

JLARC Legislator's Guide  
**Virginia College Savings Plan – VA529**

2016



# About VA529

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The Virginia College Savings Plan, better known as VA529, was established by the General Assembly in 1994 to help make college more affordable and accessible to Virginians (Title 23, Chapter 4.9 of the Code of Virginia). College savings plans are authorized by Section 529 of the Internal Revenue Code and are sponsored in 49 states and the District of Columbia. VA529 offers four college 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 college savings and investment earnings. One program allows participants to pre-pay college tuition and fees.

In 2015, VA529's mission was expanded to include a program that provides tax-advantaged savings accounts for individuals with disabilities.

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VA529 was established to help make college more affordable and accessible to Virginians

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## Legislative oversight

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The General Assembly makes changes to VA529 programs through legislation. The General Assembly also approves VA529 spending in the annual appropriation act, including appropriations for administrative spending and payments made under the prePAID defined benefit program.

Under the Virginia College Savings Plan Oversight Act, the Joint Legislative Audit and Review Commission (JLARC) oversees and evaluates VA529 on an ongoing basis (Title 30, Chapter 51 of the Code of Virginia). JLARC publishes biennial VA529 oversight reports, oversees a quadrennial actuarial audit of VA529's prePAID program, and produces other reports as requested. VA529 reports annually to the General Assembly, through JLARC, on the investments held in its programs and the actuarial soundness of the prePAID program. The Auditor of Public Accounts also conducts an annual financial audit of VA529.

# Operations

VA529 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, two of which include experts from outside the board's membership.

The board appoints a CEO who oversees the day-to-day management of VA529 and its programs. Key agency duties include directly administering some participant accounts, overseeing investments held by external managers, overseeing third parties who hold other participant accounts and investments, and marketing the programs to customers. As an independent agency, VA529 is exempt from some personnel and procurement laws and regulations that apply to executive branch agencies.

## VA529 board – 11 members

**4 members** appointed by the **governor**

Members have experience in finance, accounting, law, or investment management

**3 members** appointed by the **General Assembly**

Members have experience in finance, accounting, law, or investment management

**4 members** ex officio

Members represent State Council of Higher Education for Virginia, Virginia Community College System, state treasurer, and state comptroller

VA529 operations are entirely funded through fees charged under its college savings programs; the agency does not receive general fund appropriations. In FY 2015, VA529 collected \$49 million in operating revenues and had operating expenditures of \$20 million. Surplus revenues of \$29 million were allocated to the prePAID program.



# Programs

VA529 offers four college savings programs: prePAID, inVEST, CollegeWealth, and CollegeAmerica (see opposite). The prePAID program allows participants to prepay college tuition and fees. The other three programs allow participants to save and invest for a range of qualified higher education expenses. prePAID is open only to Virginia residents, and the other programs are open to all U.S. residents. Participants in all programs receive federal and state tax advantages.

VA529 directly manages prePAID, inVEST, and CollegeWealth accounts and retains external managers to handle the programs' investments. The CollegeAmerica program is largely managed by a third-party program manager under contract with VA529. CollegeAmerica is the largest VA529 program, and nine percent of its accounts are based in Virginia.

VA529 offers two additional programs that are not related to college savings. SOAR Virginia offers scholarships to high school students and helps them apply for college admission and financial aid. The Achieving a Better Life Experience (ABLE) program will provide tax-advantaged savings accounts for individuals with disabilities. The ABLE program was established by the 2015 General Assembly and is under development. VA529 expects to implement ABLE in late 2016.

VA529 college savings program accounts		
<i>Program</i>	<i>Accounts</i>	<i>Assets (\$ billions)</i>
prePAID	65,262	<b>\$2.3</b>
inVEST	207,879	<b>\$3.1</b>
CollegeWealth	17,305	<b>\$0.1</b>
CollegeAmerica	2,161,945	<b>\$48.6</b>

SOURCE: Virginia College Savings Plan (December 2015). NOTE: Approximately 9% of College America accounts are based in Virginia.

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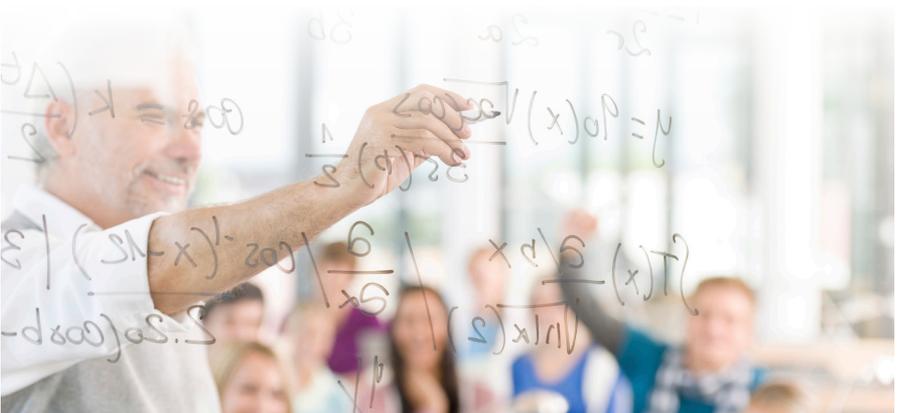
## VA529's college savings programs

**prePAID** is a defined benefit program that offers prepaid tuition contracts to Virginia residents. prePAID benefits pay for full-time undergraduate tuition and mandatory fees at public colleges and universities in Virginia. prePAID benefits can be used at private and out-of-state institutions, but may not cover the full cost of tuition and fees. The program paid \$159 million in benefits in FY 2015.

**inVEST** is a savings program sold directly by VA529. Account owners may choose from 19 different investment options, including traditional investments and portfolios that adjust over time with the age of the beneficiary. The program distributed \$169 million to participants in FY 2015.

**CollegeWealth** is an FDIC-insured savings program that offers accounts through VA529's partnership with two financial institutions, BB&T and Union Bank & Trust. CollegeWealth account owners make contributions to savings accounts held by one of the sponsoring banks. Annual percentage yields vary based on the amount saved. The program distributed \$15 million to participants in FY 2015.

**CollegeAmerica** is a savings program offered in partnership with a private mutual fund company, Capital Group, which is the program manager. Account owners work with private financial advisors to build their portfolios using the Capital Group's American Funds mutual funds. The program distributed \$3.2 billion to participants in FY 2015.



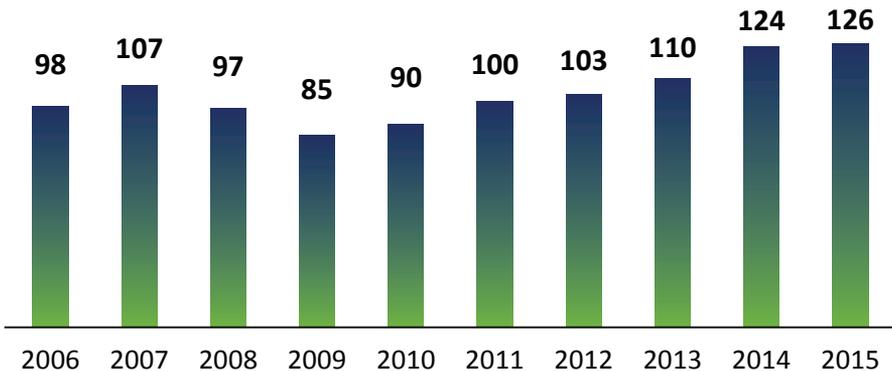
# Funding for prePAID

prePAID is the only defined benefit program offered by VA529. VA529 uses revenues from prePAID contract sales and investment returns to pay benefits. Contract prices are set at levels that are intended to fully cover future obligations and are revised annually using long-term tuition and investment return assumptions. The program was 126 percent funded, on an actuarial basis, as of June 30, 2015.

The prePAID program was 126 percent funded as of June 30, 2015.

prePAID benefits are not guaranteed by the state. However, the governor's proposed budget must include sufficient funds to pay prePAID benefit obligations. In the event that VA529 does not have sufficient funds on hand, the proposed budget would have to include general or other funds to pay benefits. The General Assembly would then decide whether to appropriate the necessary funds in the appropriation act.

## VA529 prePAID funded status



SOURCE: VA529 prePAID valuation reports.

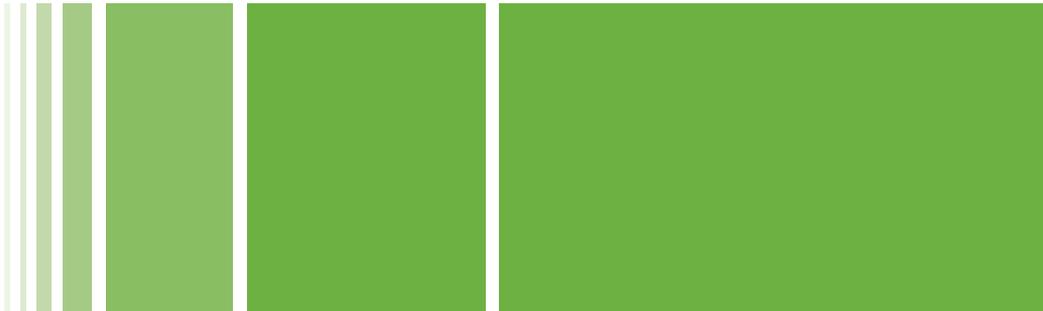


## Additional resources

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For more information on JLARC oversight of VA529, see [jlarc.virginia.gov](http://jlarc.virginia.gov).

For more information on VA529 programs and investment options, see [virginia529.com](http://virginia529.com).



[JLARC.VIRGINIA.GOV](http://JLARC.VIRGINIA.GOV)

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