

Virginia529SM

Joint Legislative Audit and Review Commission

July 5, 2022



Objectives

INTRODUCTION AND OVERVIEW

Mary Morris

Chief Executive Officer

STATE FACILITATED PRIVATE RETIREMENT

Peter Thompson

Program Director

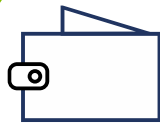
INVESTMENT UPDATE

Michael Swink, CFA, CPA

Investment Director



Helping families plan for their future *...one dream at a time*



Virginia529 strives to help make the financial lives of Virginians, and all Americans, better through its commitment to affordable and accessible savings programs, and financial education.



Virginia529 shall *“Develop and implement scholarship or matching grant programs, or both, as the board may deem appropriate, to further its goal of making higher education more affordable and accessible to all citizens of the Commonwealth.”* -[§23.1-704.8](#)



Closing the Gap



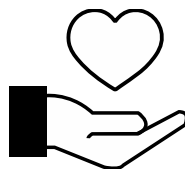
Education Savings

\$97B in AUM

22% of 529 Mkt

invest529[®]

CollegeAmerica[®]



Disability Savings

\$113.4M in AUM

10.2% of ABLE Mkt

ABLEnow[®]

ABLEAmerica[®]



Access & Affordability

\$11.5M

SOAR scholarships awarded



2010 |

2021 | Expansion

\$13.5M

Committed to 7 Partners



State-Facilitated Private Retirement

45%

Working Virginians
without retirement options

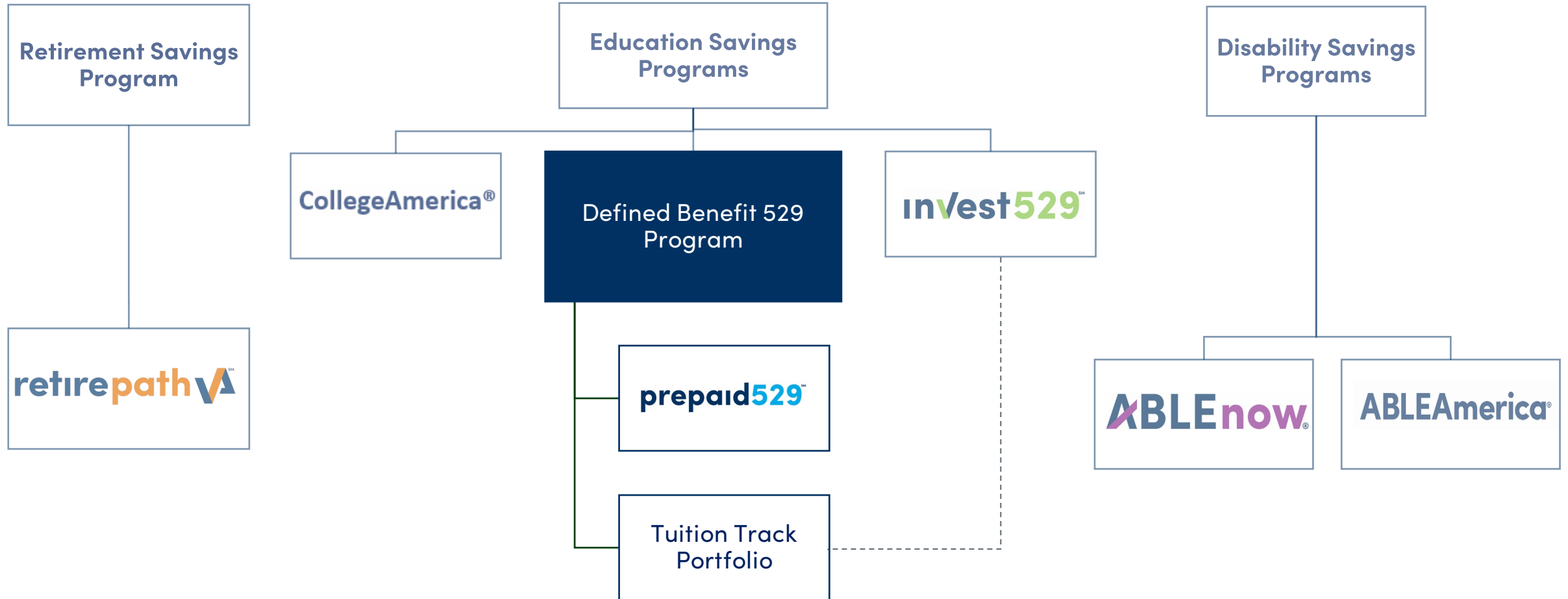
retirepathVASM

Launching in 2023

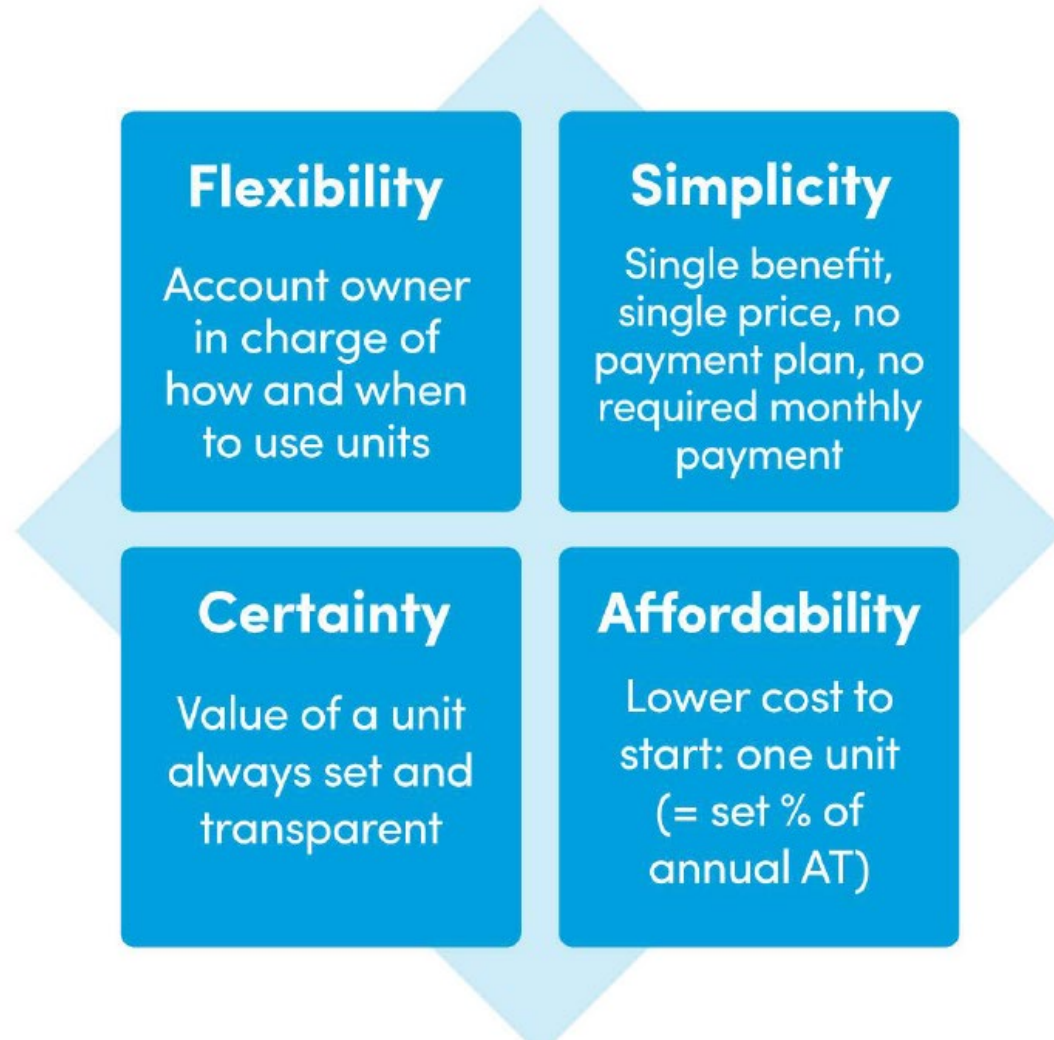
*As of March 31, 2022



Virginia529[™] Programs

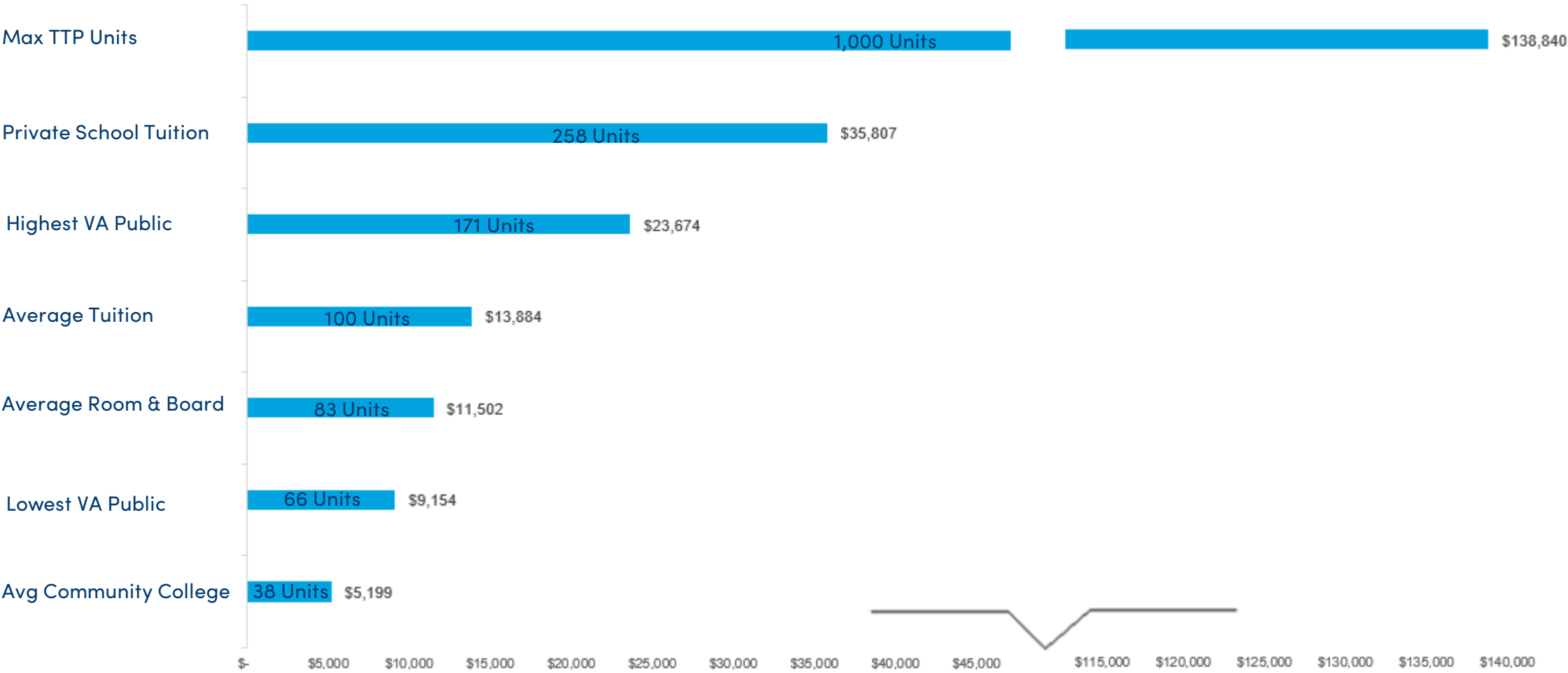


Defined Benefit 529 Program



Tuition Track Portfolio (TTP) Units

Annual Attendance Cost



*Data obtained from SCHEV
** # AT Units needed to cover 4 years of tuition and mandatory fees; Max TTP Units reflects the maximum amount (1,000) an account holder can purchase
***Private university rates obtained from: educationdata.org



Average Tuition

- 100 TTP Units = 1 Year of Average Tuition
- Participants can purchase up to 1,000 units
- In academic year 2022:
 - 7 schools > Average Tuition
 - 8 schools < Average Tuition



Defined Benefit 529 Program: Actuarial Valuation

Actuarial Reserve/(Deficit) = Total Plan Assets – PV of Obligations

Funded Status = Total Plan Assets / PV of Obligations

Annual valuation report details the actuarial process

*Both the total plan assets and PV of obligations are actuarially determined estimates based on the PV of Prepaid529 contract receivables and estimates of future payouts, respectively

	Actuarially Funded Percentage	Probability of Meeting Obligations
	50%	0%
6/30/2009 →	85%	19%
	90%	30%
	100%	50%
	110%	75%
	120%	91%
	125%	94%
6/30/2020 →	157%	99%
6/30/2021 →	193.5%	99%



Defined Benefit 529 and Access & Affordability Programs

REVENUES

- Fee reductions
- Increases access & affordability through lower cost options

EXPENDITURES

- Fund agency operations and program administration
- Fund access and affordability initiatives and program administration

DEFINED BENEFIT 529 PROGRAM

- Restructured DB529 Program to offer lower cost, more accessible option
- Continue to service existing Prepaid529 Contracts

ACCESS & AFFORDABILITY

- Workforce development
- Scholarships & grants
- Mentoring/advising services
- SOAR Scholarship Program

Expanded Access & Affordability Program

VISION & STRATEGY

DESIGN

IMPLEMENTATION 

ANALYSIS & OVERSIGHT

Access & Affordability Program



Workforce Development



Scholarships and Grants



Mentoring and Coaching



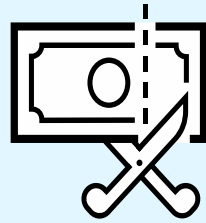
valhen



Agency Highlights



Sustained growth



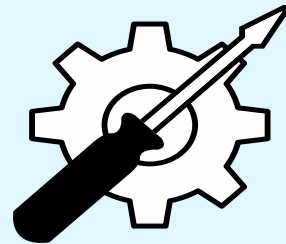
Fee reductions



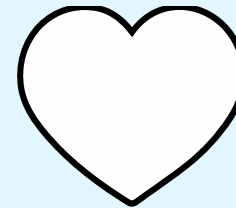
**Fraud prevention &
cyber-security**



**Customer journey
enhancements**



**Multiple system
implementations**



**Diversity, equity &
inclusion**



Virginia's State-Facilitated Private Retirement Program

retirepath VASM



retirepathVASM Program Implementation

ANALYSIS & STRATEGY

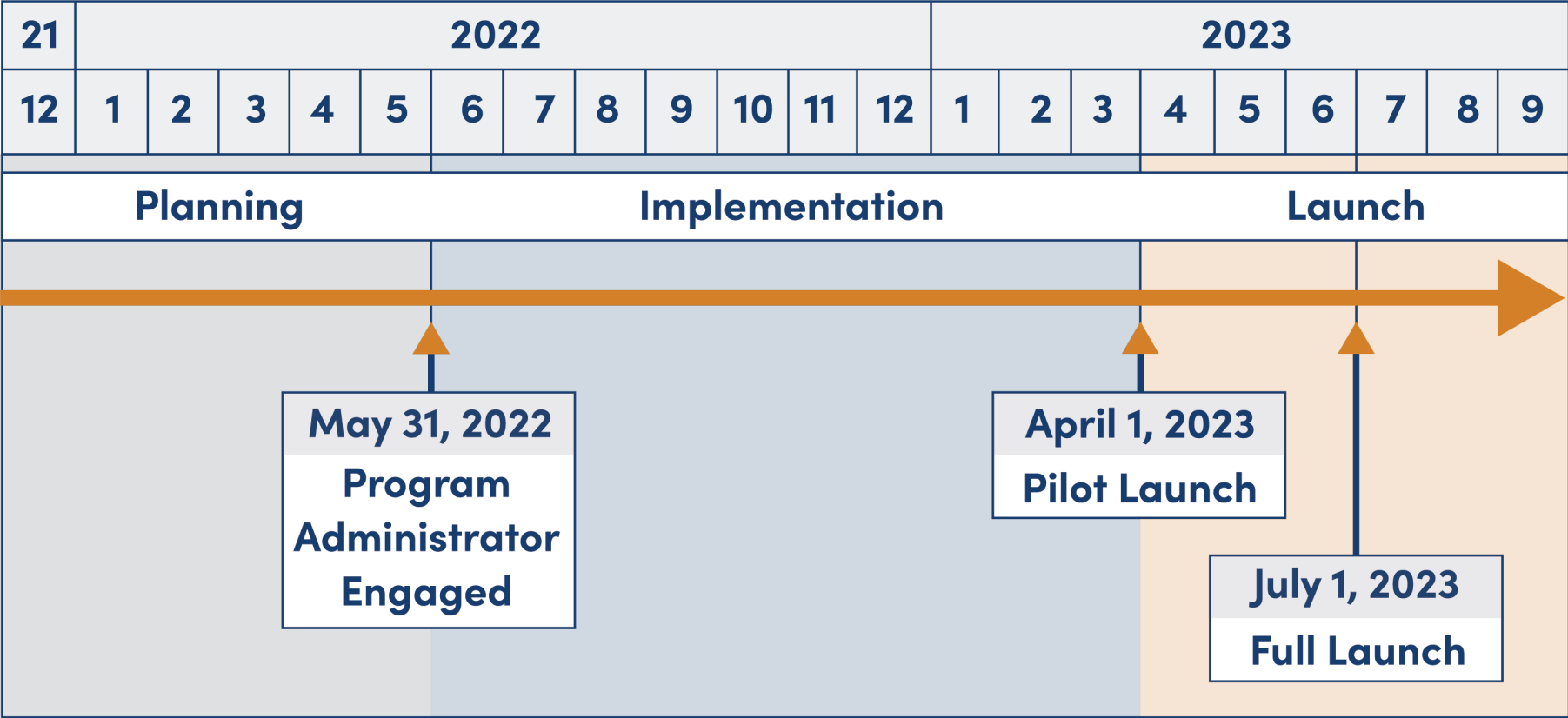
DESIGN PROGRAM & SELECT PARTNERS

IMPLEMENTATION



ONGOING MANAGEMENT,
COMMUNICATION & OVERSIGHT

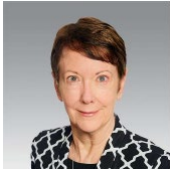
retirepathVA Program Projected Phases



retirepathVASM Program Advisory Committee



Dr. Edward H. Bersoff
Chairman, Greenwich Associates, LLC
Managing Director, PFF, LLC
(Board Chairman, Virginia529)



Wendy Carter
Vice President, Defined Contribution Director
Segal Company



Dr. Elliot Dubin
Retired Policy, Tax and Economics Executive
(Board Member, Virginia529)



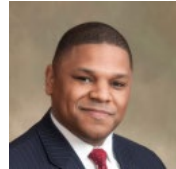
David Richardson
State Treasurer
Virginia Department of Treasury
(Board Member, Virginia529)



Michael L. Hadley
Partner
Davis & Harman LLP



Kelly L. Hiers
Defined Contribution Plans Administrator
Virginia Retirement System



Dante Jackson
Vice President
Atlantic Union Bank
Chair, Retirement PAC
(Board Member, Virginia529)



Lajuanna Y. Russell
President and CEO
Business Management Associates, Inc.



Evelyn Small Traub
Partner
Troutman Pepper



Mary G. Morris
CEO, Virginia529



Peter S. Thompson
Program Director

Investment Management

Committee



Dr. Edward Bersoff
Board Chair

IAC Chair



Sheila Corcoran
*Former Partner,
Empyrean Capital
Partners*

IAC Vice- Chair



Frederick Nolde, CFA
Managing Dir Investure



Timothy Berry, CFA
*Managing Director
Lighthouse Partners*



Dr. Elliot Dubin
*Retired Policy, Tax
and Economics*



Lewis R. McCabe
*Comptroller,
Commonwealth of VA*



David Richardson
*Treasurer,
Commonwealth of VA*



Dante Jackson
*Vice President
Atlantic Union Bank*



Lauren Kent Stack
*Independent Trustee,
Six Circles Funds*



Chris Culbertson, CFA
*Managing Director,
Bespoke Strategies
Love, Brockenbrough & Co.*

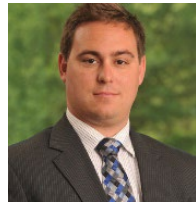


Farrah Holder
*Managing Director
IMB Partners*

In-House



Mary G. Morris
CEO, Virginia529



Michael Swink, CFA, CPA
Investment Director



Marek Harris
Sr. Investment Analyst



Maria Slowe, APMA
Sr. Investment Analyst



Victoria Rikkola, CFA
Sr. Investment Analyst



Oscar Guardado
Investment Analyst



New Hire

LEAD CONSULTANTS



Nick Davies, CAIA
*Partner (USA)
Interim IMETA
Wealth Business Leader*



Kelly Henson
*Partner
DC Segment Leader*



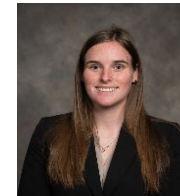
Jordan McGriff
Associate



Corey Manley
Investment Analyst



Annie Bruneau, FSA, EA
Partner (USA)



Allie Thaggard, CAIA
Associate (USA)

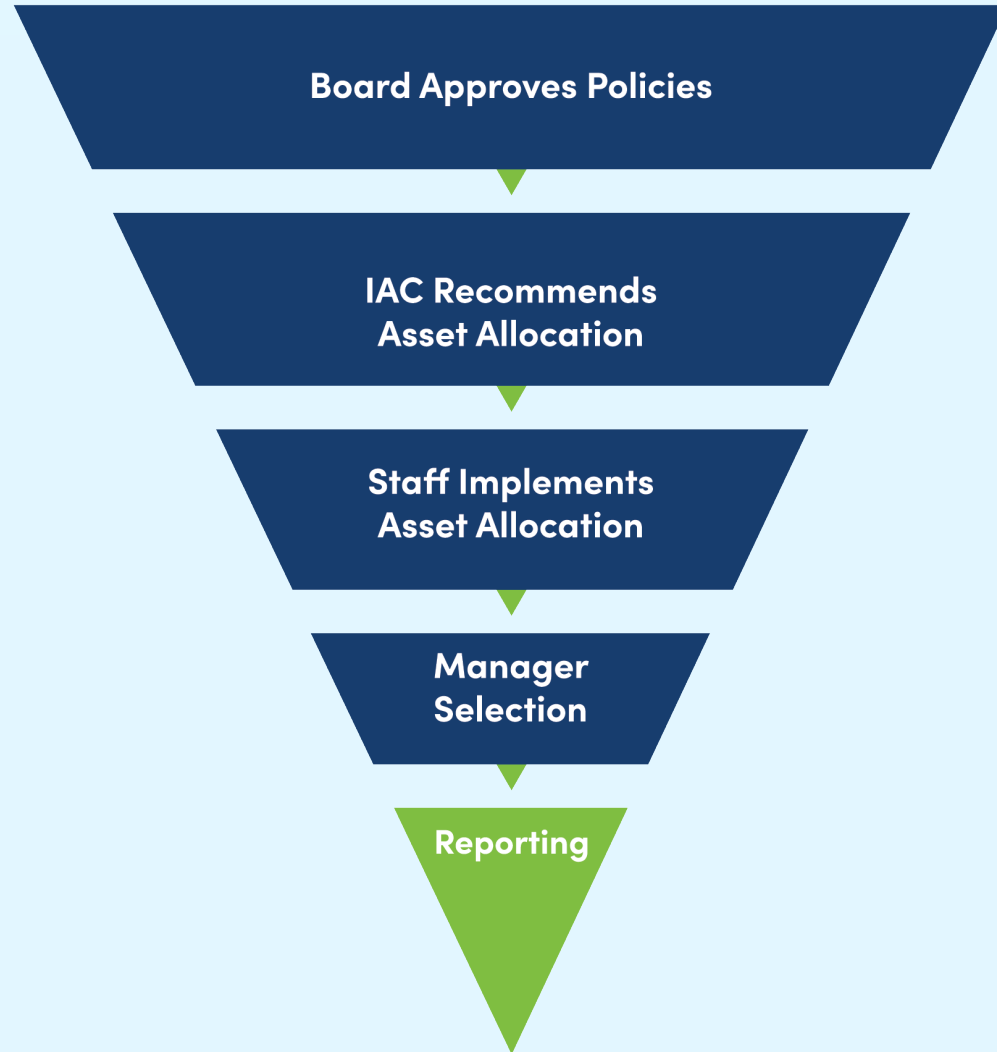
CONSULTING ANALYSTS

SPECIALISTS SUPPORTING CONSULTANTS

Mercer



Updated Governance Process



DB529 Asset Allocation Change of Model Portfolio/Benchmark



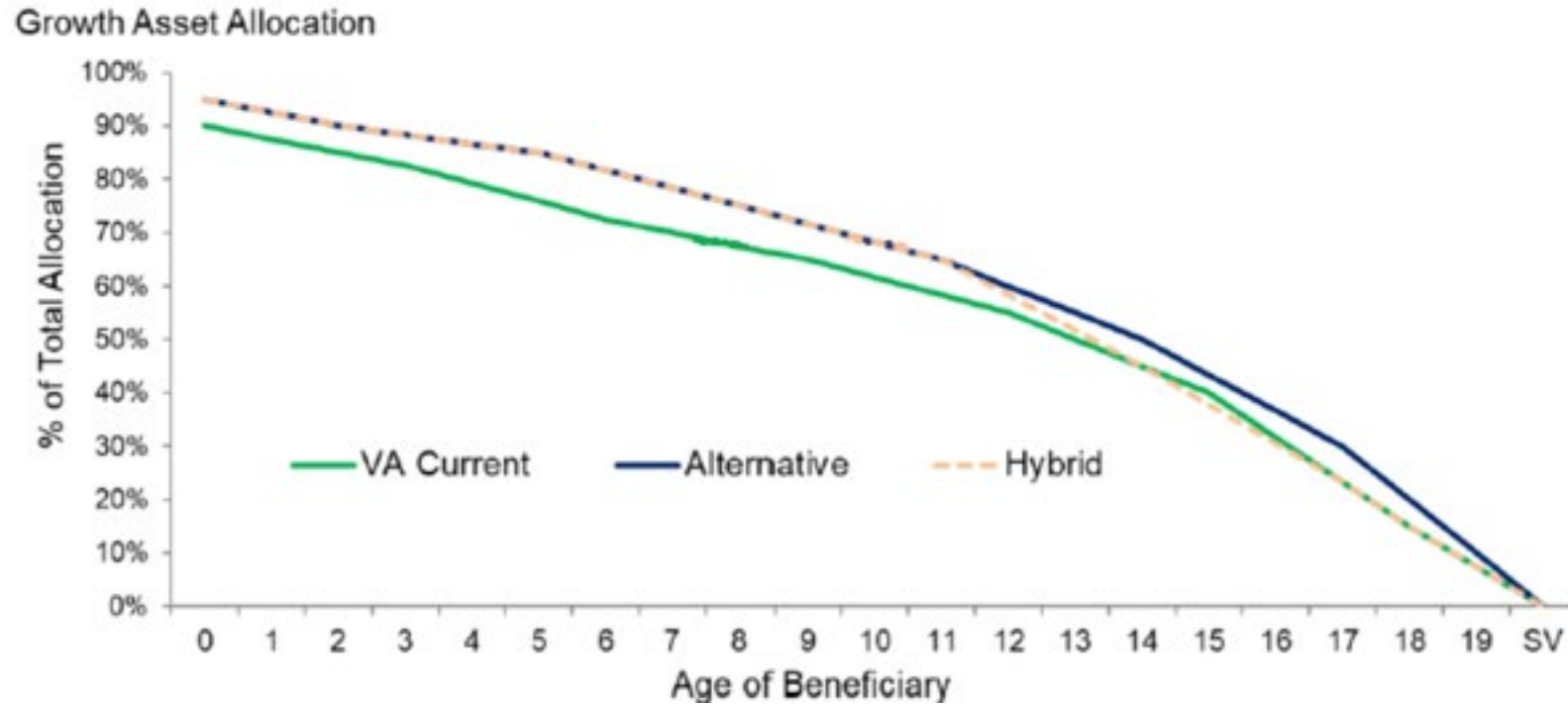
Meaningful simplification of the model portfolio/policy index to broader asset class levels approved by the Board on August 25, 2021

Goals/Themes

- Simplification
- Thoughtful use of active and passive
- Benchmark aware (more index like)

Invest529 Target Enrollment Portfolio Asset Allocation

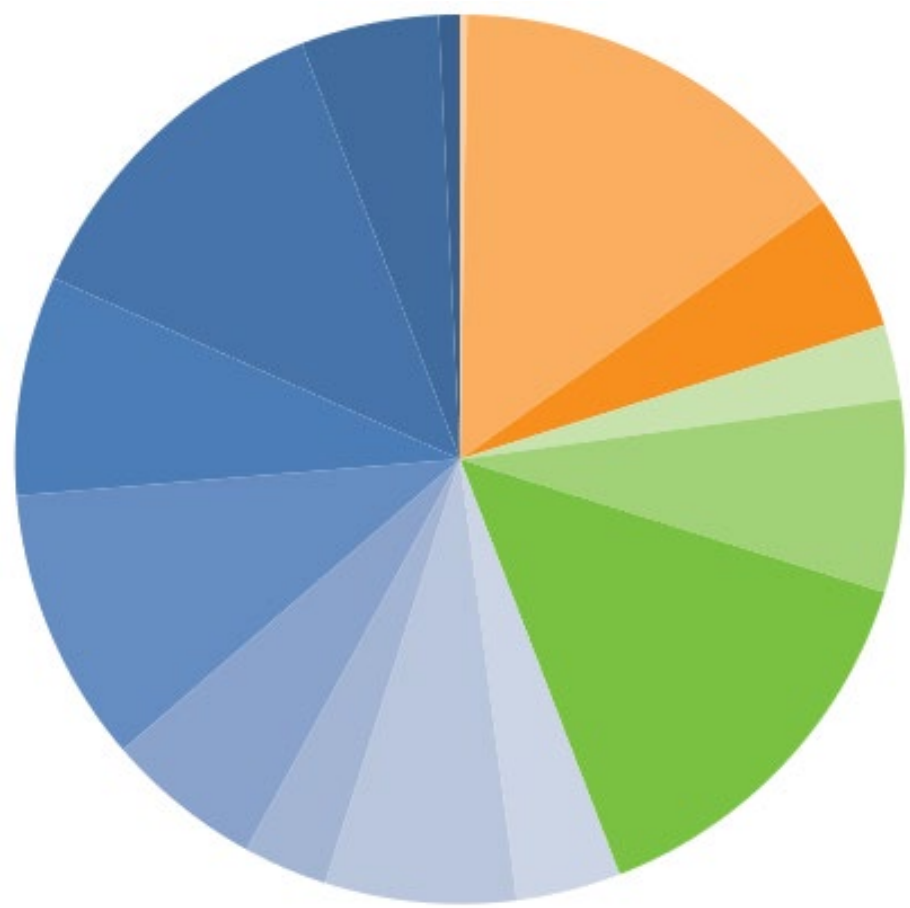
Glidepath Changes Implemented Calendar Year End 2021



- The alternative glide path adds more growth across the entire glidepath
- The hybrid design, which was ultimately selected, maintains that theme but mitigates risk as expected matriculation approaches
- Average annual equity stepdown is 3.5%
- Hybrid Glidepath IAC approved May 20, 2021, Board approved August 25, 2021

Defined Benefits 529 Asset Allocation

Investment Details as of March 31, 2022
Defined Benefit 529 Program



Asset Category	% of Fund	% Target
Fixed Income	55.8%	55.0%
Equities	24.0%	22.0%
Alternatives	20.2%	23.0%



Defined Benefits 529 Program Net of Fee Performance



Total Fund Performance as of 5/31/2022			
	DB529 Return	Benchmark	
1-year	0.14	-1.83	+
3-year	8.40	8.20	+
5-year	6.53	6.78	-
10-year	6.58	6.88	-
15-year	4.98	5.09	-
20-year	6.41	5.98	+
Inception*	6.33	5.82	+

Inception date: 10/1/1997

Source: Bank of New York Mellon

Returns and benchmark: percent, net of fees, annualized

Source: Bank of New York Mellon
Notes: Past performance is no guarantee of future results; Performance is presented net of investment management fees



Defined Benefit 529 Program Net of Fee Performance as of 5/31/2022

Name	Since Inception	10 Years	5 Years	3 Years	1 Year	Calendar YTD	3 Month	Inception Date
Total Fund	6.33%	6.58%	6.53%	8.40%	0.14%	-5.61%	-1.91%	Oct-97
<i>Total Fund Benchmark¹</i>	<i>5.82%</i>	<i>6.88%</i>	<i>6.78%</i>	<i>8.20%</i>	<i>-1.83%</i>	<i>-5.32%</i>	<i>-3.04%</i>	<i>Oct-97</i>
Total Equity	7.12%	9.38%	7.98%	11.69%	-11.24%	-14.10%	-6.18%	Oct-97
<i>Total Equity Benchmark²</i>	<i>6.15%</i>	<i>10.14%</i>	<i>8.74%</i>	<i>11.28%</i>	<i>-8.71%</i>	<i>-12.64%</i>	<i>-5.74%</i>	<i>Oct-97</i>
Domestic Equity	8.29%	12.25%	10.76%	14.57%	-5.69%	-14.04%	-6.07%	Oct-97
<i>Domestic Equity Benchmark³</i>	<i>8.10%</i>	<i>13.97%</i>	<i>12.68%</i>	<i>15.49%</i>	<i>-3.96%</i>	<i>-14.15%</i>	<i>-6.18%</i>	<i>Oct-97</i>
International Equity	5.98%	6.50%	5.13%	8.50%	-17.53%	-14.17%	-6.32%	Oct-97
<i>International Equity Benchmark⁴</i>	<i>4.94%</i>	<i>6.40%</i>	<i>4.53%</i>	<i>6.33%</i>	<i>-14.64%</i>	<i>-11.20%</i>	<i>-5.55%</i>	<i>Oct-97</i>
Total Fixed Income	4.93%	3.09%	2.12%	1.73%	-6.50%	-7.23%	-3.41%	Oct-97
<i>Fixed Income Benchmark⁵</i>	<i>4.94%</i>	<i>3.52%</i>	<i>2.99%</i>	<i>2.69%</i>	<i>-6.98%</i>	<i>-7.68%</i>	<i>-4.77%</i>	<i>Oct-97</i>
Non-Core Fixed Income	4.60%	4.16%	2.46%	2.29%	-6.36%	-7.55%	-2.92%	May-05
<i>Non-Core Fixed Income Benchmark⁶</i>	<i>5.34%</i>	<i>5.28%</i>	<i>4.09%</i>	<i>4.22%</i>	<i>-6.04%</i>	<i>-6.98%</i>	<i>-4.15%</i>	<i>May-05</i>
Core Fixed Income	4.20%	1.37%	1.32%	0.40%	-6.88%	-6.61%	-4.40%	Oct-97
<i>Core Fixed Income Benchmark⁷</i>	<i>4.05%</i>	<i>1.28%</i>	<i>1.16%</i>	<i>0.02%</i>	<i>-8.72%</i>	<i>-8.92%</i>	<i>-5.86%</i>	<i>Oct-97</i>
Total Alternatives	7.97%	11.01%	16.49%	21.22%	38.27%	9.52%	7.41%	May-05
<i>Alternatives Benchmark⁸</i>	<i>7.24%</i>	<i>9.44%</i>	<i>12.01%</i>	<i>15.26%</i>	<i>19.12%</i>	<i>8.12%</i>	<i>3.72%</i>	<i>May-05</i>

Source: Bank of New York Mellon

Notes: Past performance is no guarantee of future results; Performance is presented net of investment management fees



Invest529[®] Net of Fee Performance as of 5/31/2022

Defined Contribution 529 Program Monthly Portfolio Performance Summary

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
TARGET ENROLLMENT PORTFOLIOS									
2039 Portfolio	0.63	-4.31	-10.13	-7.07				6.04	Jan-20
2039 Benchmark	-0.01	-4.04	-10.03	-6.67				5.44	
2036 Portfolio	0.58	-4.19	-9.71	-7.11	7.76	6.30		7.39	Jan-17
2036 Benchmark	0.04	-3.91	-9.55	-6.64	7.80	6.67		7.74	
2033 Portfolio	0.52	-4.00	-9.15	-6.59	7.02	5.82		5.81	Jan-14
2033 Benchmark	0.09	-3.76	-8.99	-6.14	7.00	6.10		5.98	
2030 Portfolio	0.49	-3.83	-8.55	-6.26	6.09	5.27	7.27	6.27	Jan-11
2030 Benchmark	0.14	-3.62	-8.38	-5.80	6.02	5.48	7.48	6.32	
2027 Portfolio	0.42	-3.37	-7.26	-5.19	5.54	4.84	6.67	4.92	Feb-08
2027 Benchmark	0.18	-3.26	-7.19	-4.86	5.39	4.97	6.82	4.90	
2024 Portfolio	0.31	-2.49	-5.23	-3.41	4.59	4.17	5.93	5.02	Aug-05
2024 Benchmark	0.20	-2.48	-5.15	-3.16	4.42	4.24	6.01	4.74	
2021 Portfolio	0.18	-0.70	-1.56	-0.87	2.89	3.04	4.87	5.02	Jan-02
2021 Benchmark	0.18	-0.76	-1.51	-0.90	2.70	3.06	4.92	4.68	
2018 Portfolio	0.13	0.37	0.61	1.40	2.08	2.23	3.84	3.91	Jan-00
2018 Benchmark	0.13	0.33	0.49	1.05	1.76	2.18	3.84	3.05	

Source: Bank of New York Mellon

Notes: Past performance is no guarantee of future results; Performance is presented net of investment management fees



2021 Actuarial Valuation Report: Key Policy Assumptions

Long-term investment return assumption 5.5% as of fiscal year 2021

Future tuition growth assumption for Universities and Community Colleges

- 4% for 2022 academic year
- 6% for 2023 academic year and thereafter

Actuarial funded status as of June 30, 2021, was 194%

DB529 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 - 2020	5.75%
2021 - Present	5.5%



Toll-Free 1.888.567.0540
customerservice@virginia529.com
Virginia529.com

 **Facebook.com/VA529**
 **@Virginia529**



Toll-Free 1.844.669.2253
customerservice@ABLEnow.com
ABLEnow.com

 **Facebook.com/ABLEnow**
 **ABLEnowVA**

The material in this presentation has been prepared by Virginia529 and is general information about Virginia529 current as of the date of this presentation. The information is given in summary form and does not purport to be complete.

The Virginia College Savings Plan is unable to provide specific tax, legal or financial advice.

Investors are encouraged to call 1-888-567-0540 or visit Virginia529.com to obtain Program Descriptions and read all enrollment materials before investing. An investor should carefully consider 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.

© 2022 Virginia College Savings Plan. All Rights Reserved.

The material in this presentation has been prepared by ABLEnow and is general information about ABLEnow current as of the date of this presentation. The information is given in summary form and does not purport to be complete.

The Virginia College Savings Plan is unable to provide specific tax, legal or financial advice.

Call 1-844-NOW-ABLE or visit ABLEnow.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.

ABLEnow is administered by Virginia College Savings Plan. © 2022 Virginia College Savings Plan. All Rights Reserved.



Appendix

Asset and Account Growth As of March 31, 2022

Programs	Accounts	Assets Under Management	Account Growth	Percent of National 529 (and 529A) Market ¹
Education Savings		(\$ Billions)		
prepaid529²	49,897	\$3.1	-7.60%	
invest529³	425,479	\$7.6	7.62%	
CollegeAmerica⁴	2,544,826	\$86.3	2.30%	
Totals		\$97		22%
Disability Savings		(\$ Millions)		
ABLEnow⁴	12,881	\$87.7	3.80%	
ABLEAmerica⁴	2,577	\$25.7	42.30%	
Totals		\$113.4		10%

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

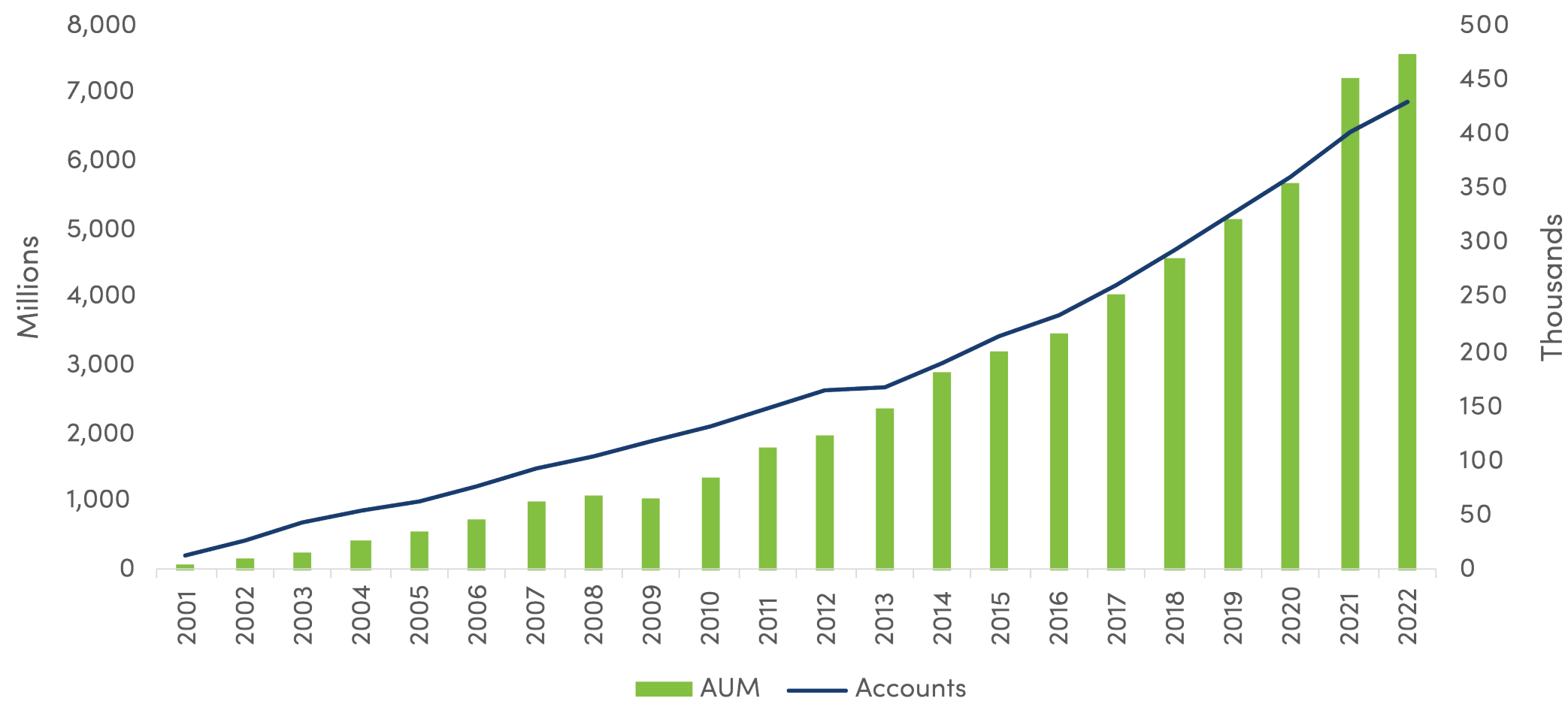
2. Prepaid529 closed to new participants during 2019. There is no account growth.

3. Invest529, includes Tuition Track Portfolio.

4. In fiscal 2022, a cleanup project took place, which removed over 2,000 zero balance, unused accounts, which contributed to a smaller number of accounts at FYE



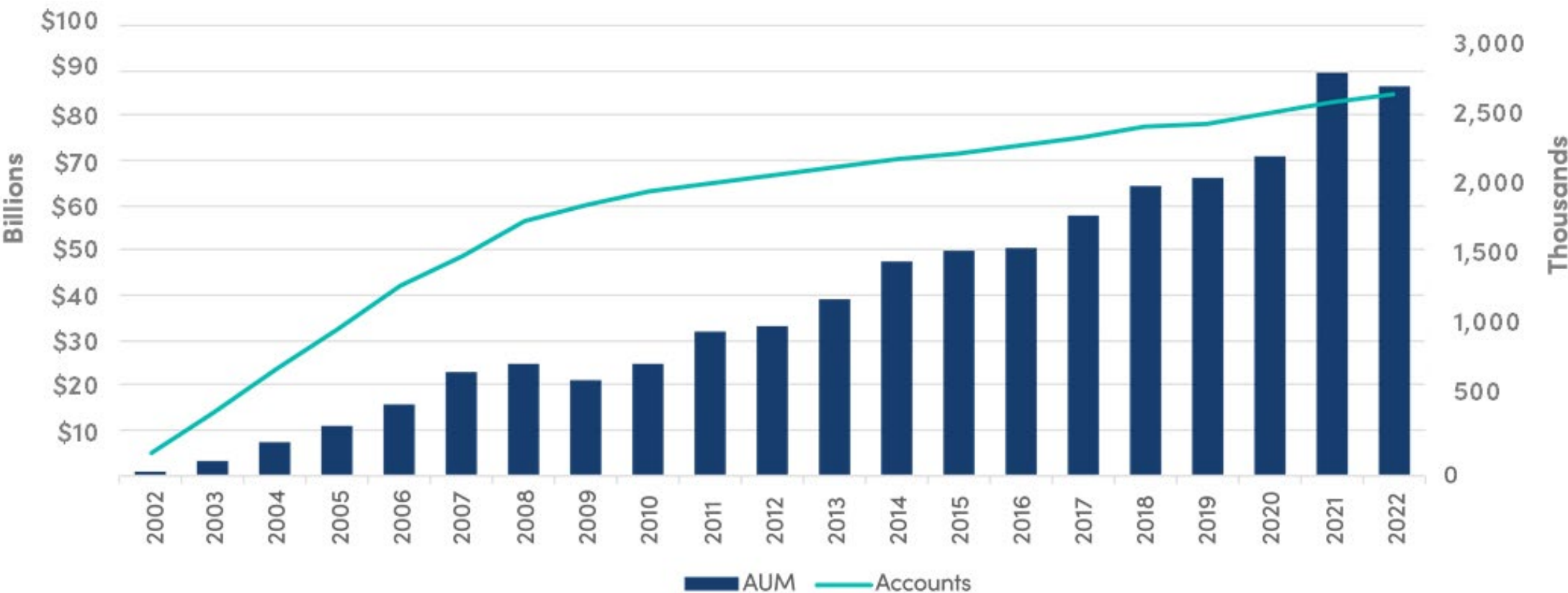
Invest529 AUM and Accounts



*As of March 31, 2022, includes CollegeWealth



CollegeAmerica AUM and Accounts



*As of March 31, 2022



ABLEnow[®]

Timeline

ABLEnow has grown to become the second largest ABLE program in the country with **12,800+** accounts

- 2014** ● ABLE Act authorizes states to develop ABLE programs
- 2015** ● Virginia is the first state to pass ABLE legislation after the federal ABLE Act
- 2016** ● ABLEnow opens for national enrollment in December
- 2017-2018** ● ABLEnow is one of the country's fastest-growing ABLE programs
- 2018** ● ABLEAmerica opens for national enrollment in July
- 2022** ● ABLEnow is the largest independent ABLE program with customers in all 50 states

ABLEnow[®]

Snapshot

12,800+
active accounts

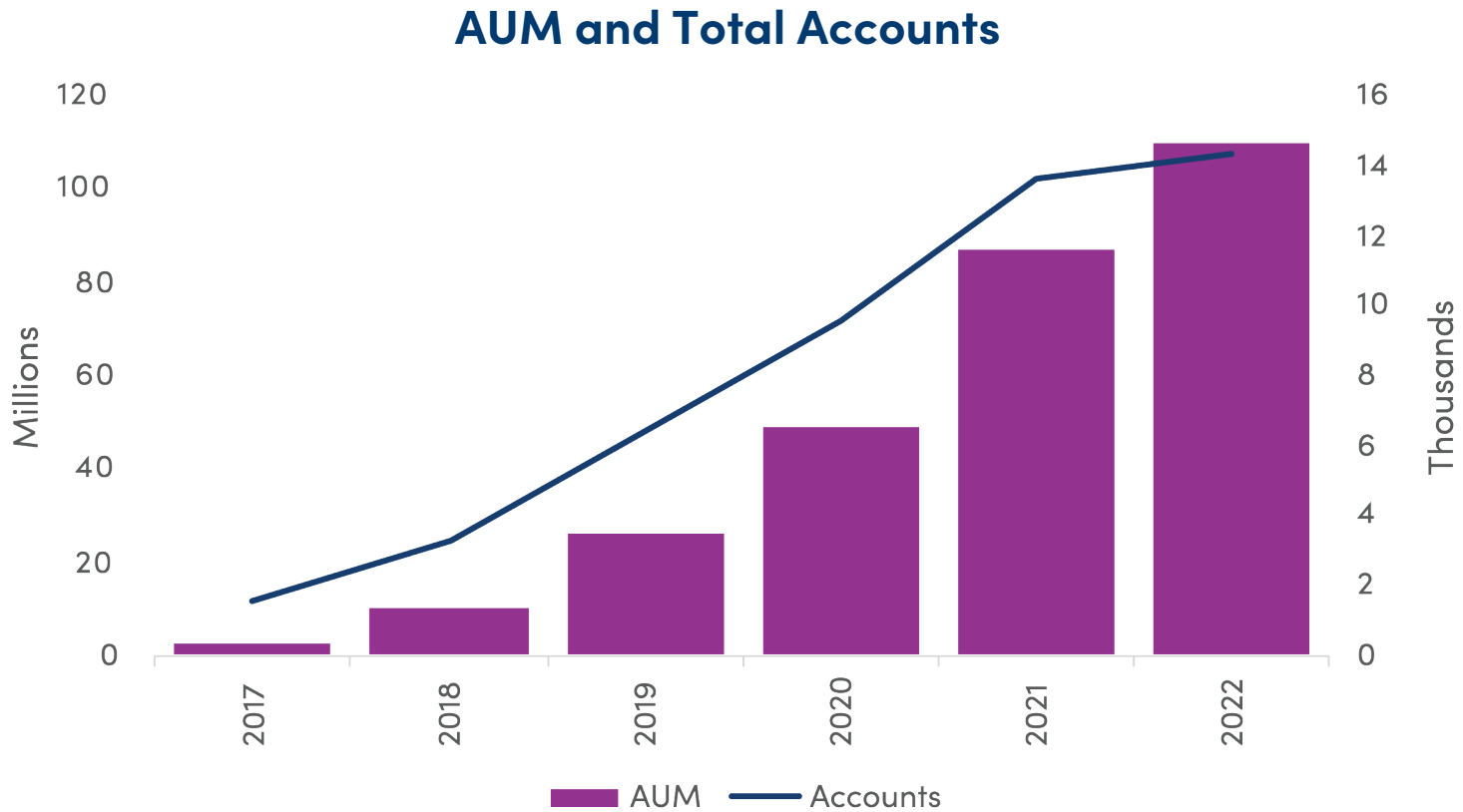
60%
average YOY increase
in VA accounts

\$110+
million contributed

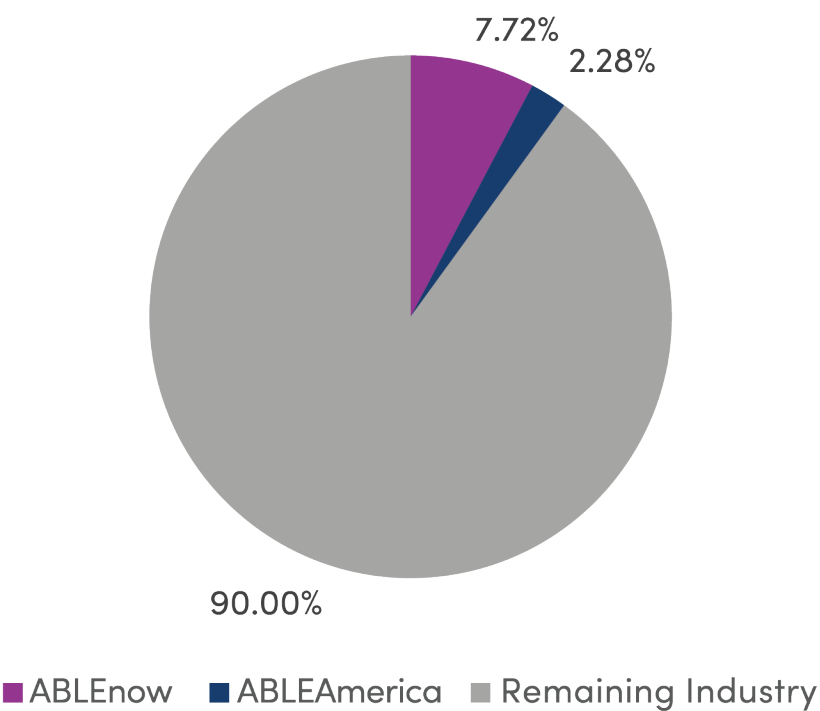
Program enhancements

- ✓ First ABLE program to launch mobile application and wallet
- ✓ Contributions at enrollment enhancements
- ✓ Solutions being tested for Group Home bulk enrollment
- ✓ Building program awareness through media placements
- ✓ Ongoing updates to website accessibility, process improvements





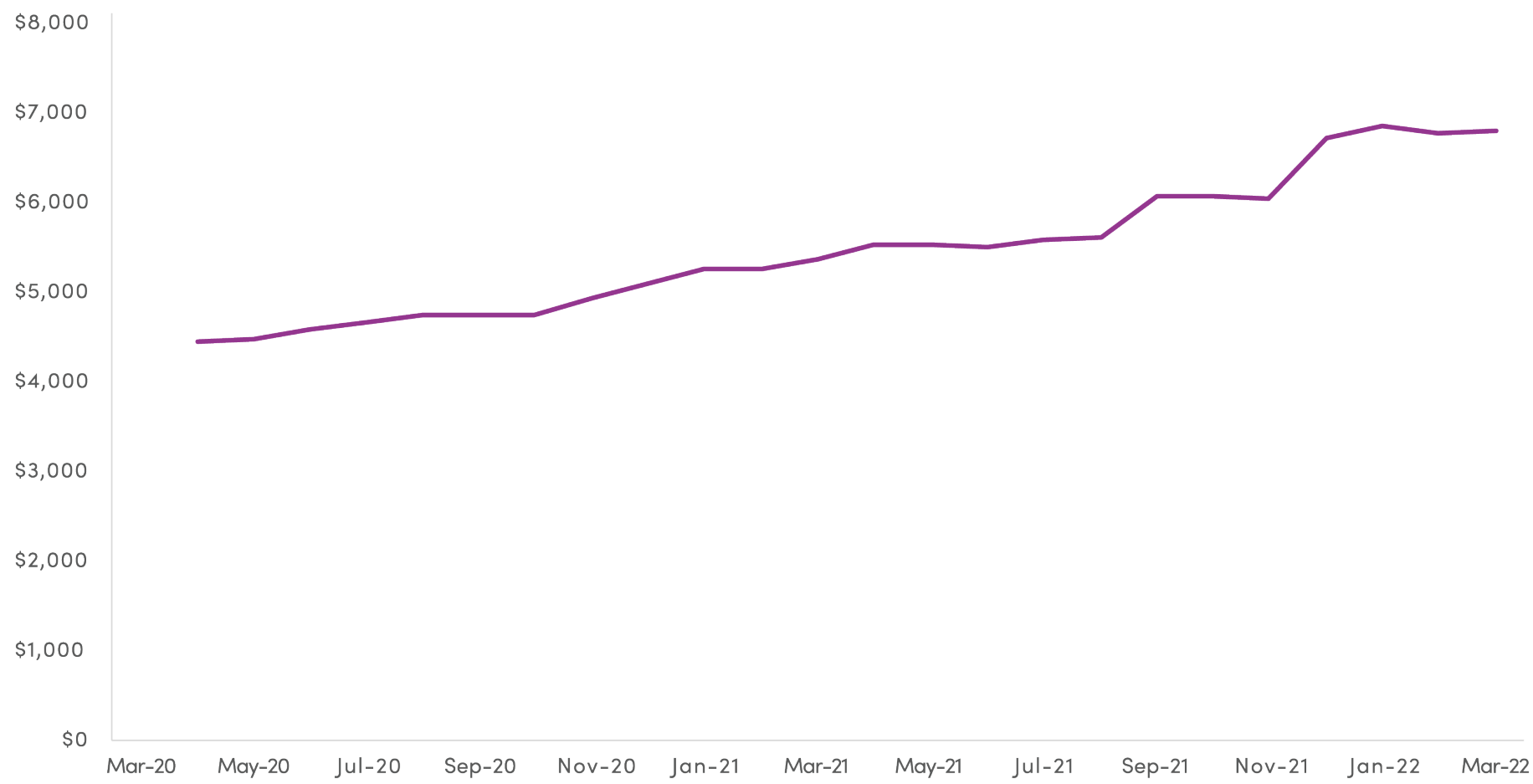
ABLE Market Share [†]



*As of March 31, 2022
*In fiscal 2022, zero balance and inactive accounts were removed, which reduced the total accounts
†Industry data obtained from Strategic Insight



Average Account Balance



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

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

Partners



Virginia College
Advising Corps



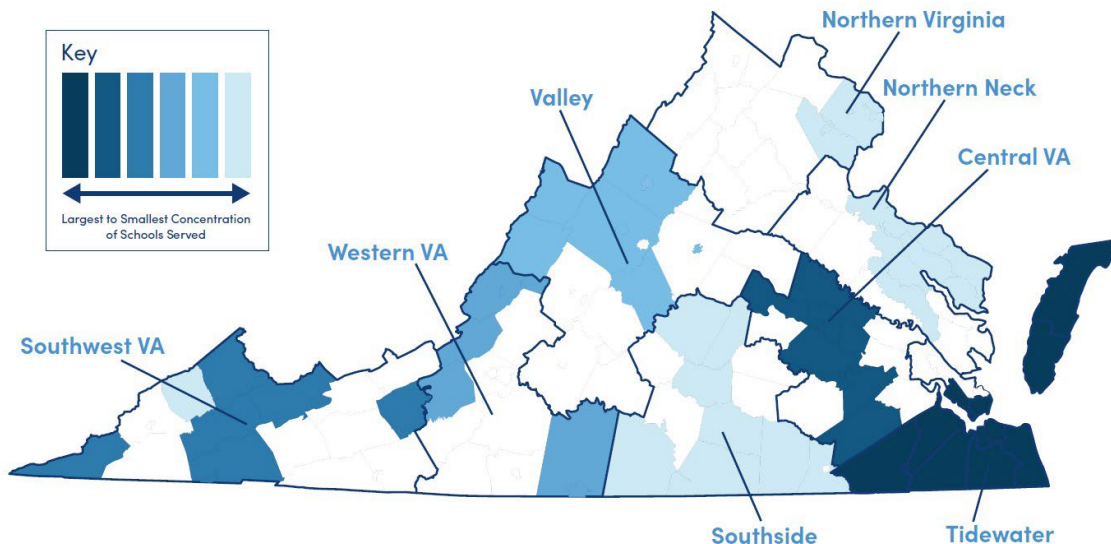
2021-2022 SOAR Virginia Program Overview



- ✓ 1,325 new students enrolled for the 2021-2022 AY
- ✓ 3,301 students participating in the program during the 2021-2022 AY
- ✓ Since inception, 9,360 students have participated in the program

- ✓ 129 schools within 68 districts served across Virginia from Lee County to the Eastern Shore
- ✓ Since inception, **\$10.9 million** in scholarships awarded
- ✓ Since inception, **\$3.3 million** in scholarships distributed

Schools and Counties Served by SOAR Virginia



What SOAR Virginia Scholars Say:

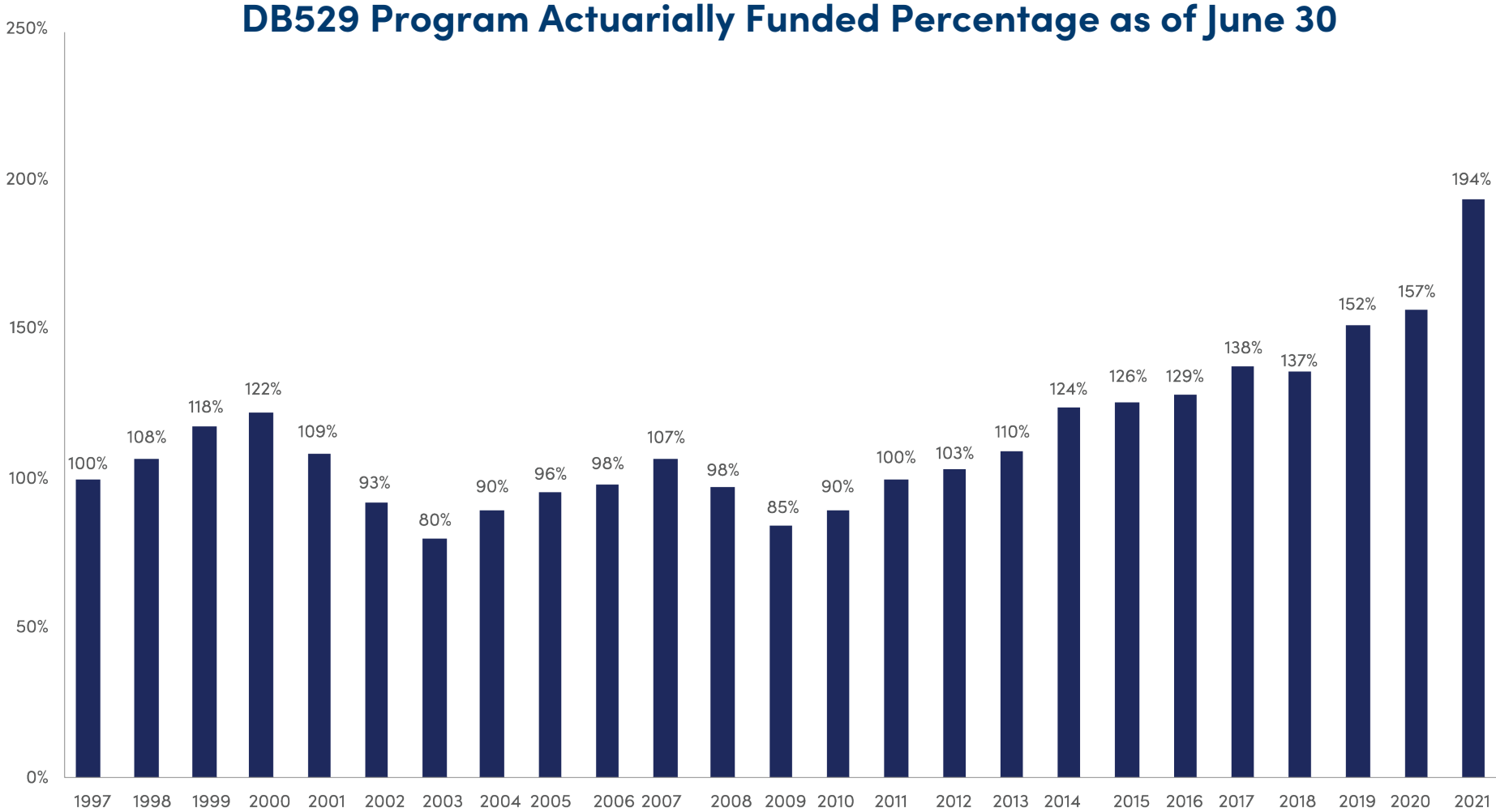
"I grew up in a family where education was not highly emphasized. When I was selected for SOAR and had to maintain a certain GPA, I started working harder in school and received grades beyond my expectations."

"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."

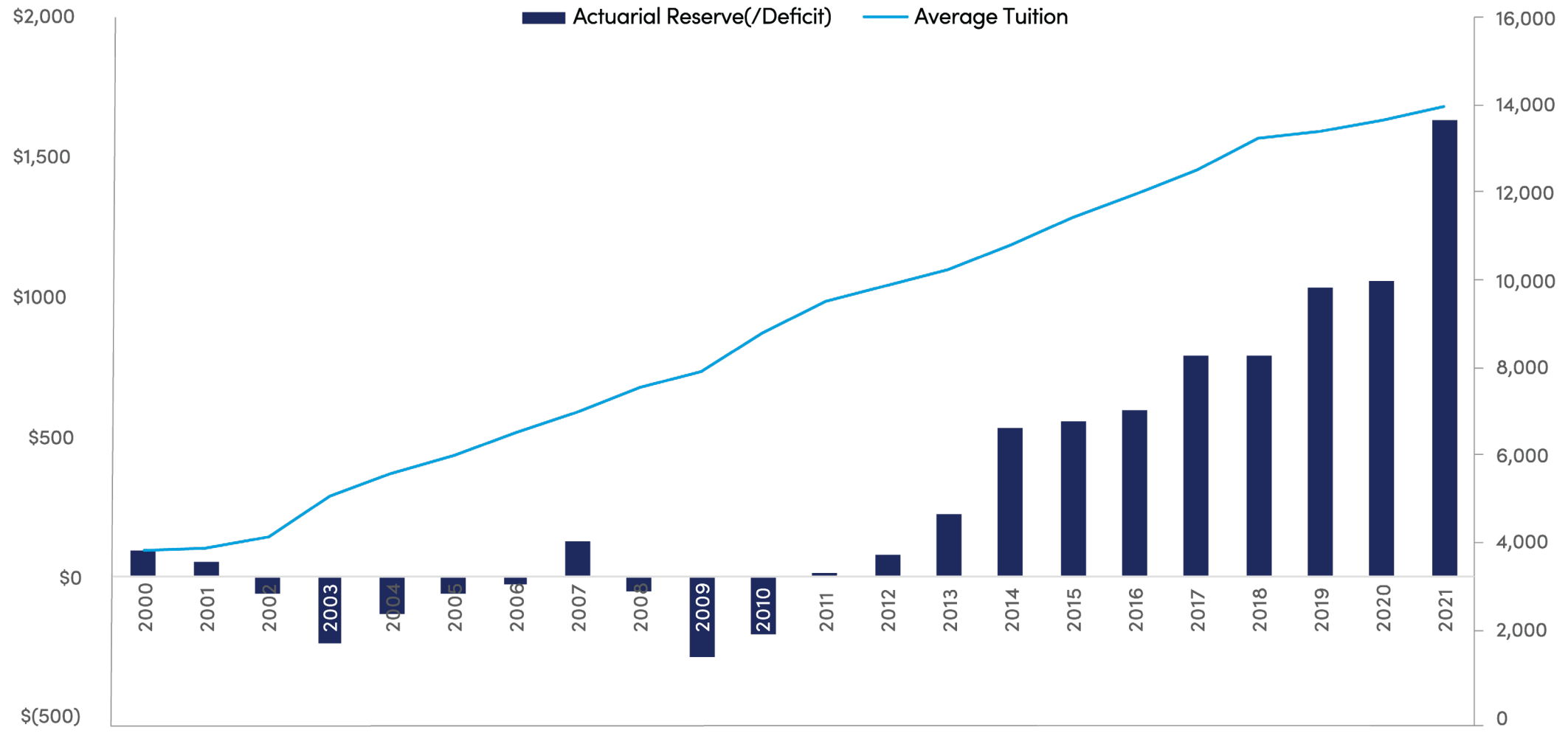
"If it weren't for this program, I would have been lost in high school. It gave me hope and it taught me how to accomplish things on my own. I became more responsible and ambitious and I will be forever grateful."



Actuarial Valuation Reports – Plan Funded Status



Average Tuition vs. Actuarial Reserve



Investment Returns & Tuition Growth Impact on Funded Status

