

JLARC Legislator's Guide
Virginia529

2023



About Virginia529

The Virginia College Savings Plan, better known as Virginia529, was established by the General Assembly in 1994 to help make college more affordable and accessible to Virginians. Education savings plans are authorized by § 529 of the Internal Revenue Code and are sponsored in 49 states and the District of Columbia. Virginia529 offers education savings programs that participants can use to pay for educational expenses at institutions in Virginia and across the U.S. The programs offer federal and state income tax advantages on education savings and investment earnings.

Since being established, three changes have expanded Virginia529's mission beyond college savings. First, in 2015 the General Assembly, in response to federal legislation, directed Virginia529 to develop a program that provides tax-advantaged savings accounts for individuals with disabilities. Second, in 2017 the U.S. Congress expanded the allowable use of 529 education savings plans to include tuition at elementary and secondary public, private, and religious schools as well as registered apprenticeship programs. Finally, in 2021 the General Assembly created a state-sponsored private retirement savings program for private-sector employees in Virginia without access to retirement savings through their employers, and directed Virginia529 to administer the program.

Legislative oversight

The General Assembly makes changes to Virginia529 programs through legislation. The General Assembly also approves Virginia529 spending every year in the Appropriation Act, including appropriations for administrative spending and payments made under Virginia529's defined benefit prepaid tuition programs.

Under the Virginia College Savings Plan Oversight Act, the Joint Legislative Audit and Review Commission (JLARC) oversees and evaluates Virginia529 on an ongoing basis (Title 30, Chapter 51 of the Code of Virginia). JLARC publishes biennial Virginia529 oversight reports, oversees a quadrennial actuarial audit of Virginia529's defined benefit prepaid tuition programs, and produces other reports as requested. Virginia529 reports annually to the General Assembly, through JLARC, on the investments held in its programs and the actuarial soundness of its defined benefit prepaid tuition savings programs. In addition, the Auditor of Public Accounts provides independent audit services to the agency.

Operations

Virginia529 is an independent agency governed by an 11-member board, which sets policies and procedures to guide agency operations. The board is assisted by several committees, including three that are statutorily required, two of which include experts from outside the board’s membership.

The board appoints a CEO who oversees the day-to-day management of Virginia529 and its programs. An investment director serves at the pleasure of the board and assists with managing program assets. Key agency duties include directly administering some participant accounts, overseeing investments managed by external managers, overseeing third parties who hold other participant accounts and investments, and marketing the programs to customers. As an independent agency, Virginia529 is exempt from some personnel and procurement laws and regulations that apply to executive branch agencies.

Virginia529 board – 11 members

4 members appointed by the governor*	Members must have experience in finance, accounting, law, investment management, higher education, or disability advocacy
3 members appointed by the General Assembly*	Members must have experience in finance, accounting, law, investment management, higher education, or disability advocacy
4 members ex officio	Members represent State Council of Higher Education for Virginia, Virginia Community College System, state treasurer, and state comptroller

*At least one of the citizen members must have expertise in the management and administration of private defined contribution retirement plans.

Virginia529’s operations are primarily funded through administrative fees charged under its savings programs; the agency does not receive general fund appropriations. In FY22, Virginia529 collected \$58 million in operating revenues and had operating expenditures of \$43 million. Net operating revenues of approximately \$19.5 million were designated for programs promoting higher education access and affordability, including the SOAR scholarship program, in fiscal years 2021–2022.

Programs

Virginia529 operates four education savings programs. The Legacy Prepaid529SM program is a defined benefit program that allowed participants to prepay college tuition and fees. The program was closed to new participants in 2019, but existing accounts continue to pay benefits. Virginia529 opened a new defined benefit prepaid tuition program—Tuition Track Portfolio (TTP)—in 2021. Invest529SM and CollegeAmerica[®] are defined contribution savings programs that allow participants to save and invest for qualified education expenses. Virginia529's defined contribution programs are open to all U.S. residents, but its defined benefit programs are open only to Virginia residents. Participants in all four programs receive federal tax advantages, and Virginia residents receive state tax advantages. Virginia529 directly oversees the investments in its defined benefit and Invest529 programs and retains external managers to manage the investments. CollegeAmerica is managed by Virginia529 with a third-party manager.

Virginia529 offers three programs that are not solely related to education savings. ABLEnow[®] and ABLEAmericaSM are the Virginia-sponsored Achieving a Better Life Experience (ABLE) savings programs offering tax-advantaged savings accounts for eligible individuals with disabilities. Qualified disability expenses covered by ABLE funds include basic living expenses, transportation, and education and training. SOAR Virginia assists low-income high school students with the college admissions process and provides up to a \$2,000 scholarship in an Invest529 account.

As directed by the General Assembly, Virginia529 is developing a state-sponsored private retirement savings program for private-sector employees in Virginia. State-sponsored retirement programs provide retirement savings options to employees without access to retirement savings programs through their private employers. Virginia529 is required to open the program by July 1, 2023.

Virginia529 education savings programs

<i>Program</i>	<i>Accounts</i>	<i>Assets</i>
Tuition track portfolio	6,404	\$75,066,625
Legacy Prepaid529	44,469	\$2,820,882,646
Invest529	446,181	\$7,309,781,297
CollegeAmerica	2,557,402	\$77,481,063,976

Virginia529 disability savings program

ABLEnow	13,326	\$97,024,114
ABLEAmerica	2,200	\$28,118,013

SOURCE: Virginia529 (November 30, 2022).

Virginia529 education savings programs

Legacy Prepaid529 is a defined benefit program that offered prepaid tuition contracts to Virginia residents. The program was closed to new participants in 2019. Legacy Prepaid529 benefits pay the full-time, in-state, undergraduate tuition and mandatory fees at public colleges and universities in Virginia but may not cover the full cost of tuition and fees at private and out-of-state institutions. The program paid \$202 million in benefits in FY22.

Tuition Track Portfolio (TTP) is a defined benefit program that became available to Virginia residents in 2021. TTP pays the weighted average of normal full-time, in-state undergraduate tuition and mandatory fees at public colleges and universities in Virginia. The benefit is the same regardless of the institution attended (Virginia public, private, or out-of-state). The program is too new to have paid benefits in FY22.

Invest529 is a defined contribution program sold and managed by Virginia529. Account owners choose from 22 different investment options, including target enrollment portfolios, an FDIC-insured savings option, and passive and active target risk options. The program distributed \$569 million to participants in FY22.

CollegeAmerica is a defined contribution program offered in partnership with a private mutual fund company, the Capital Group/American Funds. Account owners work with private financial advisers to build their portfolios using American Funds' mutual funds. CollegeAmerica is the largest college savings program in the nation, though only 6 percent of its accounts are held by Virginia residents. The program distributed \$6.2 billion to participants in FY22.

Virginia529 savings programs for individuals with disabilities

ABLEnow is a savings program for individuals with disabilities that is sold directly by Virginia529 in partnership with PNC Bank. Account owners may choose from five different investment options. The program distributed \$18.6 million to participants in FY22.

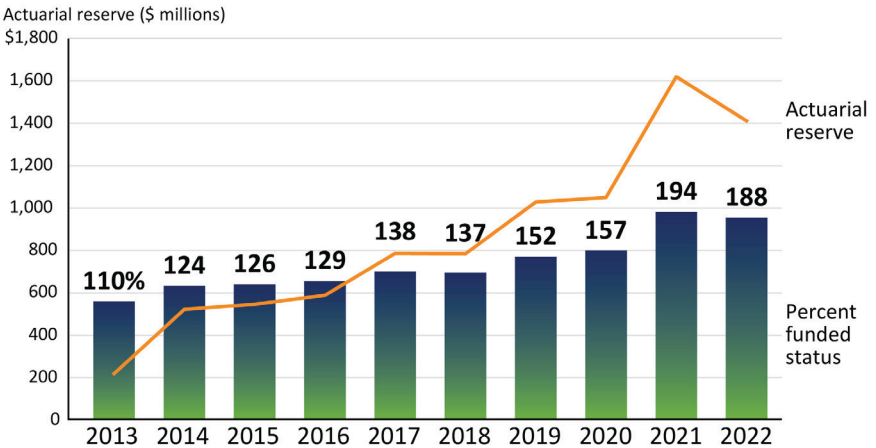
ABLEAmerica is a savings program for individuals with disabilities that is sold in partnership with the American Funds. Account owners work with private financial advisers to build their portfolios using American Funds' mutual funds. Account owners can choose from seven different investment options. The program distributed \$4.5 million to participants in FY22.

Funding for Defined Benefit 529 programs

Virginia529 uses revenues from the sales of contracts for its defined benefit programs (Legacy Prepaid 529 and TTP) and investment returns to pay benefits for defined benefit prepaid tuition contract holders. Contract prices for the Legacy Prepaid529 program were set at levels intended to fully cover future obligations and were revised annually using long-term tuition increase and investment return assumptions as two primary factors in establishing contract prices. Virginia529 combines the Legacy Prepaid529 and TTP programs into a single Defined Benefit 529 (DB529) fund for actuarial and investment purposes. The DB529 programs had a funded status of 188 percent and an actuarial surplus of \$1.4 billion as of June 30, 2022.

DB529 benefits are not guaranteed by the state. However, statute requires that a sum-sufficient appropriation be included in the governor’s budget to ensure that Virginia529 can meet its obligations. In the event that the DB529 program does not have sufficient funds, the General Assembly would decide whether to include the funding in the Appropriation Act. Under the requirement, any such funding must be repaid to the state, interest-free, from Virginia529’s excess operating revenue.

Defined Benefit 529 actuarial funded status and surplus



SOURCE: Virginia529 DB529 valuation reports.

NOTE: As of June 30 each year.

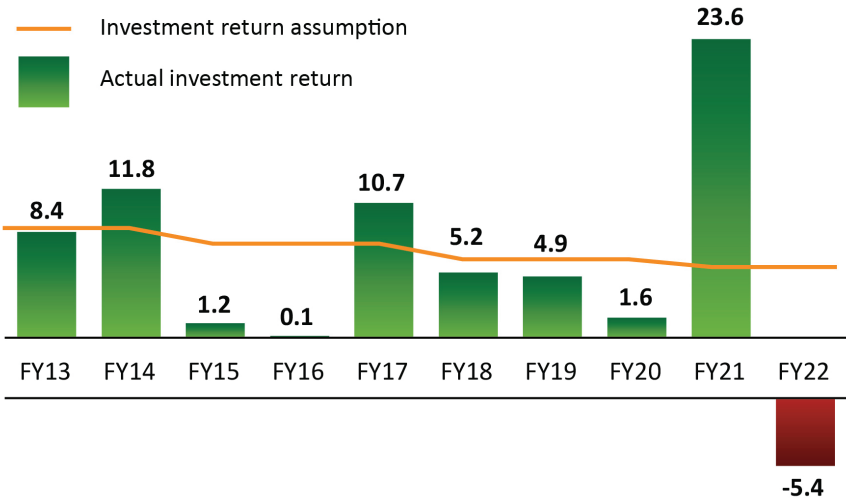
Defined Benefit 529 investments

Virginia529 invests DB529 fund assets to generate returns that help to pay benefits to program participants. Virginia529 assumes a long-term rate of return on investments of 5.5 percent, but actual returns vary each year.

The DB529 fund has a diversified portfolio of investments that is allocated among different asset classes, with the goal of achieving its assumed long-term return with acceptable risk and sufficient liquidity. The asset classes are fixed income (investment grade bonds, high yield bonds, senior secured loans, and emerging market debt), public equity (U.S. and international stocks), and alternative investments (private equity, private debt, and real estate). Asset allocations are set by the Virginia529 board with the advice of a statutory Investment Advisory Committee, and investments are managed by external private investment managers under the oversight of Virginia529 staff and Virginia529’s Investment Advisory Committee. Virginia529 also contracts with an investment consultant to provide additional expertise to the investment management process.


Virginia statute places restrictions on how DB529 fund assets can be used and managed. DB529 assets must be administered solely in the interest of the DB529 program and its contract holders. The Virginia529 board has broad authority for determining how funds are invested, but in doing so, shall act as a trustee using the “prudence, discretion, and intelligence” with which they would exercise the management of their own affairs.

Defined Benefit 529 one-year net investment returns



SOURCE: Virginia529 annual reports and investment data.

NOTE: Investment return assumption was reduced from 6.75 percent to 6.25 percent in FY15, from 6.25 percent to 5.75 percent in FY18, and from 5.75 percent to 5.5 percent in FY21.



For more information on Virginia529 and its programs, please visit:

[Virginia529.com](https://www.virginia529.com)

[ABLEnow.com](https://www.ablenow.com)

[RetirePathVA.com](https://www.retirepathva.com)

[JLARC.VIRGINIA.GOV](https://www.jlarc.virginia.gov)

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