units

Simplicity

Single benefit, single price, no payment plan, no required monthly payment

Certainty

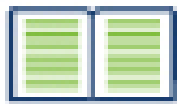
Value of a unit always set and transparent

Affordability

Lower cost to start: one unit (= set % of annual AT)



***New* Defined Benefit Program Design**



Flexibility

- Use for any post secondary QHEE at full benefit
- Account Owner controls when, where and how of withdrawals
- Invest529 Portfolio



Affordability

- Retain Tuition definition – with Average Tuition (AT) overlay AND units (100 units = 1 year AT)



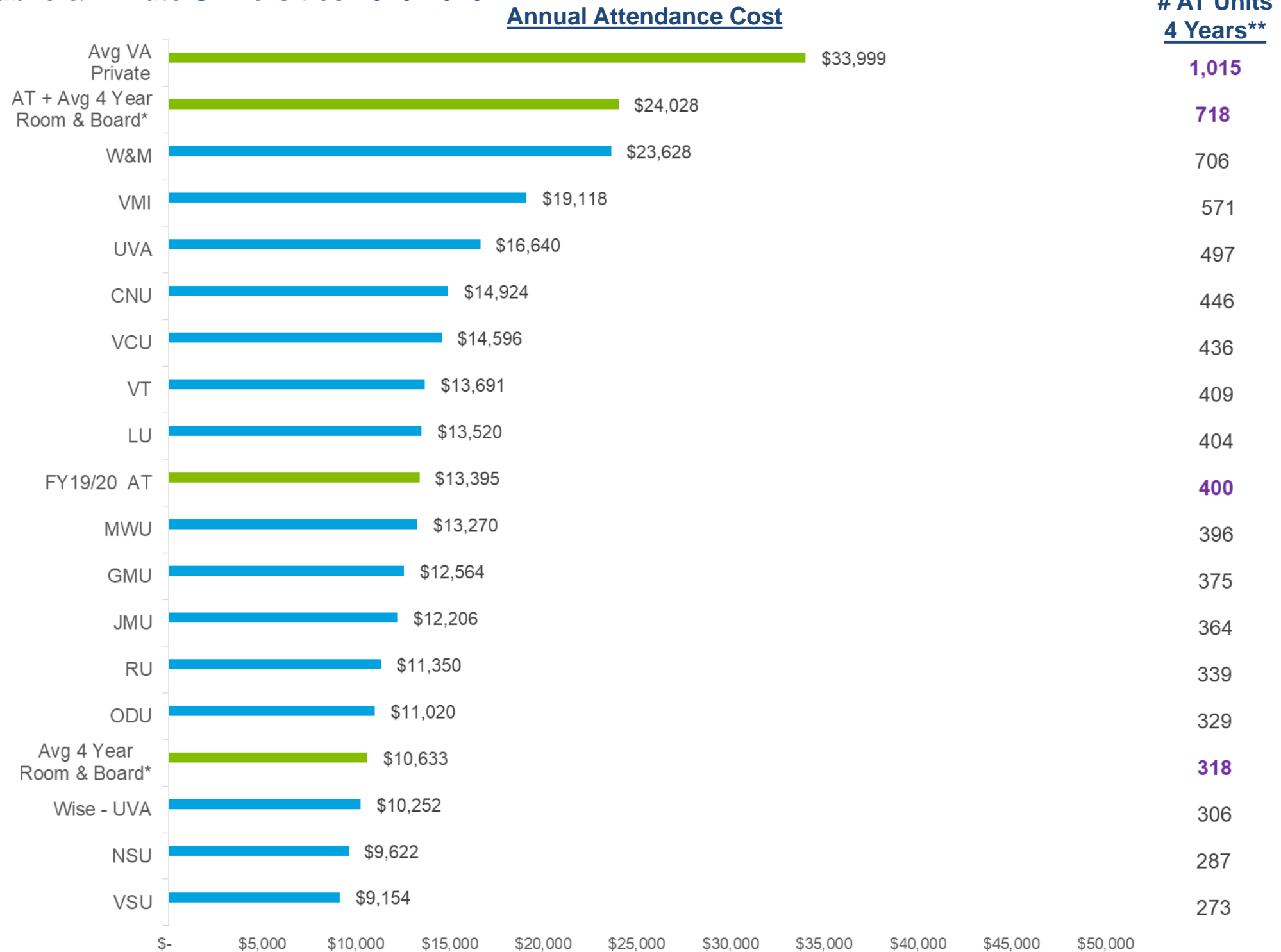
Simplicity/Certainty

- SINGLE benefit/unit – regardless of where used



New Defined Benefit Portfolio Unit Analysis

VA Public & Private Universities 2019-2020



* FY18/19 Avg 4 Year Room & Board

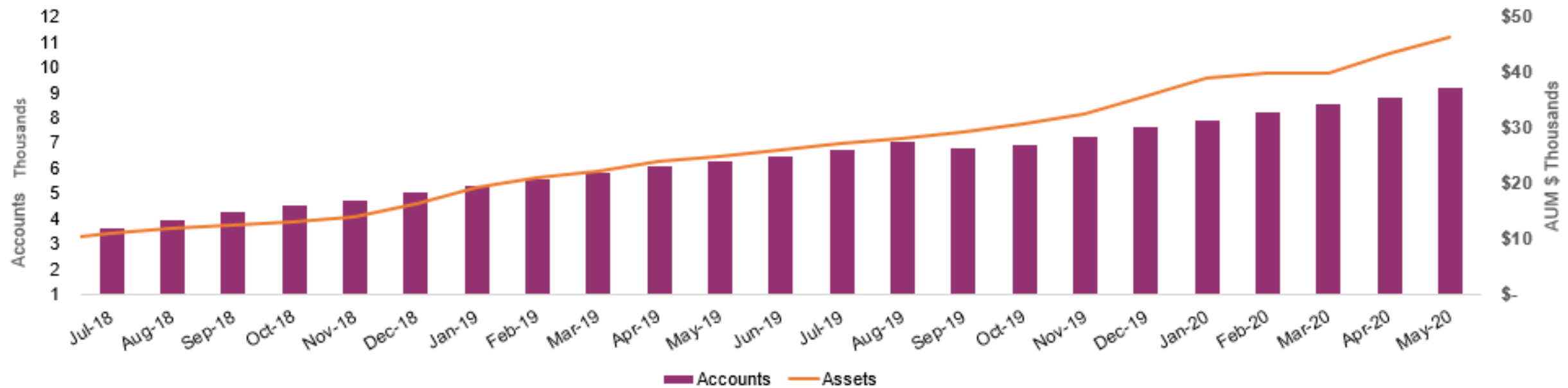
** # AT Units needed to cover 4 years of tuition and mandatory fees subject to change as tuition and mandatory fees change annually

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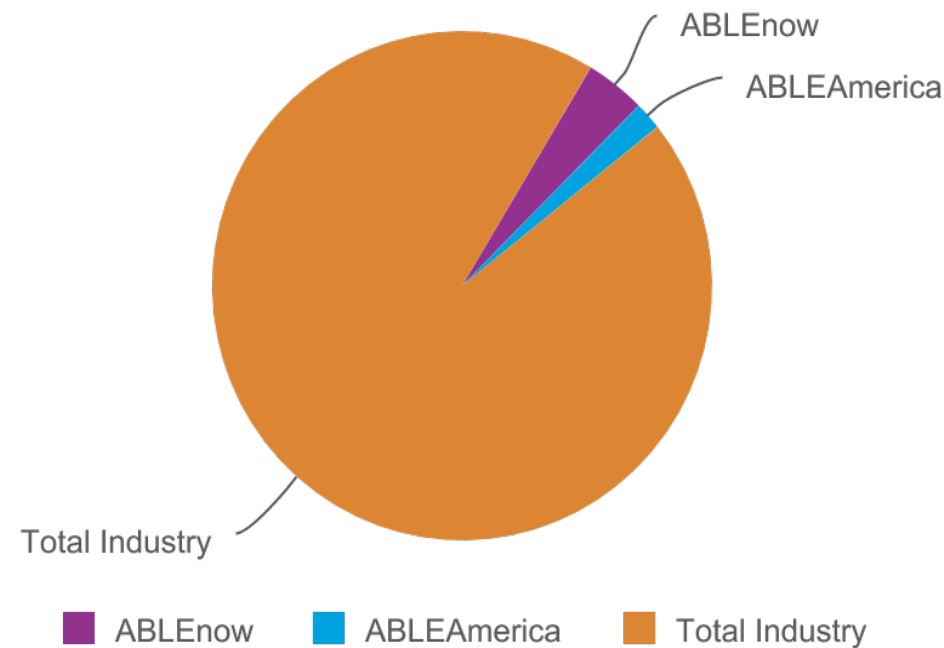


ABLEnow® & ABLEAmerica® Updates

AUM and Total Accounts¹



VA529 ABL Market Share ²



¹ Represents AUM and total accounts for ABLEnow and ABLEAmerica.

² Industry data obtained from Strategic Insight, as of March 31, 2020.



ABOUT SOAR VIRGINIA

SOAR Virginia is an early commitment scholarship program sponsored by Virginia529. The program encourages students to commit to earning good grades, being good citizens and pursuing higher education and rewards them with scholarship support up to \$2,000.

GOALS

Inspire students from low- and moderate- income households to:

- ▶ Complete high school and earn diplomas
- ▶ Pursue higher education
- ▶ Complete higher education and earn associate, bachelor or technical degrees

PARTNERS



WHAT SOAR VIRGINIA SCHOLARS SAY:

"I grew up in a family where education was not highly emphasized. When I was selected for SOAR and had to maintain a certain GPA, I started working harder in school and received grades beyond my expectations."

"Financial aid was kind of a mystery to me, but the program put me on track for success and taught me what it takes to be successful."

"If it weren't for this program, I would have been lost in high school. It gave me hope and it taught me how to accomplish things on my own. I became more responsible and ambitious and I will be forever grateful."

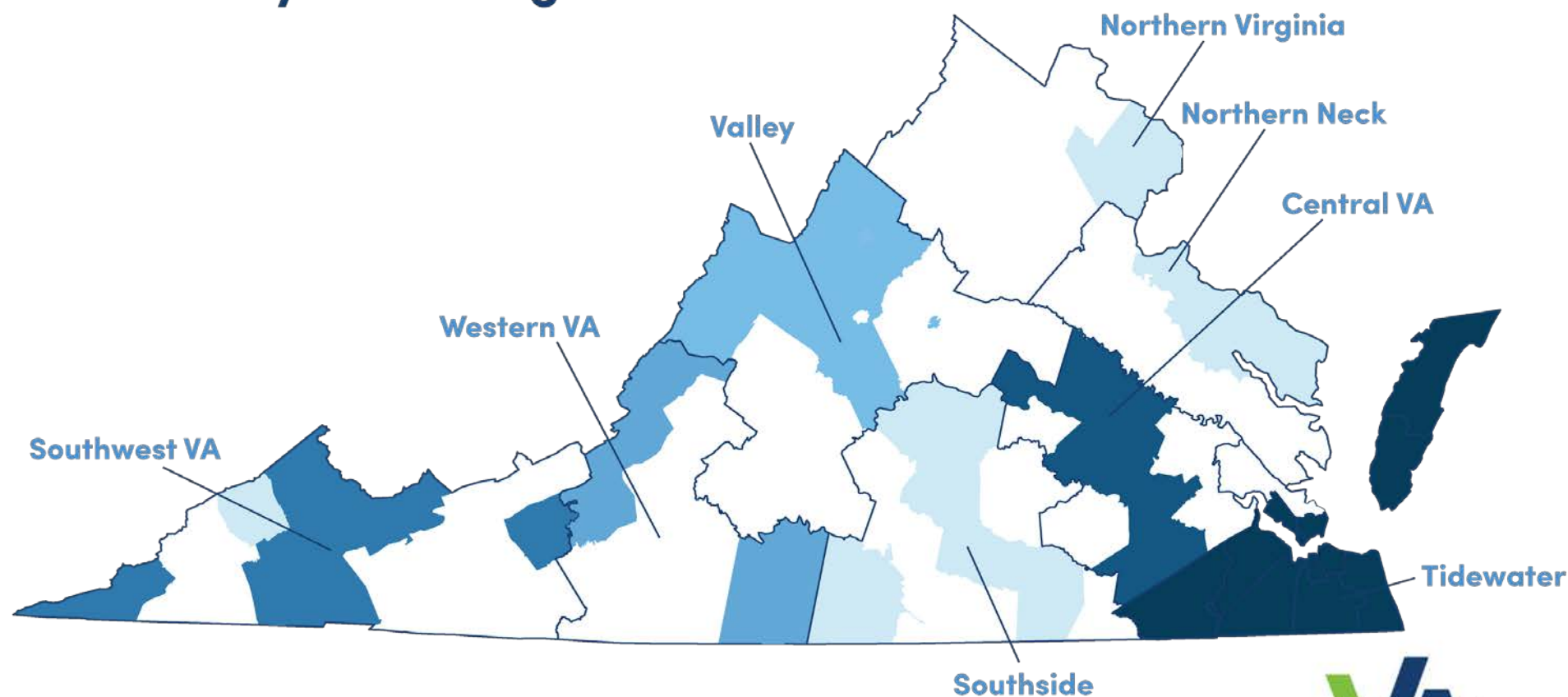
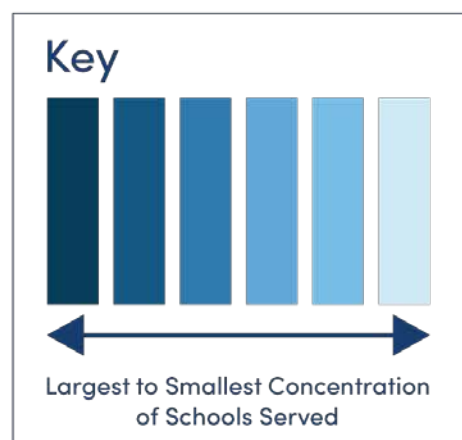




2019-2020 PROGRAM OVERVIEW

- More than **1,000** new students enrolled for the 2019-2020 school year
- More than **3,000** total students participating in the program during the 2019-2020 school year
- More than **6,900** students participating in the program since inception
- More than **60** school districts participating
 - **117** schools served across Virginia from the Eastern Shore to Lee County
- **\$8.9 million** in scholarships awarded
- **\$2.2 million** in scholarships distributed

Schools and Counties Served by SOAR Virginia



State-Facilitated Private Retirement (SFPR)



2018 CNU Report to General Assembly
Over half (53%) of Virginia employees have
no retirement plan - mostly because their
employer does not offer one

SFPRP Study Components **(Chapter 506 Virginia Acts** **of Assembly 2020)**

- Examine retirement savings in the US and SFPR options and structures
- Market surveys – engage with stakeholders
- Estimate start up costs and potential funding options
- Experience of states which have implemented or are implementing a SFPR Plan
- Report and Recommendations to the General Assembly by December 15, 2020

Virginia529 Activity To Date

- Partnering with Pew Charitable Trusts and others
 - Conduct study and complete market survey
 - Engage stakeholders
 - Review the “Cost of Doing Nothing”
- Extensive discussions with relevant states and review of statutes
- Discussions with state agencies (Virginia)
- Discussions with relevant interested organizations and interested parties
- Review of prior Virginia studies on SFPR

Summer/Fall 2020

- Outreach and listening sessions (likely virtual) with stakeholders
- Complete study elements
- Draft Report



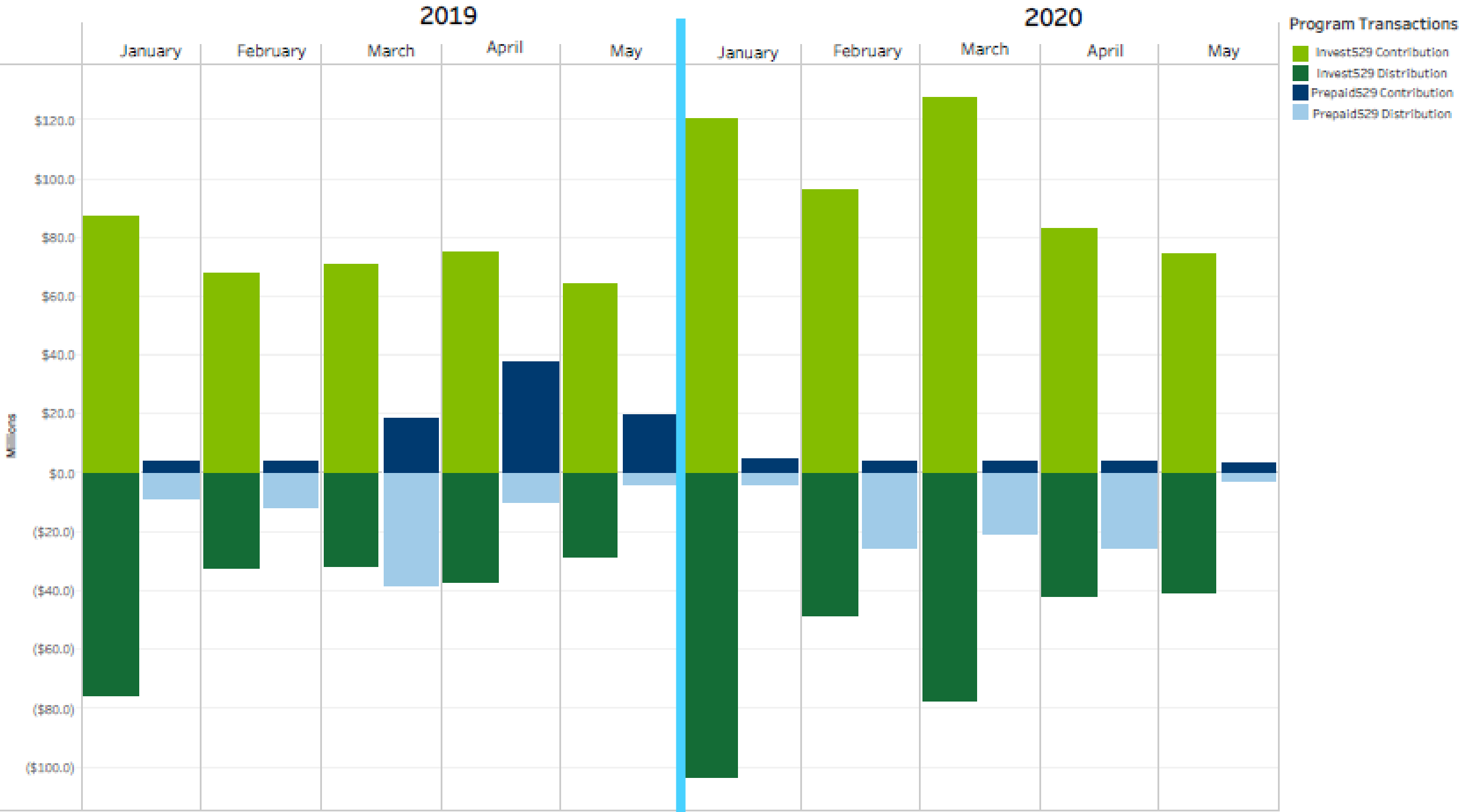
Impact – Action – Reaction to COVID-19

March 9 – began remote preparations - March 12, 2020 invoked COOP and moved to remote operations on Emergency Declaration

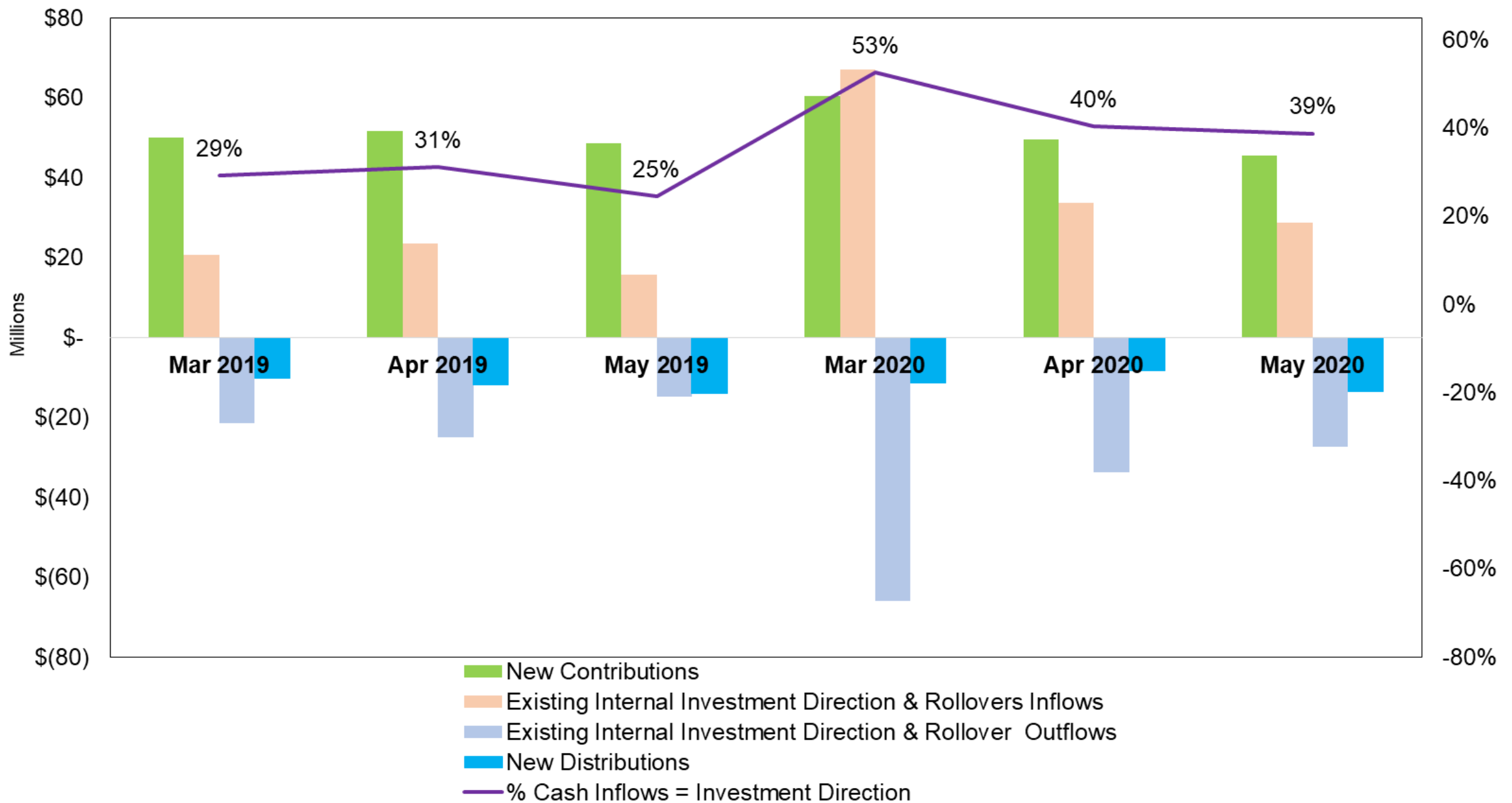
- ✓ No Degradation of Operations
- ✓ Enhanced Communications to Staff and Customers
 - ✓ Increased Online Solutions for Customers (Webinars, Online Transactions)
 - ✓ Conduct Regular Agency, Team, and One-on-One Virtual Meetings
 - ✓ Improved Intranet Site with Comprehensive COVID Information/Resources
 - ✓ Enhanced Virtual Training for Customer Service Associates
 - ✓ Launched Collaborative Platform (TEAMS) for Enhanced Internal Communication
 - ✓ Implemented Automated Procurement Workflows
- ✓ Budget System Implemented
- ✓ Laptop and Other Equipment Deployment Continues as WFH Continues
- ✓ Return to Office Planning Team - Prepare Facilities for Phased Return-to-Office



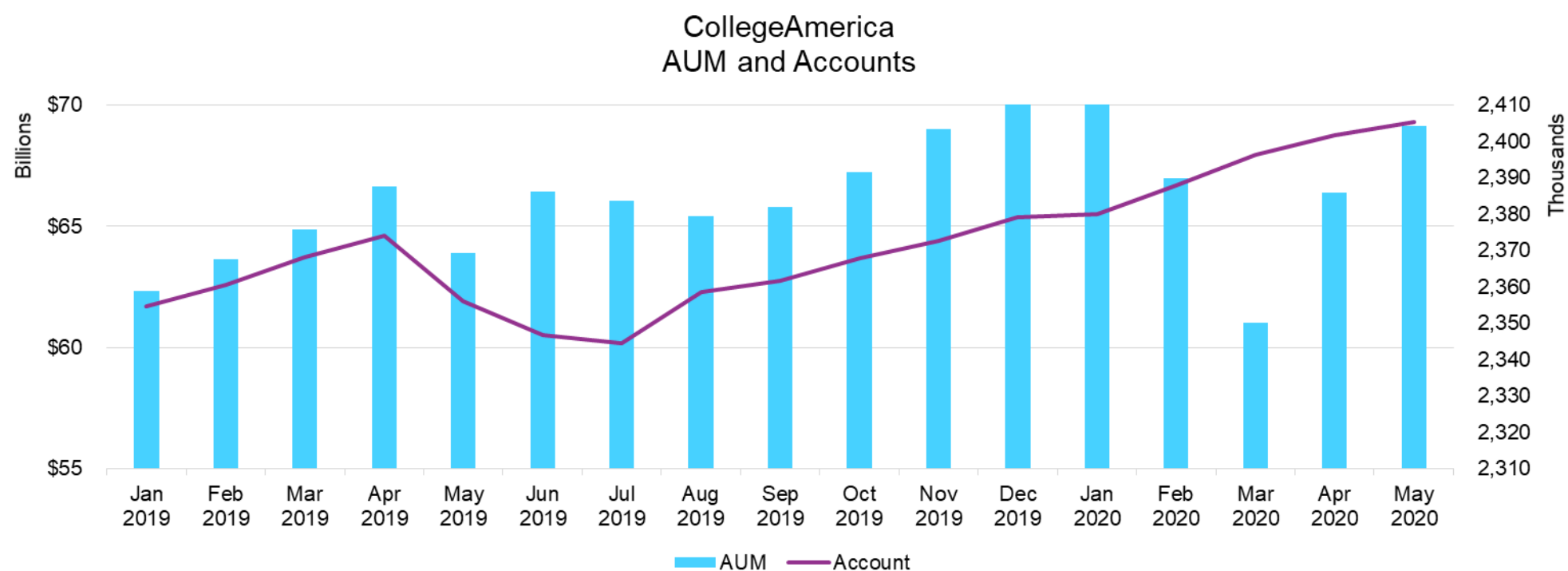
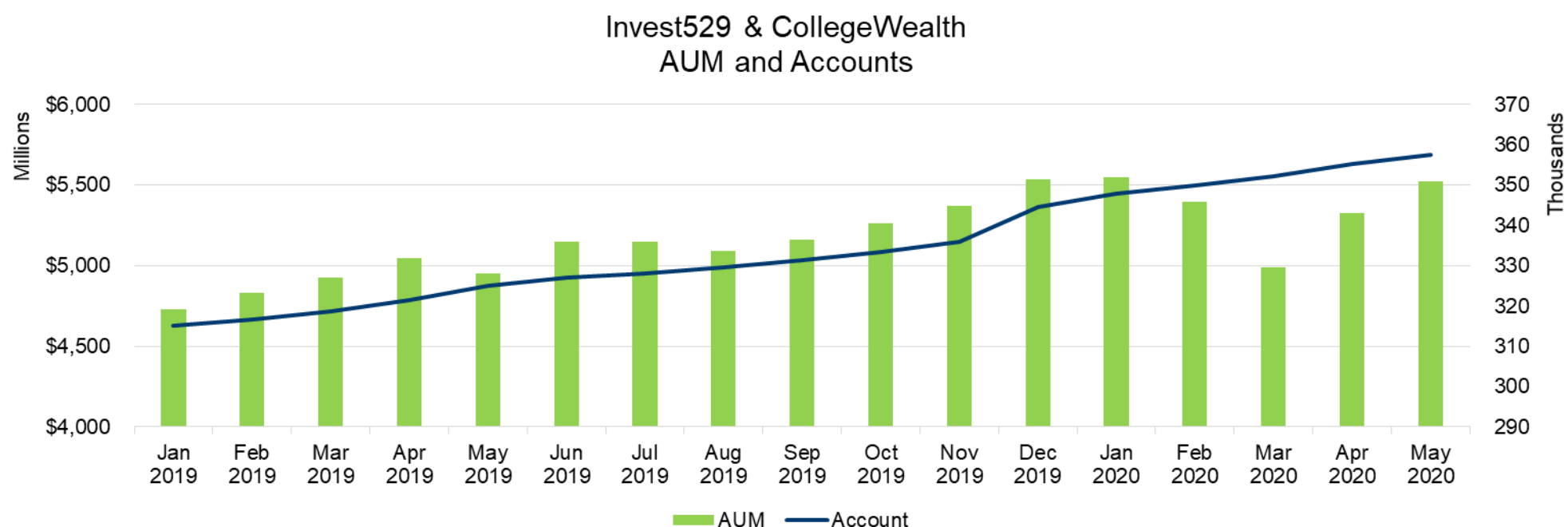
Cash Flow Comparison 2019-2020



invest529® What Did Invest529 Customers Do?



Assets Under Management and Account Trends: 2019-2020





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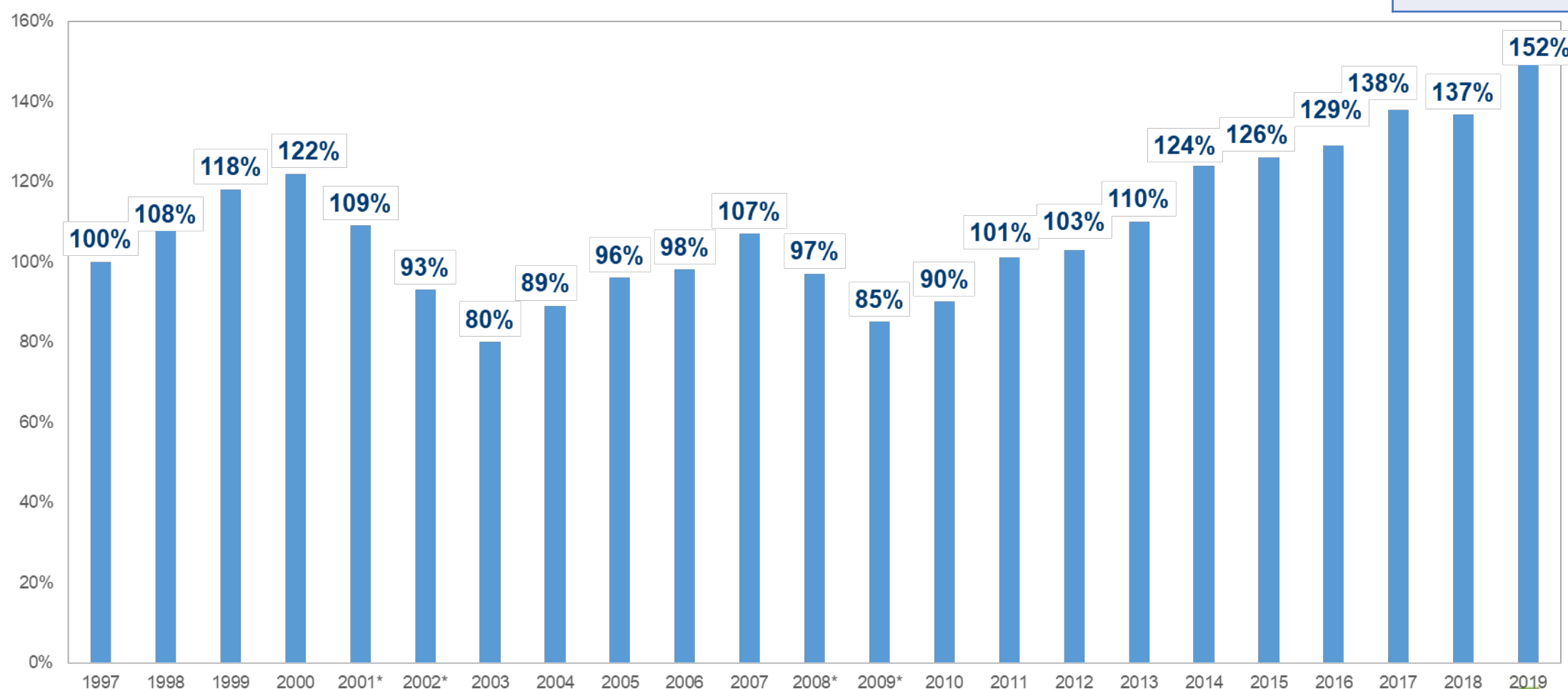
Investment and Legacy Prepaid529 Update

2019 Actuarial Valuation Report - Key Actuarial Assumptions

1. Long-term investment return assumption 5.75%
2. Future tuition growth assumption for Universities and Community Colleges
 - 4% for Fall 2020 & 2021 academic years
 - 6% for Fall 2022 academic year and thereafter

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 - 2018	6.25%
2019	5.75%

Prepaid529 Actuarially Funded Percentage as of June 30th (rounded)



Source: 2019 Annual Report MD&A chart 4

*Indicates Recession Mar 2001 – Nov 2001 (8 months) & Dec 2007 – Jun 2009 (18 months)

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prepaid529SM Net of Fee Performance as of 3/31/2020

	Since Inception	10 Years	5 Years	3 Years	1 Year	Calendar YTD	3 Month	1 Month	Inception Date
Total Fund	5.60%	4.78%	2.52%	1.64%	-5.21%	-11.67%	-11.67%	-9.31%	Oct-97
<i>Total Fund Benchmark</i>	5.19%	5.43%	3.79%	3.33%	-2.10%	-9.84%	-9.84%	-7.99%	Oct-97
Total Equity	5.63%	5.20%	0.45%	-1.68%	-15.67%	-24.04%	-24.04%	-16.91%	Oct-97
<i>Total Equity Benchmark</i>	4.78%	6.02%	2.77%	1.30%	-12.31%	-21.90%	-21.90%	-14.01%	Oct-97
Total Domestic Equity	6.55%	7.82%	1.79%	-0.68%	-14.99%	-24.96%	-24.96%	-17.99%	Oct-97
<i>Domestic Equity Benchmark</i>	6.52%	10.15%	5.77%	4.00%	-9.13%	-20.90%	-20.90%	-13.75%	Oct-97
Total International Equity	4.79%	2.48%	-0.77%	-2.57%	-16.09%	-23.08%	-23.08%	-15.80%	Oct-97
<i>International Equity Benchmark</i>	3.95%	2.37%	0.02%	-1.26%	-15.42%	-23.12%	-23.12%	-14.31%	Oct-97
Total Fixed Income	4.99%	3.64%	1.95%	0.93%	-3.23%	-8.68%	-8.68%	-8.63%	Oct-97
<i>Fixed Income Benchmark</i>	4.90%	3.88%	2.49%	1.87%	-2.37%	-8.31%	-8.31%	-8.51%	Oct-97
Non-Core Fixed Income	4.36%	4.26%	1.88%	0.28%	-5.59%	-11.41%	-11.41%	-10.50%	May-05
<i>Non-Core Fixed Income Benchmark</i>	4.85%	4.80%	2.97%	1.49%	-5.72%	-12.13%	-12.13%	-11.14%	May-05
Core Fixed Income	4.59%	2.94%	2.10%	2.36%	2.25%	-2.24%	-2.24%	-4.40%	Oct-97
<i>Core Fixed Income Benchmark</i>	4.61%	3.20%	2.70%	3.58%	5.43%	-0.10%	-0.10%	-3.01%	Oct-97
Alternatives	5.59%	6.76%	7.68%	9.64%	7.46%	2.60%	2.60%	1.55%	May-05
<i>Alternatives Benchmark</i>	5.83%	7.44%	7.50%	8.45%	11.42%	3.87%	3.87%	1.62%	May-05

Source: Bank of New York Mellon

Notes: Past performance is no guarantee of future results

Performance is presented net of investment management fees



Dream Save Achieve

prepaid529SM Net of Fee Performance as of 05/31/2020

	Since Inception	10 Years	5 Years	3 Years	1 Year	Calendar YTD	3 Month	1 Month	Inception Date
Total Fund	5.95%	5.96%	4.06%	3.81%	3.86%	-4.02%	-1.45%	3.61%	Oct-97
<i>Total Fund Benchmark</i>	5.49%	6.49%	4.96%	4.86%	5.17%	-3.19%	-1.31%	2.54%	Oct-97
Total Equity	6.40%	7.71%	3.65%	3.14%	4.14%	-9.59%	-1.11%	5.85%	Oct-97
<i>Total Equity Benchmark</i>	5.41%	8.50%	5.16%	4.79%	4.33%	-9.92%	-0.81%	4.10%	Oct-97
Total Domestic Equity	7.48%	10.60%	5.87%	6.26%	8.23%	-7.55%	1.03%	7.19%	Oct-97
<i>Domestic Equity Benchmark</i>	7.31%	12.80%	9.17%	9.54%	11.46%	-5.63%	2.89%	5.35%	Oct-97
Total International Equity	5.38%	4.97%	1.55%	0.23%	0.14%	-11.83%	-3.48%	4.30%	Oct-97
<i>International Equity Benchmark</i>	4.38%	4.58%	1.34%	0.18%	-3.16%	-14.91%	-5.17%	2.60%	Oct-97
Total Fixed Income	5.26%	4.35%	3.16%	2.72%	2.72%	-2.23%	-2.18%	3.56%	Oct-97
<i>Fixed Income Benchmark</i>	5.19%	4.67%	3.80%	3.61%	3.93%	-1.57%	-1.78%	3.37%	Oct-97
Non-Core Fixed Income	4.86%	5.30%	3.23%	2.32%	1.55%	-4.11%	-3.12%	4.48%	May-05
<i>Non-Core Fixed Income Benchmark</i>	5.39%	5.98%	4.43%	3.52%	2.78%	-4.22%	-3.15%	4.41%	May-05
Core Fixed Income	4.76%	3.23%	2.99%	3.59%	5.41%	2.13%	-0.12%	1.56%	Oct-97
<i>Core Fixed Income Benchmark</i>	4.76%	3.43%	3.55%	4.47%	7.70%	3.86%	0.84%	1.18%	Oct-97
Alternatives	5.46%	6.45%	7.79%	8.85%	7.12%	1.51%	0.47%	0.36%	May-05
<i>Alternatives Benchmark</i>	5.57%	6.93%	6.49%	6.45%	4.60%	0.58%	-2.10%	-1.76%	May-05

Source: Bank of New York Mellon

Notes: Past performance is no guarantee of future results

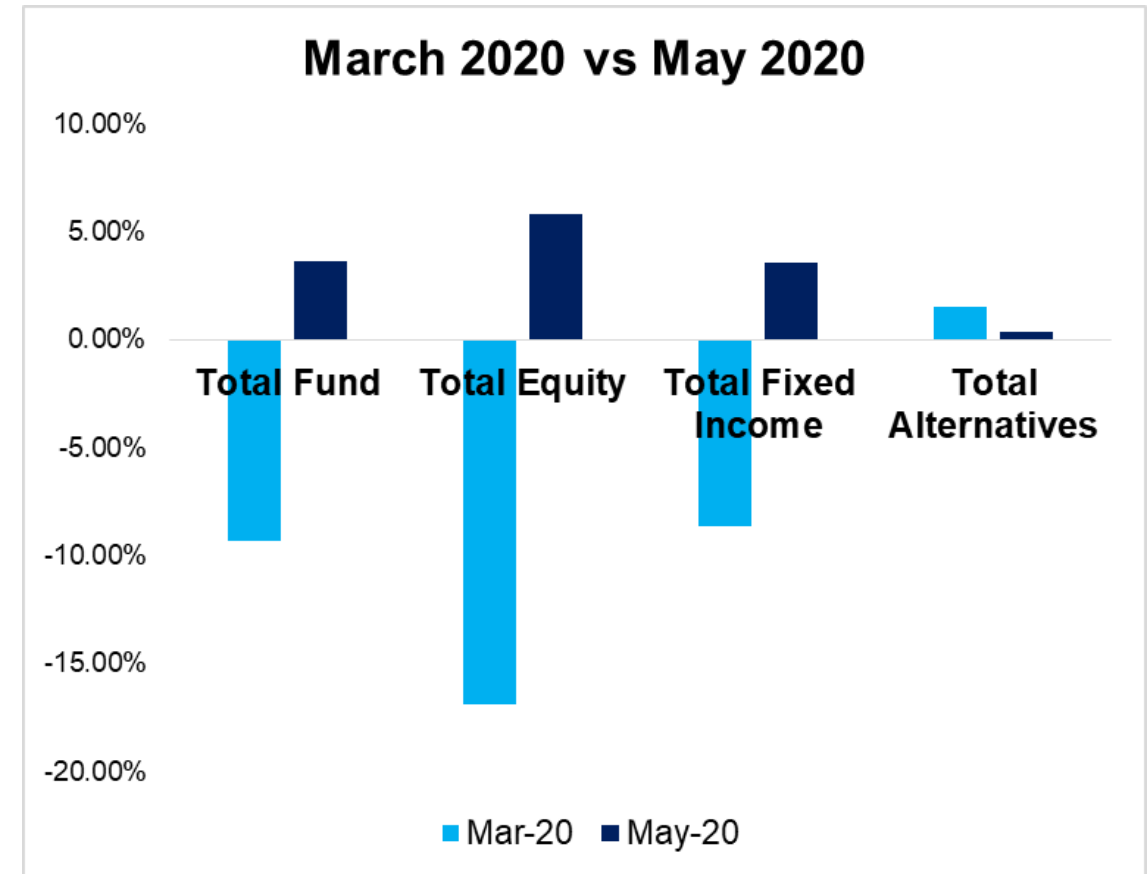
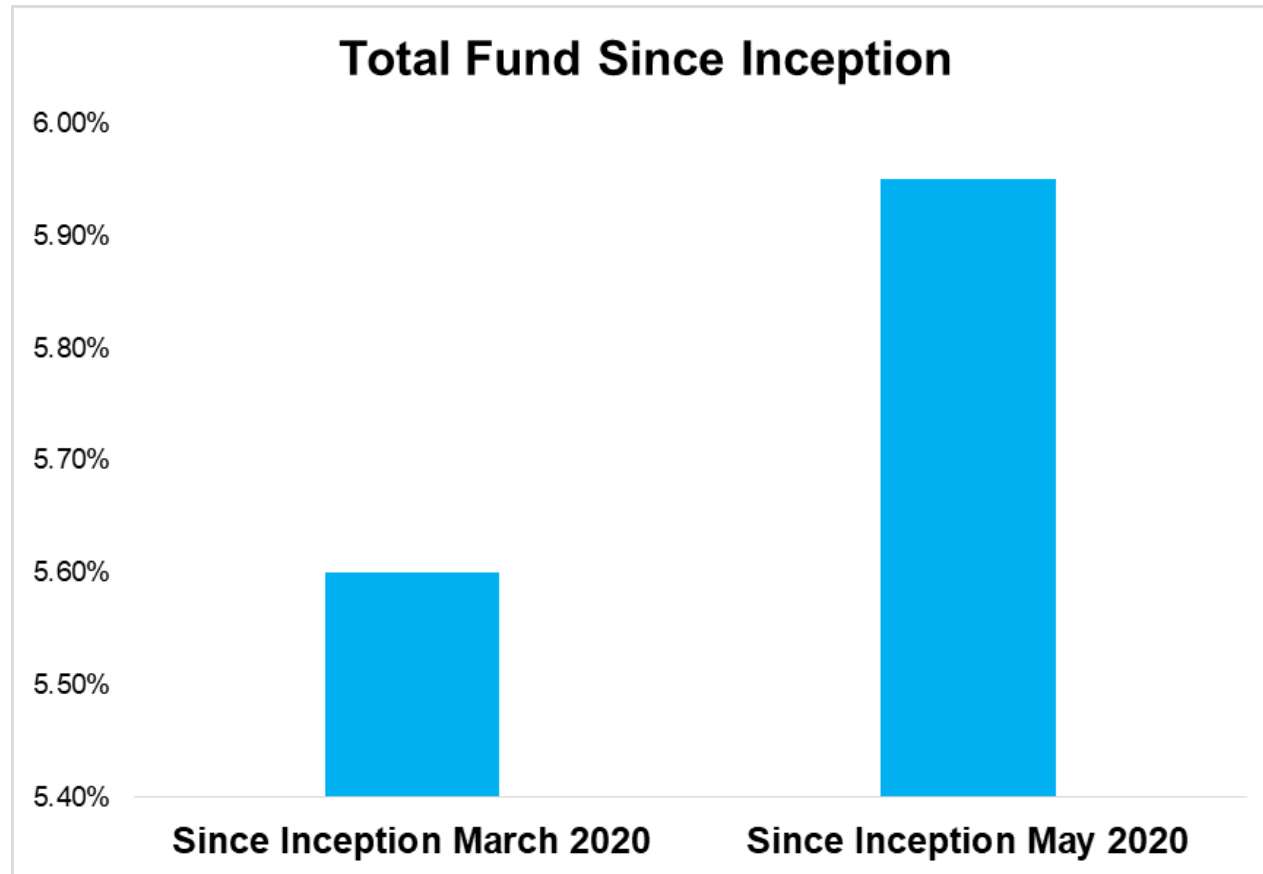
Performance is presented net of investment management fees



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Factors Impacting Performance

prepaid529SM



Factors impacting performance Prepaid529

- Asset Allocation Phase In
- Large Cap vs. SMID Cap tilt
- Growth vs. Value bias
- Defensive Fixed Income posture
- Maturing Private Market Allocation
- Manager Selection

invest529[®]

Factors impacting performance Invest529

- Orientation toward protecting savings
- Glide path allocation and fees
- Manager Selection



prepaid529SM Annual Returns

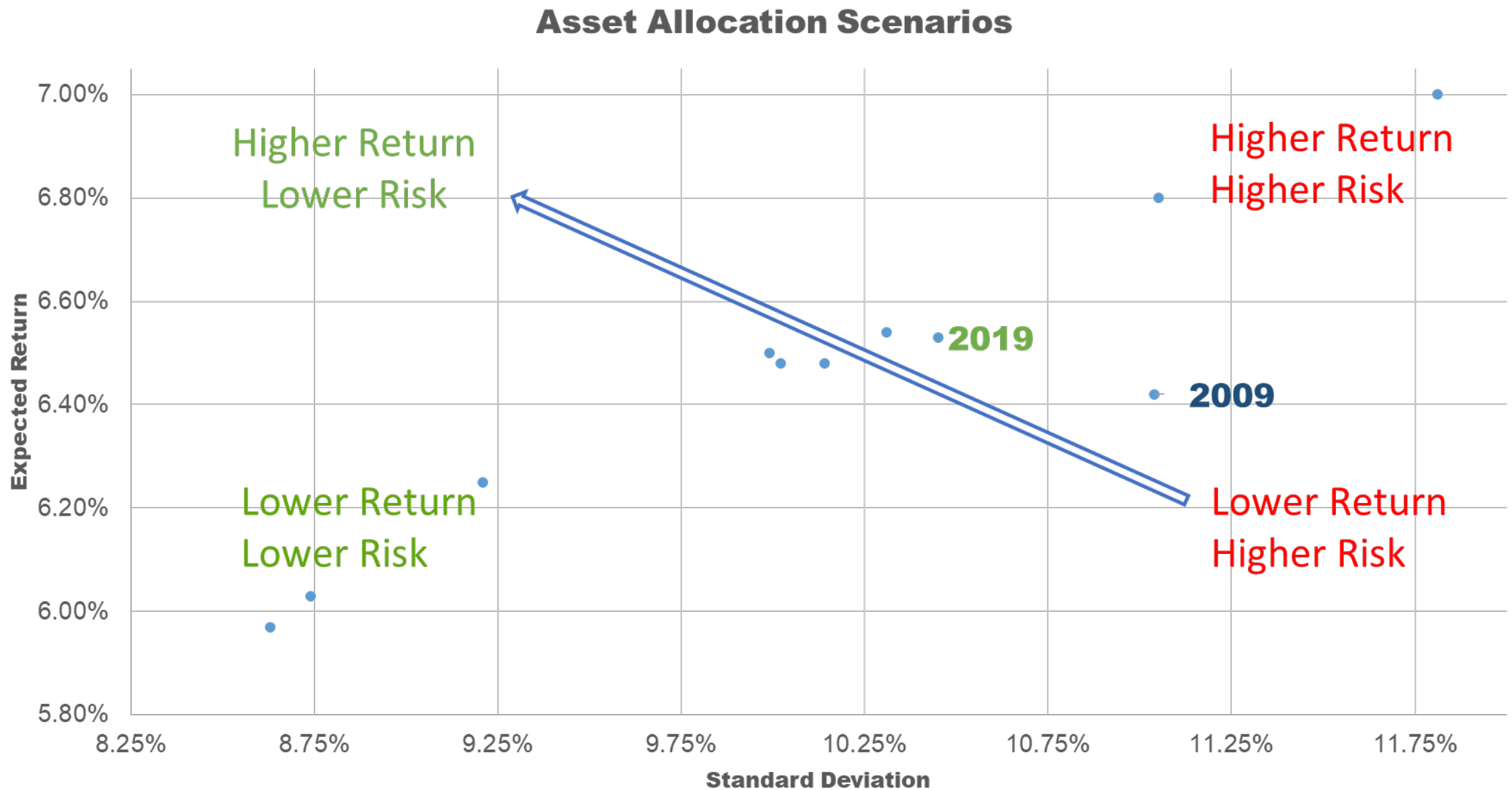
Year	Return Assumptions	Returns
2010	7.00%	13.99%
2011	7.00%	0.41%
2012	6.75%	12.74%
2013	6.75%	7.94%
2014	6.75%	3.26%
2015	6.25%	-0.99%
2016	6.25%	7.37%
2017	6.25%	12.13%
2018	5.75%	-3.44%
2019	5.75%	14.23%
Annualized Return		Since Inception
2010-2019	6.58%	6.26%

Source: Virginia529 Performance Reports 2010-2019; Calendar Year Returns



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prepaid529SM Asset Allocation Update



Source: Mercer and VA529; CMO assumptions as of 04/2019



prepaid529SM Asset Allocation Strategy

Group/Asset Class	2009	2019
US Large Cap	7.5%	5.0%
US SMID Cap	0.0%	5.0%
US Small Cap	7.5%	2.0%
Intl Developed	10.0%	5.0%
Emerging Markets	<u>7.5%</u>	<u>5.0%</u>
Total Equities Group	32.5%	22.0%
Real Estate - Private	2.5%	7.5%
Private Equity	7.5%	13.0%
Hedge Funds	<u>5.0%</u>	<u>5.0%</u>
Total Alternatives Group	15.0%	25.5%
Convertibles	7.5%	5.0%
High Yield	10.0%	7.5%
Private Debt	0.0%	5.0%
Emerging Market Debt	10.0%	2.5%
Aggregate Fixed Income	15.0%	17.0%
Multi-Asset Credit	0.0%	10.0%
Bank Loans	0.0%	5.5%
Inflation Index Bonds	5.0%	0.0%
Stable Value	<u>5.0%</u>	<u>0.0%</u>
Total Fixed Income	52.5%	52.5%
Total Prepaid529 Program	100.0%	100.0%



prepaid529SM Asset Allocation Phase-In

	Actual 3/31/2020	Projected Targets 7/1/2020	Projected Targets 7/1/2021	Projected Targets 7/1/2022	Long Term Policy
Equity	26.5%	25.0%	24.0%	22.0%	22.0%
<i>Domestic Equity</i>	13.4%	13.0%	12.0%	12.0%	12.0%
<i>International Equity</i>	13.1%	12.0%	10.0%	10.0%	10.0%
Alternatives	19.1%	23.0%	23.5%	25.5%	25.5%
<i>Core Real Estate</i>	2.3%	5.0%	5.0%	5.0%	7.5%
<i>Hedge Funds</i>	5.7%	6.0%	6.0%	7.5%	5.0%
<i>Private Equity</i>	11.1%	12.0%	12.5%	13.0%	13.0%
Fixed Income	54.3%	52.5%	52.5%	52.5%	52.5%
<i>Core Fixed Income</i>	17.4%	17.0%	17.0%	17.0%	17.0%
<i>Non-Core Fixed Income</i>	36.9%	35.5%	35.5%	35.5%	35.5%
Multi-Asset Credit	0.0%	4.0%	10.0%	10.0%	10.0%
Convertibles	7.7%	6.5%	5.0%	5.0%	5.0%
High Yield	8.5%	8.0%	7.5%	7.5%	7.5%
Bank Loans	8.9%	7.0%	5.5%	5.5%	5.5%
Private Debt	1.6%	3.0%	5.0%	5.0%	5.0%
Emerging Market Debt	10.2%	7.0%	2.5%	2.5%	2.5%



New Defined Benefit Program Investments



Single Portfolio Option in Invest529



Assets will be commingled and invested along side legacy Prepaid529 allocation



Leverage scale and fee savings from legacy Prepaid529



Although different benefit payouts, liability is tied to tuition inflation



Virginia529SM

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Call 1-888-567-0540 or visit Virginia529.com to obtain all program materials. Read them carefully before investing. An investor should consider the investment objectives, risks, charges, and expenses of the programs before investing. For non-Virginia residents: before investing, consider whether you or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protections from creditors that are only available for investments in that state's qualified tuition program.

Call 1-844-NOW-ABLE or visit able-now.com to obtain information on the program. Seek the advice of a professional concerning any financial, tax, legal or federal or state benefit implications related to opening and maintaining an ABLEnow account. Participating in ABLEnow involves investment risk including the possible loss of principal. For non-Virginia residents: other states may sponsor an ABLE plan that offers state tax or other benefits not available through ABLEnow.

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