



July 15, 2019

Joint Legislative Audit and Review Commission

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

Agenda

Virginia529
Organization Overview
& Program Updates

- **Mary Morris**
Chief Executive Officer

Prepaid529 Review &
New Program Update

- **Mary Morris**
Chief Executive Officer

Investment Update

- **Michael Nguyen**
Investment Director





Dream Save Achieve

Overview and Program Update



Virginia529 Sponsored Programs

prepaid529
1996-2019

Invest529
1999

CollegeAmerica
2002

CollegeWealth
2007-2017

SOAR Virginia
2010

ABLEnow
2016
ABLEAmerica
2018

Legacy defined benefit program

- Sum sufficient appropriation
- Key assumptions: long term investment return and future tuition growth
- Final enrollment Spring 2019
- New defined benefit program launch: Fall 2020

Direct Savings

- 21 Investment options including target date and static portfolios
- Open architecture strategy

Advisor Savings

- 43 American Funds mutual fund portfolios
- Advised by financial advisors

FDIC Insured Direct Savings

- Stand-alone program merged into Invest529 in 2017
- Legacy BB&T accounts remain

Scholarship Program

- Authorized by statute in 2009 - to inspire eligible high school students to reach post-secondary goals
- Partnership with college access providers

Disability Savings

- Authorized by statute in 2015 - to assist individuals and families in saving to support individuals with disabilities.
- Program partners
 - ABLEnow – PNC
 - ABLEAmerica – American Funds



Education Savings Assets & Account Growth As of March 31, 2019

LARGEST

529 Program in the Country
across the 3 **Virginia529** Programs

 **2.7 Million**
Total Active Accounts

Virginia529
accounts represent
more than **20%** of all
accounts nationally.



Assets
Under **\$72.5**
Management **Billion**

Total Net Account
Five Year Growth



17.4%

136.7%
prepaid529 actuarial
funded status



Dream Save Achieve

Invest529 Savings Assets & Account Growth As of March 31, 2019



Morningstar Gold Rating

invest529 is one of only four 529 programs across the country to receive the highest honor this year.

Since 2012, **invest529** distributions have **tripled** and contributions have **doubled**.



67.5%

of accounts received contributions

\$20,441

average account size

Five Year
Accounts
Growth



81.4%

Five Year
Asset
Growth

83%



Fiscal 2019 Performance Goals



Enhanced Legislative Strategy

Develop and execute an enhanced legislative strategy at the federal and state level with an emphasis on building grassroots and legislative champions for VA529 education and saving programs. Formalize use of data and outreach events as part of the champion-building process.



Revised Prepaid529 program

Continue building and seek approval for revised Prepaid529 program benefit structure including assistance with legislative study. Design a marketing strategy and develop technical and operational procedures necessary to implement a revised Prepaid529 program.



Customer Functionality

Enhance customer functionality to increase transaction efficiency and improve the customer experience. This includes continued enhancement of the web presence, enhancing gifting options, and improving ABLEnow online functionality.



Internal Process Efficiency

Improve cyber security and fraud detection systems, and streamline internal business processes to increase employee efficiency. This includes implementing fraud detection programs, enhancing EDM, Cardinal payroll, internal business process reviews and Banner 9 upgrades.

Fiscal 2019 Accomplishments

- ☐ Weighted-Average Tuition legislation
- ☐ Prepaid529 disbursement decentralization approved
- ☐ Minimum Benefit Payout addressed
- ☐ Invest529 Global Equity portfolio opened
- ☐ Invest529 FDIC-Insured portfolio enhancement
- ☐ Prepaid and operating cash management enhancements
- ☐ Invest529 branded gift cards
- ☐ Online Gifting platform enhancements
- ☐ Financial Reporting Software Implemented
- ☐ Online Travel & Expense Management System implemented
- ☐ System Data Conversion Project
- ☐ User Acceptance Testing (UAT) Process Improvements Implemented



PROGRAM TIMELINE

For too long, people with disabilities could not save for the future out of fear of losing essential benefits. Advocates fought hard to change this, resulting in the federal ABLE Act and Virginia's ABLE program.

- **2014** Federal ABLE Act authorizes states to develop ABLE programs
- **2015** Virginia - first state to pass ABLE legislation
- **2016** December - ABLEnow opens for national enrollment
- **2017-2018** ABLEnow is one of the country's fastest-growing ABLE programs
- **2018** July - ABLEAmerica opens – only advisor ABLE program
- **Today** ABLEnow and ABLEAmerica form largest independent ABLE program



ABLE ASSETS & ACCOUNT GROWTH

As of March 31, 2019

Opened
**December
2016**



Active
Accounts

~**6,000**

LARGEST

Independent ABLE Plan in the Country



ABLEnow

Assets Under Management

\$22.4 Million



CUSTOMER SNAPSHOT

AVERAGE AGE

29
years old

OLDEST & YOUNGEST ACCOUNT OWNERS

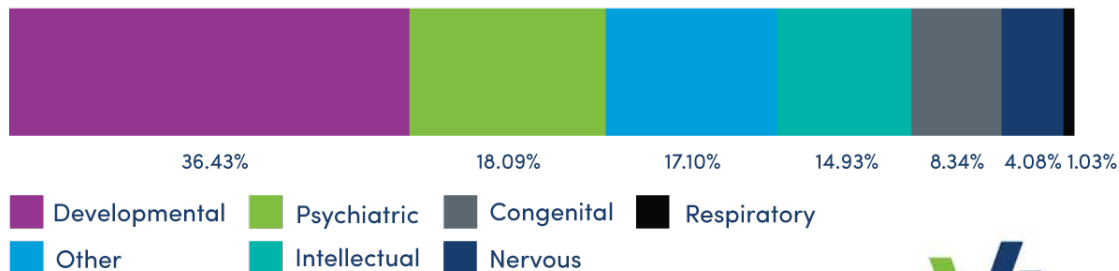
81 | **Under 1**



What's it like to open an ABLE account, you ask? Our customer Laura shares her experience. Get started: www.able-now.com



TYPE OF DISABILITY

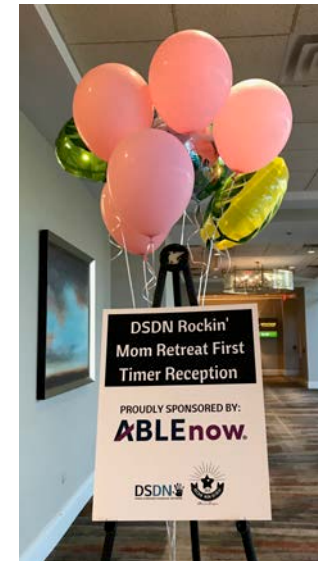


MARKETING & OUTREACH

ABLEnow participates in 100+ events each year, with partners on the national, state and local levels.



ABLEnow is the official ABLE program of Ms. Wheelchair America



OUTREACH



NATIONAL RESOURCE CENTER
ACHIEVING A BETTER LIFE EXPERIENCE ACT





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:

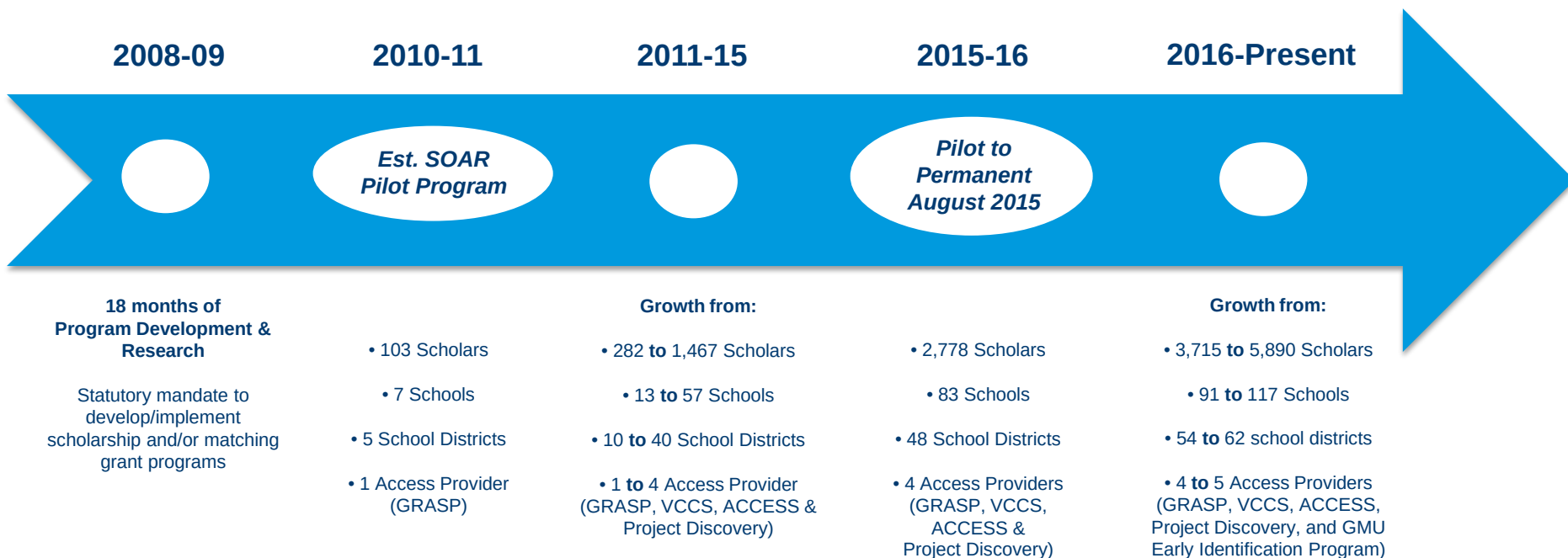
"I grew up in a family where education was not highly emphasized. When I was selected for SOAR and had to maintain a certain GPA, I started working harder in school and received grades beyond my expectations."

"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."



PROGRAM TIMELINE



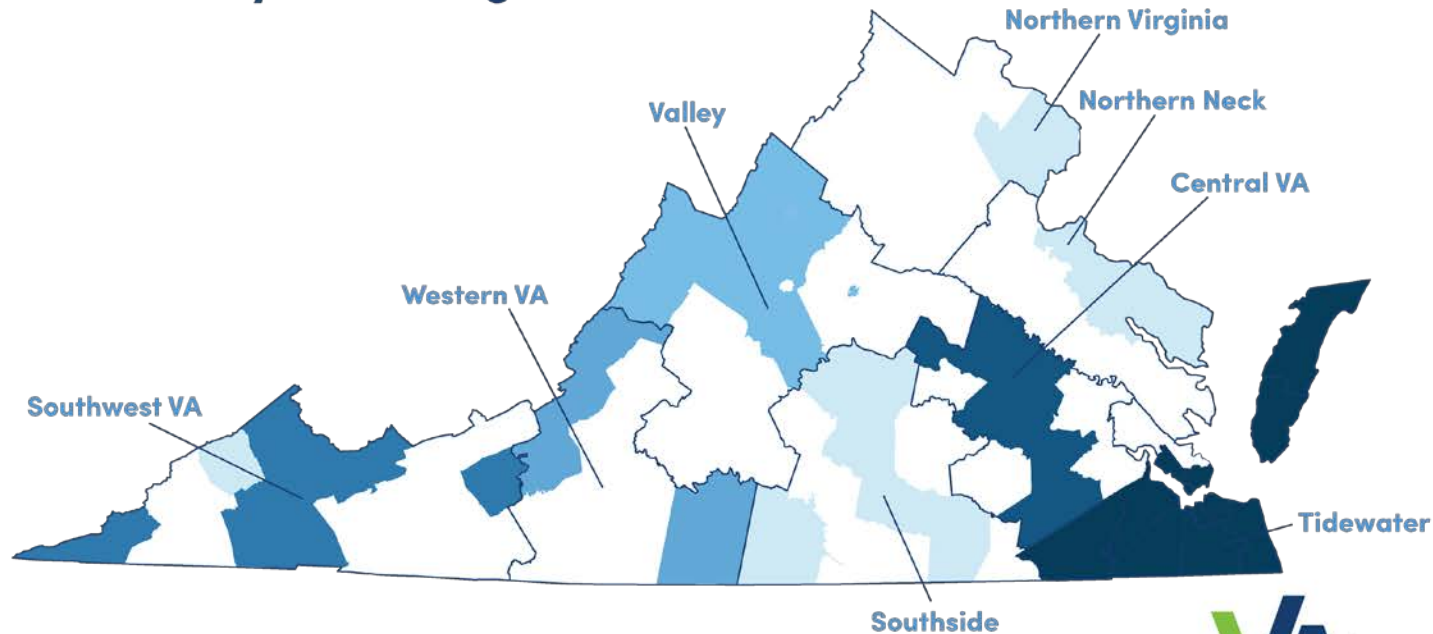
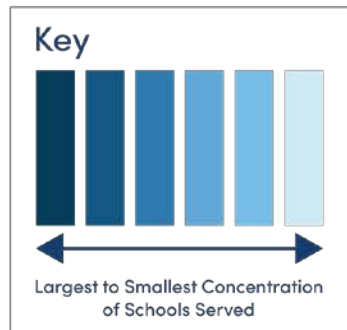


2018-2019 PROGRAM OVERVIEW*

- ▶ More than **1000** new students enrolled for the 2018-2019 school year
- ▶ More than **2900** total students participating in the program during the 2018-2019 school year
- ▶ More than **5800** total students participating in the program since inception
- ▶ **More than 60 School Districts Participating**
 - SOAR Virginia operates across Virginia from the Eastern Shore to Lee County
 - **117 high schools¹** served
- ▶ **\$7.3 million in scholarship awarded**
- ▶ **\$1.5 million in scholarship distributed**

¹ Schools are selected using SCHEV study of need

Schools and Counties Served by SOAR Virginia

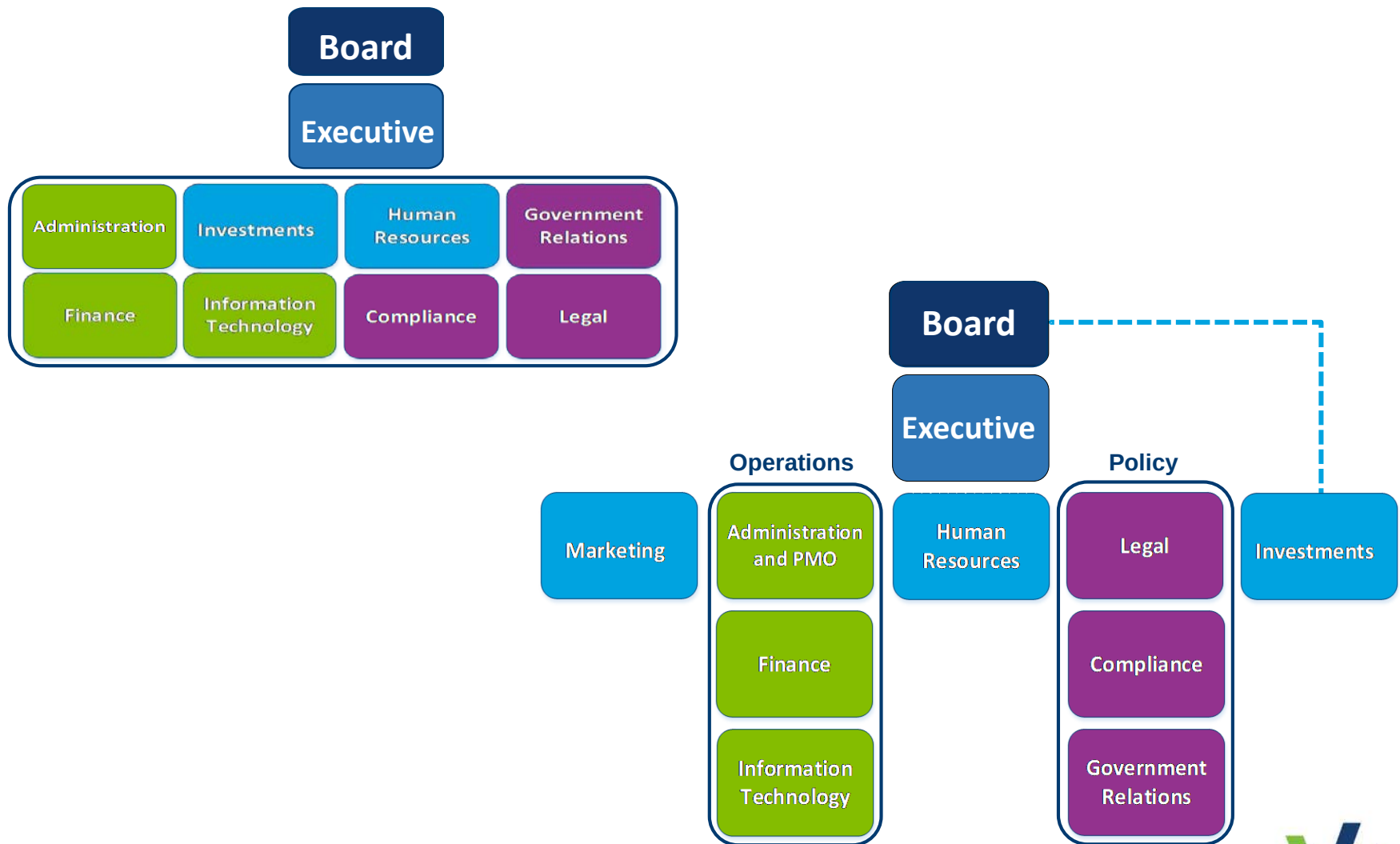


* As of 6/30/2019

Dream Save Achieve



Agency Re-Alignment – January 2019





Dream Save Achieve

Legacy Prepaid529

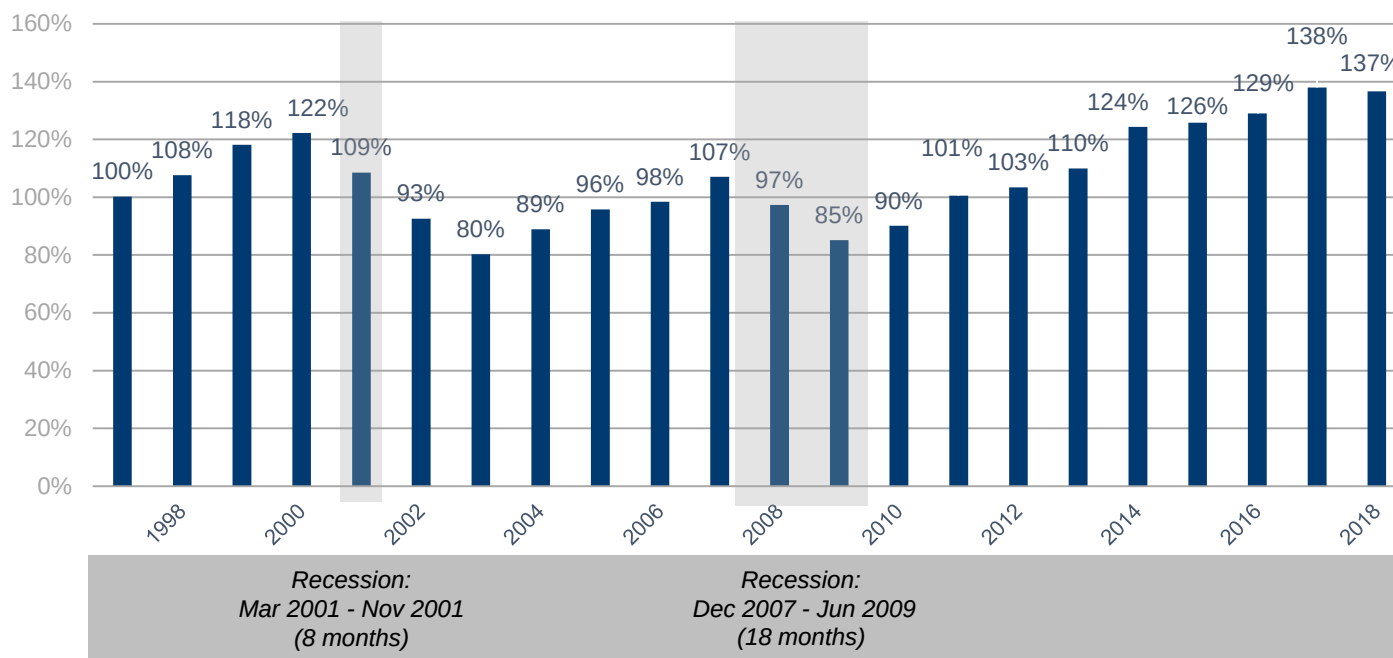


2018 Actuarial Valuation Report - Key Actuarial Assumptions

1. Long-term investment return assumption 5.75%
2. Future tuition growth assumption
 - o 6.5% for 2019-20 academic year and thereafter for four-year institutions
 - o 6.0% for 2019-20 academic year and thereafter for two-year institutions
3. Review of assumptions August 2019

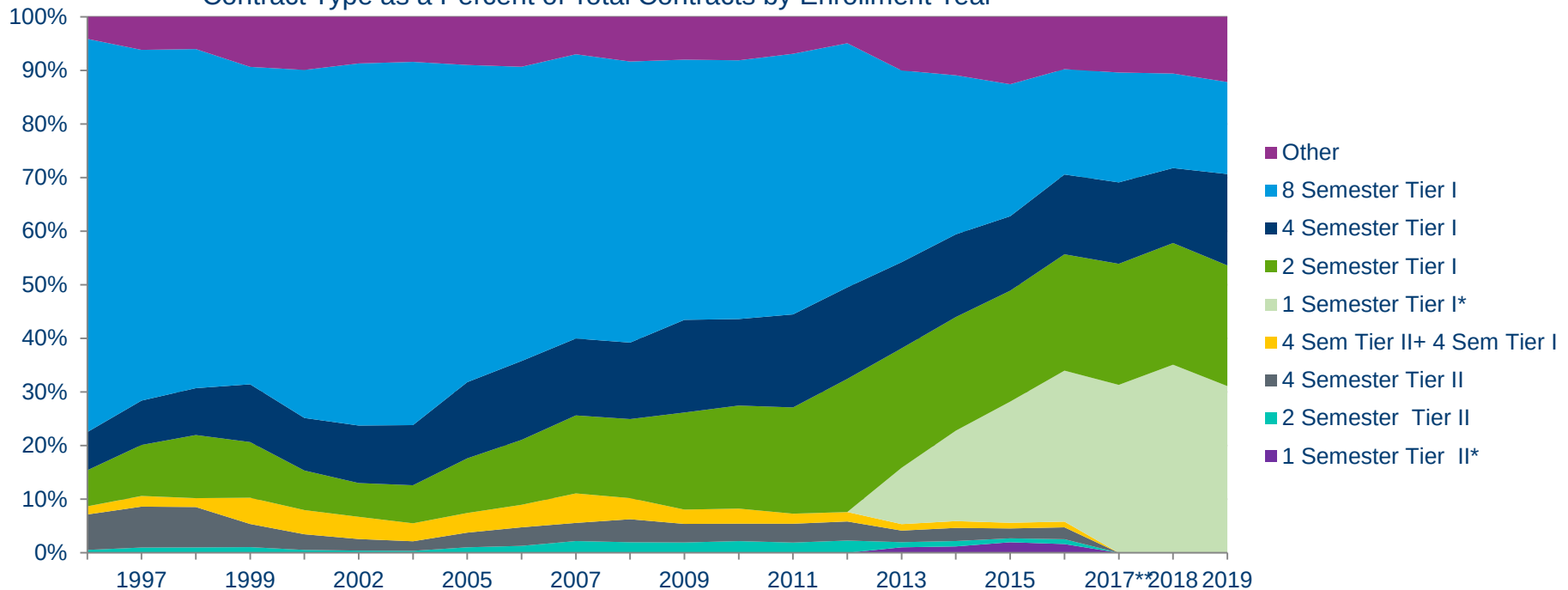
Prepaid529 Long-term Investment Return Assumptions	
Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2011	7.0%
2012 - 2014	6.75%
2015 - 2018	6.25%
2019	5.75%

Prepaid529 Actuarially Funded Percentage as of June 30, 2018



Prepaid529 Semester Contracts Purchased 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**	2018	2019
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	N/A	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%	1.0%	1.0%	0.7%	0.9%	N/A	N/A	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%	2.2%	2.5%	1.8%	2.2%	N/A	N/A	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	N/A	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%	35.1%	31.1%
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%	22.3%	21.2%	20.7%	21.7%	22.6%	22.7%	22.5%
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%	16.1%	15.4%	13.9%	14.9%	15.2%	14.0%	17.0%
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%	35.8%	29.7%	24.6%	19.7%	20.5%	17.6%	17.2%
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%	12.2%	12.2%

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

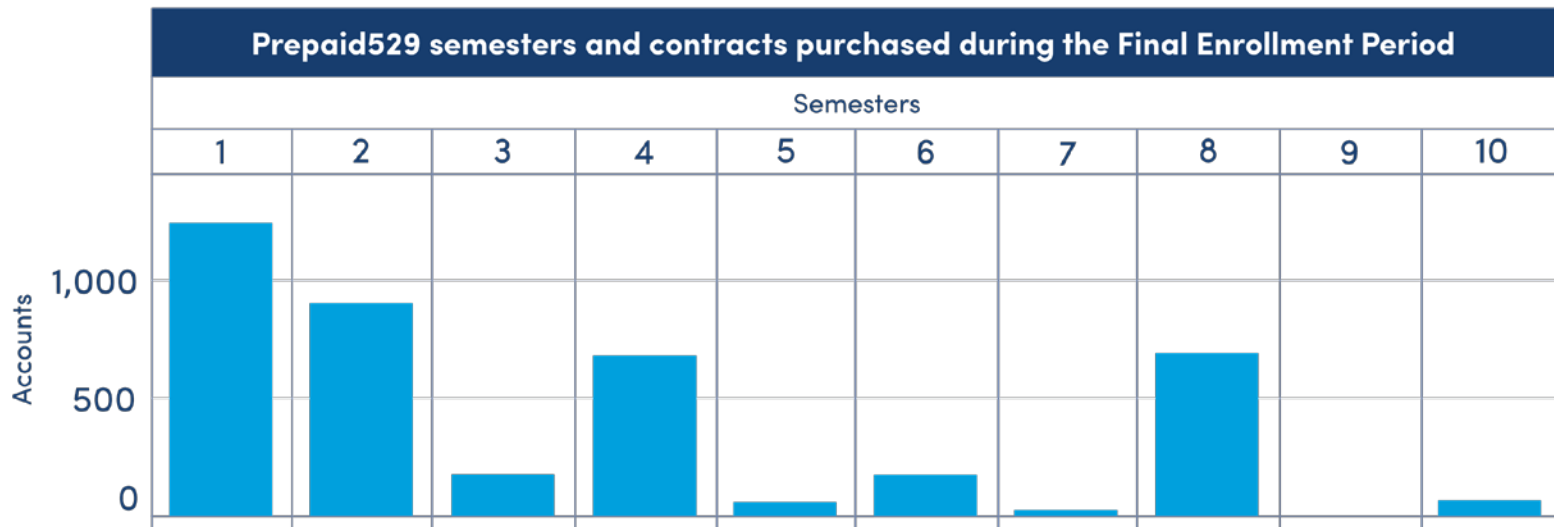
**Beginning with the 2016/2017 enrollment period, Tier II contracts were eliminated

FY2019 Legacy Prepaid529 – Final Enrollment Period



Open Enrollment Period: March 1, 2019 – April 30, 2019

Total Contracts: **4,000** | Average Contract Value: **\$36,745**

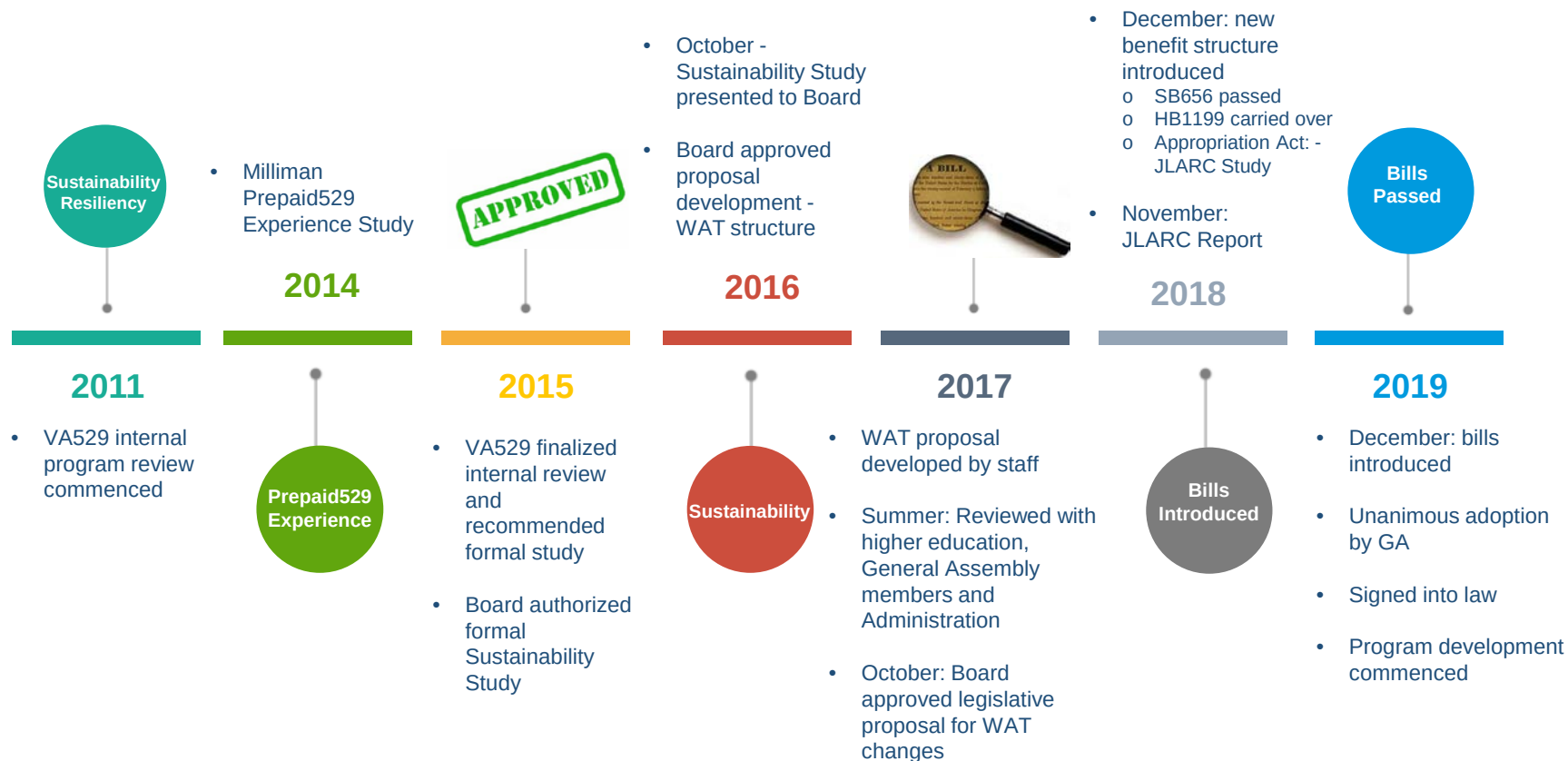




Weighted Average Tuition (WAT) Program Planning



WAT Program Timeline



WAT vs. Legacy Prepaid529 Program

Benefit	WAT Program	Legacy Prepaid529 Program
Affordable-lower entry price	✓	
Reduces Virginia529's risk profile	✓	
Benefits available for all qualified 529 expenses	✓	
Institutions receive funds before add-drop date	✓	
Increased flexibility for Account Owners and Beneficiaries	✓	
Virginia State Tax-Deduction	✓	✓



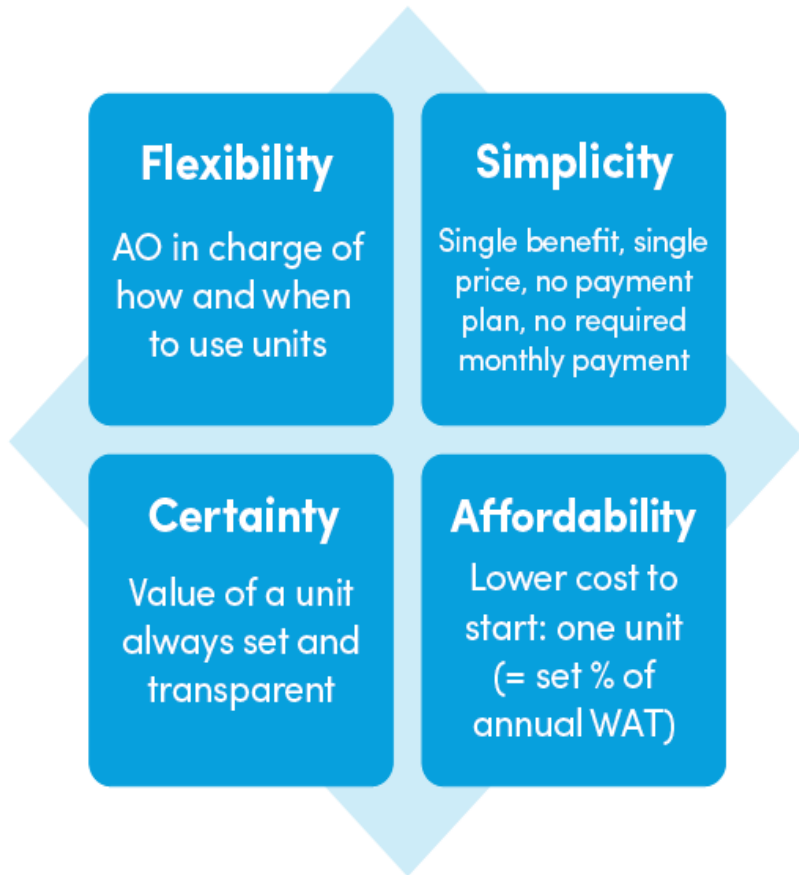
WAT Program Structure

Question	Answer
Units	100 Units = Annual WAT
Purchase	Full or fractional units as determined by customer
Minimum	1 Unit to start; no minimum thereafter
Maximum	700 units
Cost	One amount/unit – determined with actuary based on then current WAT and projections
Enrollment Period	TBD – close to year-round with annual price reset in the fall
Age Limit	TBD
WAT	Calculated by VA529 with actuary – enrollment weighted
Benefits	WAT * # of units - public or private eligible educational institution; postsecondary only
Distribution	School, Account Owner, or Beneficiary
Covered Costs	All Qualified 529 Expenses

WAT Program currently under development. Information provided is subject to change.



WAT Program Development: 2019 - 2020



- Market research/focus groups
- Program internal systems modifications
- Finalize key assumptions for valuation /pricing purposes
- Draft program materials
- Select program name
- Develop and implement branding and marketing campaigns



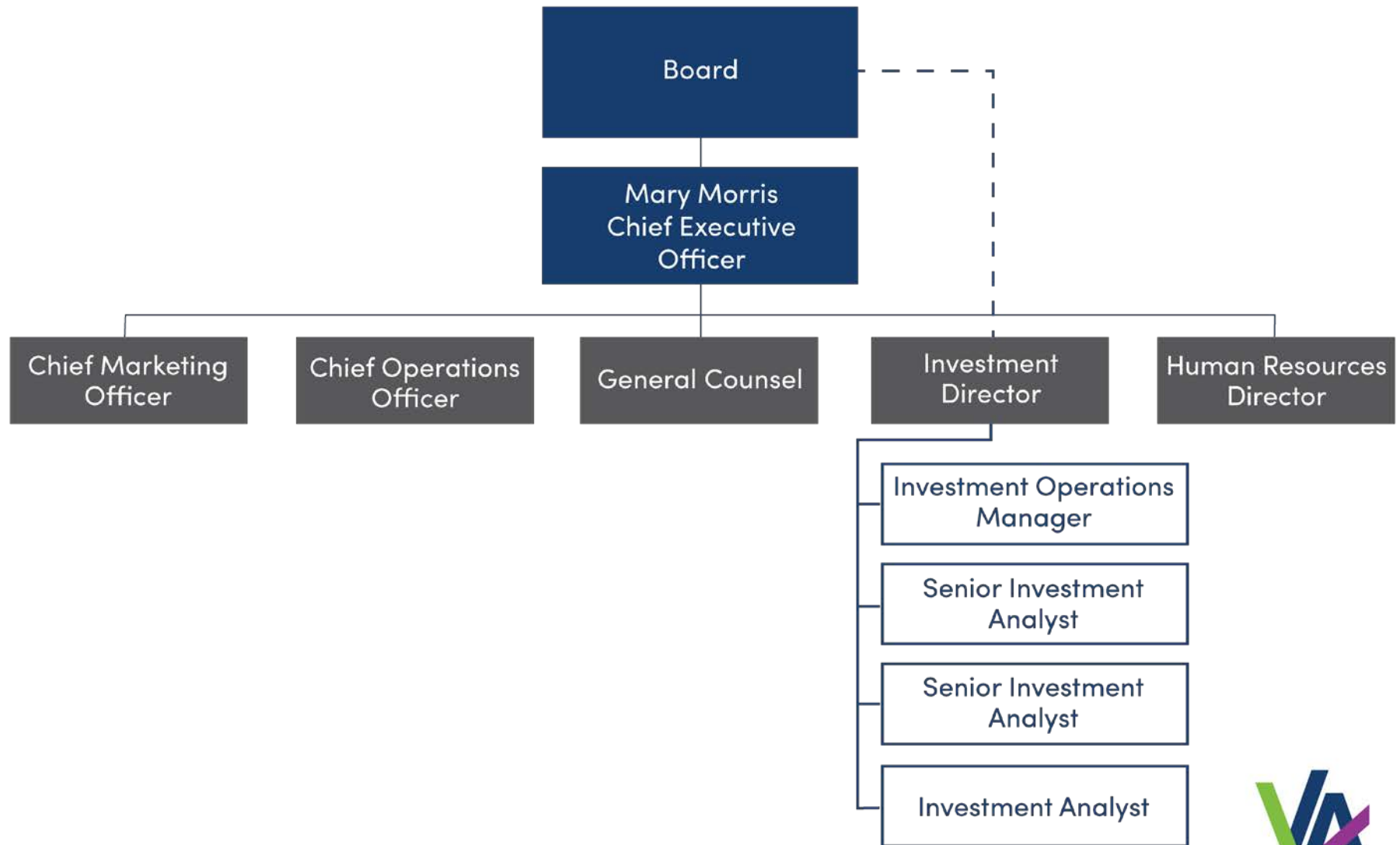


Dream Save Achieve

Investment Updates



Investment Structure and Accountability





Dream Save Achieve

Prepaid529



prepaid529[™] Investment Objectives



Attain an investment return which equals or exceeds the actuarial return assumptions, throughout the majority of economic cycles, taking into consideration cash flow demands and investment risks.



Prepaid529's investment portfolio shall be invested and managed to provide sufficient liquidity to meet all reasonably anticipated operational requirements.



Prepaid529's investment portfolio shall be invested prudently in order to meet or exceed the assumed targeted rate of return as determined by the Board.



prepaid529™ Annual Returns

Year	Return Assumptions	Annual Returns
2009	7.00%	26.40%
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%
Return Assumptions		Annualized Return
2009-2018	7.00%	7.70%
2010-2018	7.00%	5.76%



prepaid529™ Asset Allocations

Group/Asset Class	Targets	Actual as of 3/31/19
US Large Cap	7.5%	4.0%
US Smid Cap	0.0%	8.5%
US Small Cap	7.5%	2.1%
Intl Developed	10.0%	9.7%
Emerging Markets	<u>7.5%</u>	<u>7.5%</u>
Total Equities Group	32.5%	31.8%
Real Estate - Private	2.5%	2.2%
Private Equity	7.5%	9.1%
Hedge Funds	<u>5.0%</u>	<u>4.5%</u>
Total Alternatives Group	15.0%	15.8%
Convertibles	7.5%	7.5%
High Yield	10.0%	9.1%
Private Debt	0.0%	0.7%
Emerging Market Debt	10.0%	10.0%
Aggregate Fixed Income	15.0%	6.8%
Bank Loans	0.0%	8.6%
Inflation Index Bonds	5.0%	4.9%
Stable Value	<u>5.0%</u>	<u>4.8%</u>
Total Fixed Income	52.5%	52.4%
Total Prepaid529 Program	100.0%	100.0%



prepaid529SM Asset Liability Study

2009 – ALM study completed jointly by Mercer and Milliman

- Target asset allocation revised
 - Decreased domestic equity and core fixed income
 - Increased emerging market equity and high yield
 - Added emerging market debt and alternatives

2012 and 2016 – asset allocation reviewed

- No changes to 2009 targets

2019 – updated study in progress - target completion summer 2019

- Consider additional investment strategies
- Risk/Return Optimization
- Stochastic modeling using Monte Carlo simulation



prepaid529SM Net of Fee Performance as of 3/31/2019

Name	Since Inception	10 Years	5 Years	3 Years	1 Year	Calendar YTD	Inception Date
Prepaid529 Total Fund	6.13%	8.91%	4.45%	6.66%	2.43%	6.45%	Oct-97
<i>Total Fund Benchmark¹</i>	<i>5.54%</i>	<i>8.95%</i>	<i>5.05%</i>	<i>7.44%</i>	<i>2.81%</i>	<i>6.30%</i>	<i>Oct-97</i>
Prepaid529 Total Equity	6.74%	11.79%	4.66%	9.56%	-2.22%	11.67%	Oct-97
<i>Total Equity Benchmark²</i>	<i>5.65%</i>	<i>12.00%</i>	<i>6.68%</i>	<i>11.31%</i>	<i>1.38%</i>	<i>11.89%</i>	<i>Oct-97</i>
Prepaid529 Total Domestic Equity	7.67%	14.53%	6.77%	11.05%	2.30%	13.70%	Oct-97
<i>Domestic Equity Benchmark³</i>	<i>7.31%</i>	<i>16.00%</i>	<i>10.36%</i>	<i>13.49%</i>	<i>8.77%</i>	<i>14.04%</i>	<i>Oct-97</i>
Prepaid529 Total International Equity	5.87%	8.98%	2.76%	8.11%	-6.20%	10.07%	Oct-97
<i>International Equity Benchmark⁴</i>	<i>4.95%</i>	<i>9.21%</i>	<i>3.46%</i>	<i>9.29%</i>	<i>-4.83%</i>	<i>10.06%</i>	<i>Oct-97</i>
Prepaid529 Total Fixed Income	5.38%	5.89%	3.29%	4.27%	2.90%	4.42%	Oct-97
<i>Fixed Income Benchmark⁵</i>	<i>5.25%</i>	<i>5.36%</i>	<i>3.39%</i>	<i>4.86%</i>	<i>3.27%</i>	<i>4.83%</i>	<i>Oct-97</i>
Non-Core Fixed Income	5.12%	8.04%	3.70%	5.24%	2.62%	5.40%	May-05
<i>Non-Core Fixed Income Benchmark⁶</i>	<i>5.65%</i>	<i>9.67%</i>	<i>4.28%</i>	<i>7.43%</i>	<i>2.32%</i>	<i>6.40%</i>	<i>May-05</i>
Core Fixed Income	4.70%	4.25%	2.39%	2.19%	3.44%	2.32%	Oct-97
<i>Core Fixed Income Benchmark⁷</i>	<i>4.57%</i>	<i>3.27%</i>	<i>2.37%</i>	<i>2.10%</i>	<i>4.23%</i>	<i>3.11%</i>	<i>Oct-97</i>
Prepaid529 Total Alternatives	5.46%	12.48%	7.74%	8.53%	10.92%	3.07%	May-05
<i>Alternatives Benchmark⁸</i>	<i>5.45%</i>	<i>14.51%</i>	<i>6.66%</i>	<i>7.56%</i>	<i>3.26%</i>	<i>-0.48%</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

1. Total Fund Benchmark: 15% Russell 3000, 10% MSCI EAFE, 7.5% MSCI EM, 5% NCREIF ODCE (1Q in Arrears), 5% HFRI Fund of Funds Conservative, 5% Private Equity Benchmark 7.5% BofAML Global 300 Convertibles, 10% Bloomberg Barclays US High Yield, 5% JPMorgan EMBI Global Diversified, 5% JPMorgan GBI EM Global Diversified USD 15% Bloomberg Barclays U.S. Aggregate Bond Index, 5% Bloomberg Barclays TIPS Index, 5% Bloomberg Barclays Intermediate Credit
2. Total Equity Benchmark: 46.2% Russell 3000, 30.8% MSCI EAFE, 23.0% MSCI EM
3. Domestic Equity Benchmark: Russell 3000
4. International Equity Benchmark: 57% MSCI EAFE, 43% MSCI EM
5. Fixed Income Benchmark: 52% Non-Core Fixed Income Benchmark, 48% Core Fixed Income Benchmark
6. Non-Core Fixed Income Benchmark: 27.3% BofAML Global 300 Convertibles, 36.3% BB US High Yield, 18.2% JPMorgan EMBI Global Diversified, 18.2% JPMorgan GBI EM Global Div
7. Core Fixed Income Benchmark: 60% Bloomberg Barclays U.S. Aggregate Bond Index, 20% Bloomberg Barclays TIPS Index, 20% Bloomberg Barclays Intermediate Credit
8. Alternatives Benchmark: 33.3% NCREIF ODCE (1Q in Arrears), 33.3% HFRI Fund of Funds Conservative Index, 33.4% Private Equity Benchmark Private Equity Benchmark consists of actual returns for first 4 years of each partnership, then MSCI ACWI IMI + 3%. One quarter lag due to valuations.



JLARC 2018

prepaid529SM Program Benchmarking Review

JLARC Recommendations	Addressed
All investment portfolios are best analyzed relative to their benchmarks at three attribution levels: Fund Level, Asset Level and Manager Level	✓
Use the portfolio asset classes and their weights modeled in the 2016 asset-liability study to construct the Total Fund Level benchmark	✓
Delineate between Core-Fixed Income and Non-Core Fixed Income	✓
At the Asset Class level, investment benchmarks weights should be static to preserve attribution information resulting from investment manager tilts away from their respective benchmarks	✓
At the Investment Manager level, investment benchmarks weights should be static to preserve asset allocation effects arising from investment manager rebalancing or the Asset Allocation Effect	✓



prepaid529SM Attribution Report

12/31/2018 to 03/31/2019	Portfolio		Style Bench		Policy Bench		Macro Attribution			
	Actual Weight	Actual Return	Actual Weight	Total Return	Target Weight	Total Return	Asset Allocation Effect	Style Selection Effect	Manager Selection Effect	Total Effect
Total Fund	100.00	6.45	100.00	5.64	100.00	6.30	-0.49	-0.17	0.78	0.13
Total Equity	31.84	11.67	31.84	12.35	32.50	11.89	-0.06	0.17	-0.21	-0.10
Total Domestic Equity	14.37	13.70	14.37	15.12	15.00	14.04	-0.01	0.14	-0.19	-0.06
Total International Equity	17.47	10.07	17.47	10.15	17.50	10.06	-0.00	0.02	-0.02	-0.00
Total Fixed Income	52.21	4.42	52.21	4.18	52.50	4.83	0.00	-0.33	0.13	-0.20
Non-Core Fixed Income	35.75	5.40	35.75	5.05	35.50	6.40	0.00	-0.21	0.12	-0.08
Core Fixed Income	16.46	2.32	16.46	2.31	17.00	3.11	0.01	-0.13	0.00	-0.12
Alternatives	15.96	3.07	15.96	-2.32	15.00	-0.48	-0.09	-0.00	0.86	0.77
Hedge Funds	4.76	1.74	4.76	3.58	5.00	3.58	-0.00	--	-0.10	-0.10
Core Real Estate	2.23	1.57	2.23	1.50	5.00	1.52	-0.06	-0.00	0.00	-0.05
Private Equity ¹	8.97	4.26	8.97	-6.41	5.00	-6.41	-0.24	--	0.96	0.72

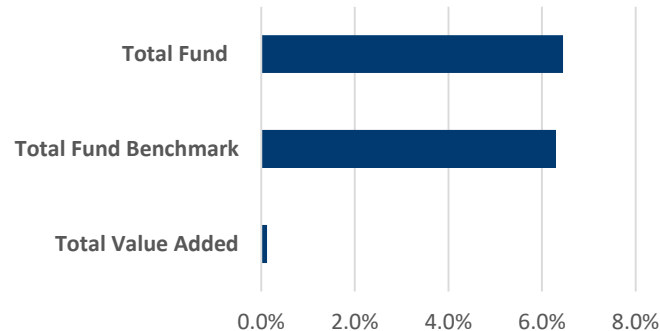
1. Private Equity Benchmark consists of actual returns for first 4 years of each partnership, then MSCI ACWI IMI + 3%. One quarter lag due to valuations.



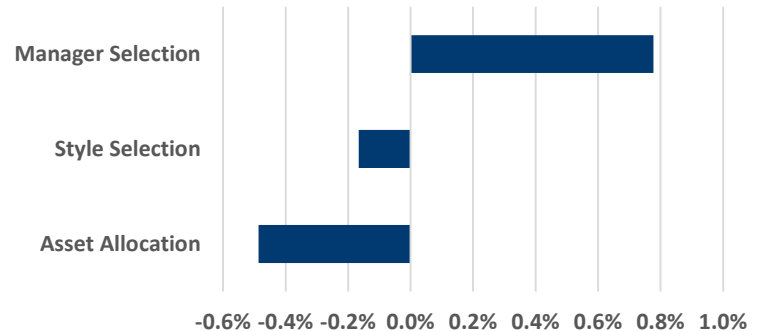
prepaid529™ Attribution Report

Total Fund Attribution First Quarter Ending March 31, 2019

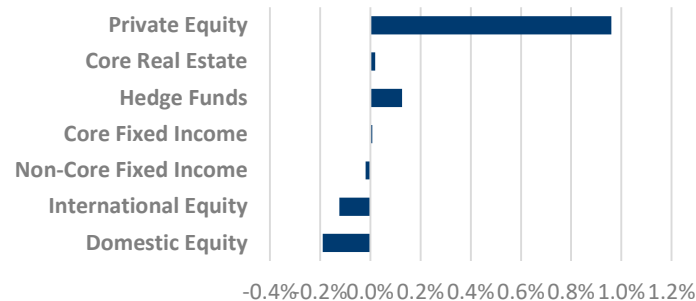
Total Fund Performance



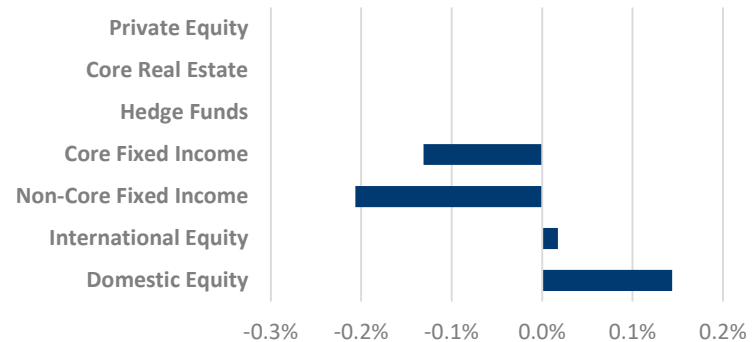
Total Value Added: 0.15%



Total Manager Selection Effect: .78%



Total Style Selection Effect: -0.17%



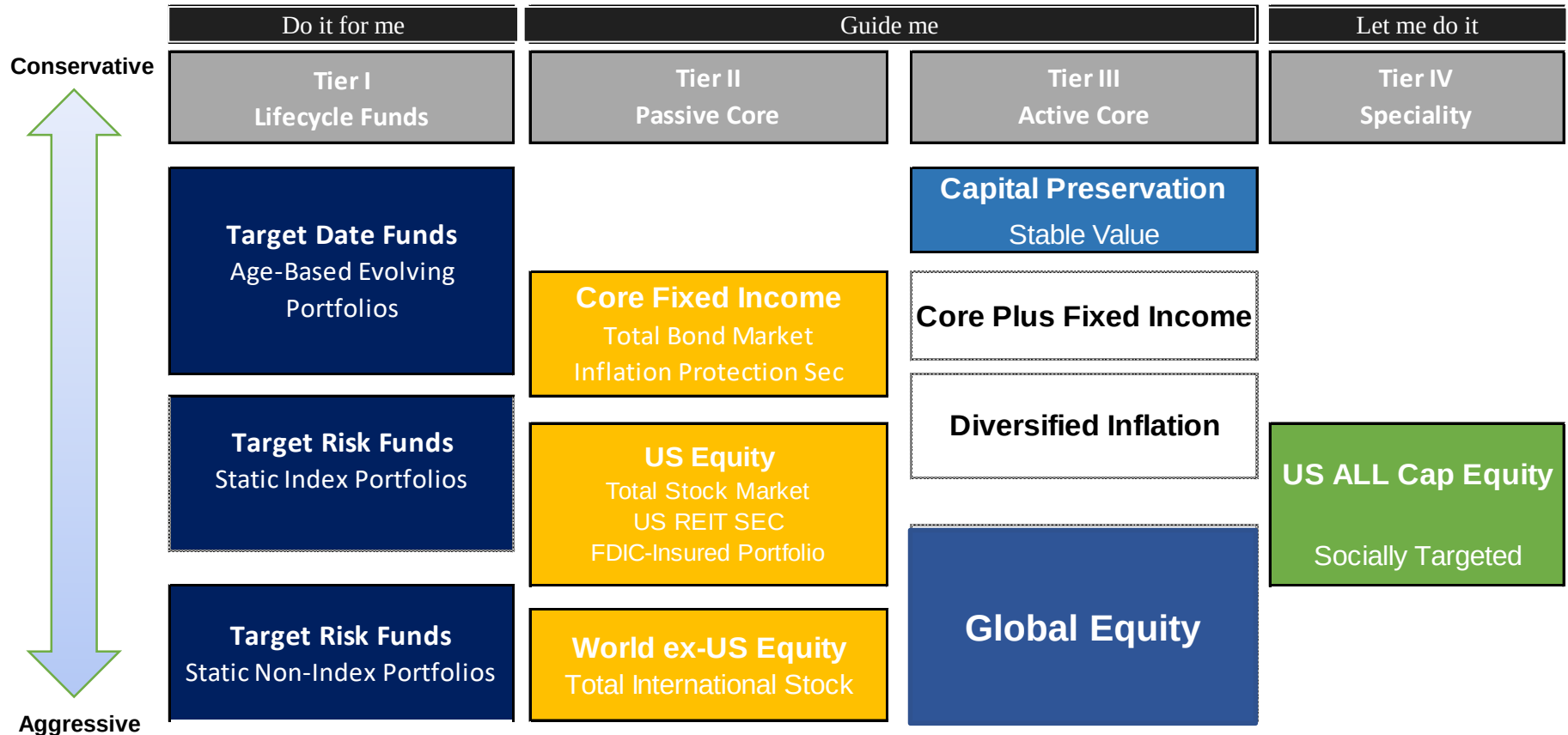


Dream Save Achieve

Invest529 and CollegeAmerica



invest529SM Investment Structure



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invest529SM Options v. Morningstar Universe Low Expense Ratio

2019 Direct-Sold Investment Options' Expense Ratio				
	Straight Average		Asset-Weighted Average	
	Morningstar	Invest529	Morningstar	Invest529
Target Date ¹				
Active	0.79%	N/A	0.78%	N/A
Blend	0.60%	0.36%	0.62%	0.36%
Passive	0.32%	N/A	0.26%	N/A
Static ²				
Active	0.76%	0.46%	0.87%	0.32%
Blend	0.69%	0.44%	0.61%	0.48%
Passive	0.36%	0.15%	0.23%	0.13%

Source: Morningstar, Inc.

1. Morningstar straight averages from "What's New with 529 Plans" as of April 1, 2017. Asset-weighted averages from page 23 of 2016 College Savings Plan Landscape Report.

2. Morningstar straight and asset-weighted averages from page 23 of 2016 College Savings Plan Landscape Report.

Virginia529 expenses as of 3/31/2019

Morningstar Categories:

Active: > 80% Active

Blend: > 20%, < 80% Active

Passive: < 20% Active

Invest529 Target Date¹:

73% Active Management



- **Provides a defined contribution saving vehicle** as a complement 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
- **Low-cost** mix of passively and actively-managed static portfolios and target date portfolios

Invest529 Target Date Portfolios

- Two-year transition step prior to final evolution in target date portfolios
 - o 100% Fixed-Income (65% stable value, 20% bond index, 10% emerging debt, 5% high-yield bonds) transitioning to 100% stable value
 - o 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
 - o Beneficiary age ranges are suggestions only – allows for a more conservative or aggressive track depending on investor preference
- Progressive glide path – Target Date Rebalancing Policy provides for interim changes to smooth the evolution between three-year stages



CollegeAmericaSM (partnership between Virginia529 and Capital Research Group)



**AMERICAN
FUNDS[®]**

From Capital Group

CollegeAmerica offers a 529 education savings option through financial advisors and brokers

Investment options: American Funds mutual funds

(closed architecture)

- Performance reviewed quarterly by IAC and Board
- American Funds mutual fund investment options approved annually
- Annual investment and operations due diligence reviews by staff and Board
- Daily operations interactions and monthly marketing/legislative/industry calls
- Investment management by Capital Research & Management Co.

Account Information as of March 31, 2019

- 2,368,054 unique active accounts
- 1,368,566 unique account owners
- \$64.88 billion – assets under management



invest529SM Morningstar Analysis



Rating: Identify plans with an ability to outperform their respective benchmarks and peer group on a risk-adjusted basis over a full market cycle. Morningstar rates plans/programs that utilize mutual funds by forward, qualitative ratings using medalist categories: gold, silver, bronze, neutral, and negative.





invest529SM

Rated Gold
by investment
research firm
Morningstar

*“Virginia has long been a **leader in the 529 industry** and a strong steward. Its independent state agency, Virginia529, works closely with a consultant to serve as both the sponsor and program administrator of its Gold-rated direct-sold Invest529.”*

*“Virginia529 takes a broad approach, cosponsoring Reading Makes Cents, a program that introduces financial literacy to elementary school-aged students. Virginia529 also **partners with community organizations** to advise residents on college savings options and grants up to \$2,000 in scholarship accounts to qualified students who face financial obstacles.”*

*“The plan has long included a **strong investment lineup**, and in 2016, it trimmed the program management fee to 0.10% from 0.15%. In 2018, the plan’s overseers switched to lower-cost share classes for certain offerings, which reduced fees by 0.02 percentage points.”*

*“Virginia, the state with the most 529 plan assets, **has the scale and resources** to run its own plan through its Virginia529 organization.*

- Morningstar 2019 529 College-Savings Plan Landscape



CollegeAmerica[®]

Rated Silver
by investment
research firm
Morningstar

*“American Funds’ **impressive equity and multi-asset lineup** are well-established, and it’s made substantial improvements to its bond funds, warranting two upgrades to Bronze in late 2017. CollegeAmerica’s medal count now stands at an impressive 19, solidifying the plan’s Silver rating.”*

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

*“The equity options are a diverse bunch, but they’re all united by a long-term outlook and multimanager structure that have **produced low-turnover and well-diversified portfolios**.”*

“Silver-rated CollegeAmerica—the largest 529 plan by roughly \$36 billion—is advisor-sold.”

*“The plan **remains a strong advisor-sold college savings plan** [with] about \$59 billion in assets as of year-end 2018.”*



FY2019 Investment Highlights

Prepaid529 and Invest529

New Portfolio Launch: Global Equity

Portfolio Enhancement: Enhanced rate on FDIC-Insured Portfolio by 60 basis points through negotiations and addition of CD products to monetize excess liquidity

Enhanced Performance Reporting and Monitoring:

- Implemented Performance Monitoring system
- Macro Attribution Approach to portfolio evaluation
- Expanded Manager Due Diligence Program





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Dream Save Achieve