



Dream Save Achieve

July 6, 2021

Joint Legislative Audit and Review Commission

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

Virginia529 Overview and Program Updates

- **Mary Morris**
Chief Executive Officer

Investment Update

- **Michael Nguyen**
Investment Director

Program Overview

Education Savings

Defined Benefit 529 Programs,
invest529™ CollegeAmerica®

Disability Savings

ABLEnow. ABLEAmerica®

Access & Affordability



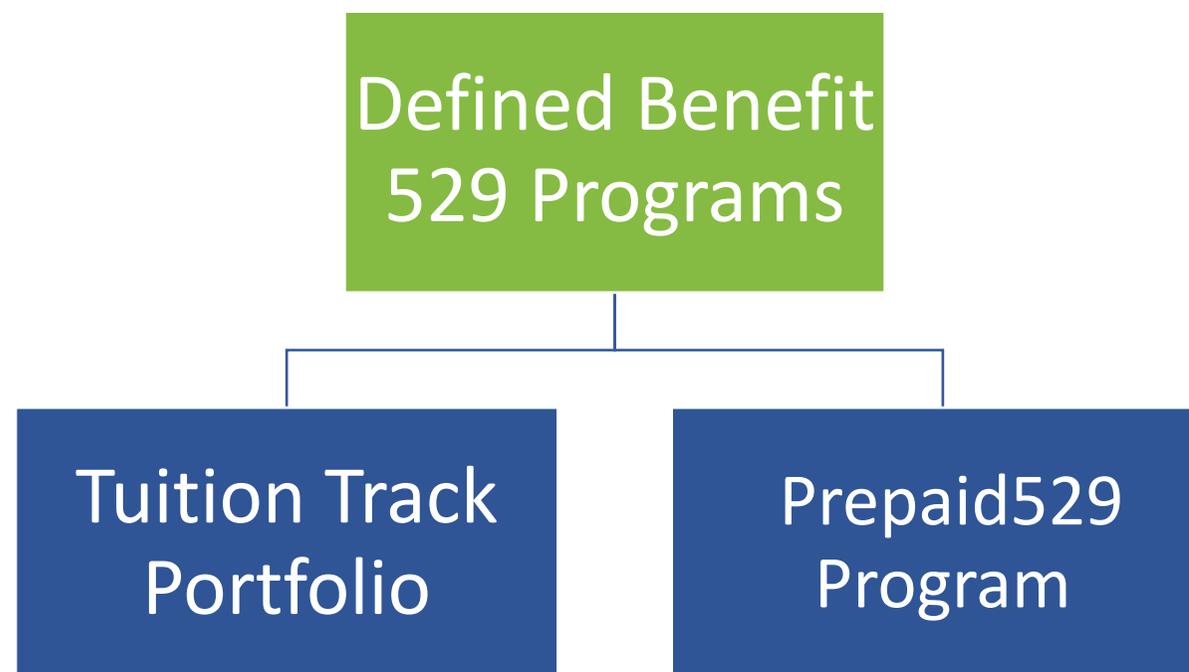
& Expanded Access
in 2021

State Facilitated Private
Retirement

Program Launch in 2023

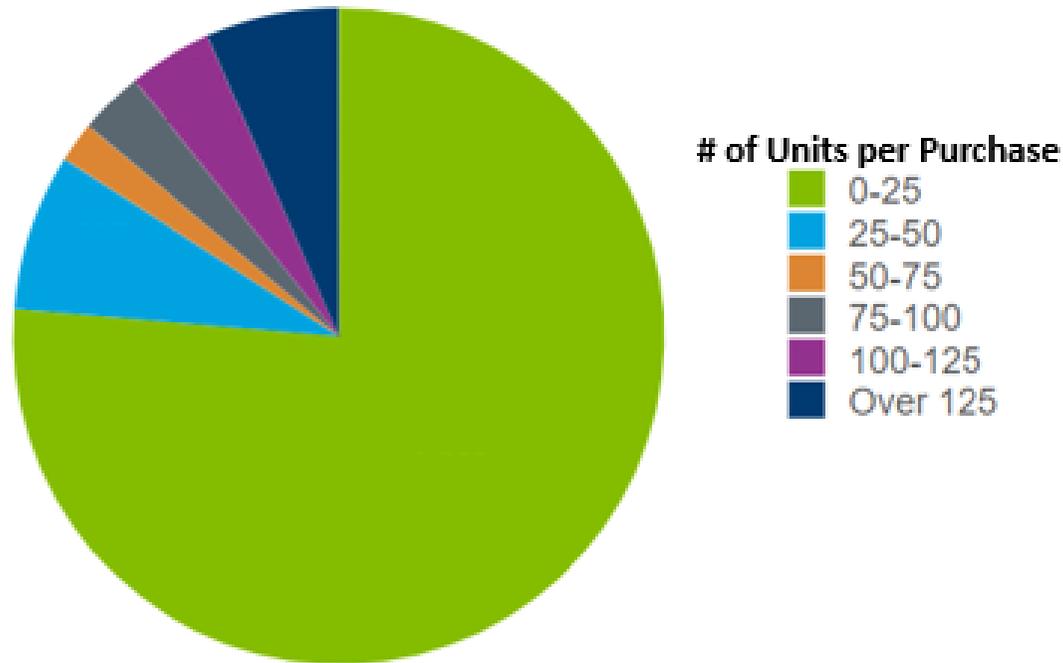
Defined Benefit 529 Programs

- Prepaid529 – 1996-2019
 - Legacy program continues to provide benefits for almost 60,000 Virginians
- Tuition Track Portfolio (TTP) opened 2/1/2021
 - Offering more flexible and affordable solution for more Virginians
 - Invest529 Portfolio option
- Combined  Defined Benefit 529 Programs

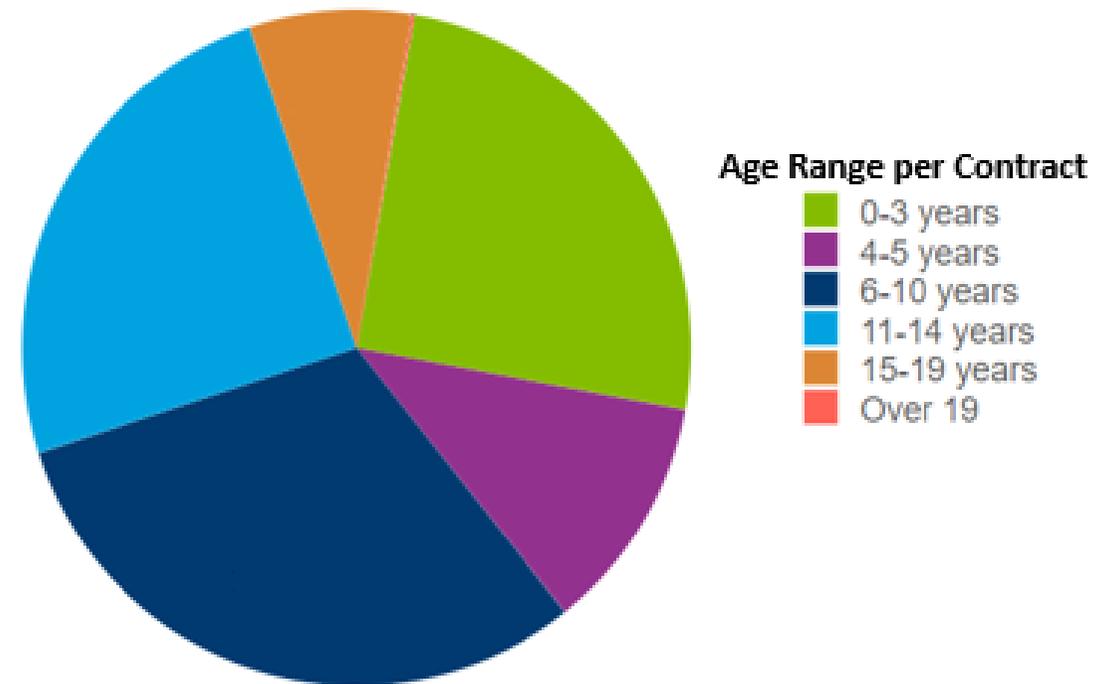


Early Snapshot of Tuition Track Portfolio*

TTP Number of Purchases



TTP Age Group of Accounts Opened



*Graphs as of 3/31/2021

Key Numbers†

- Active accounts = 1,885
- Contributions = \$20.7 million
- Average units/account = 80
- Average beneficiary age = 8.4 years
- Unit price increase = 1.82% (7/1/2021)

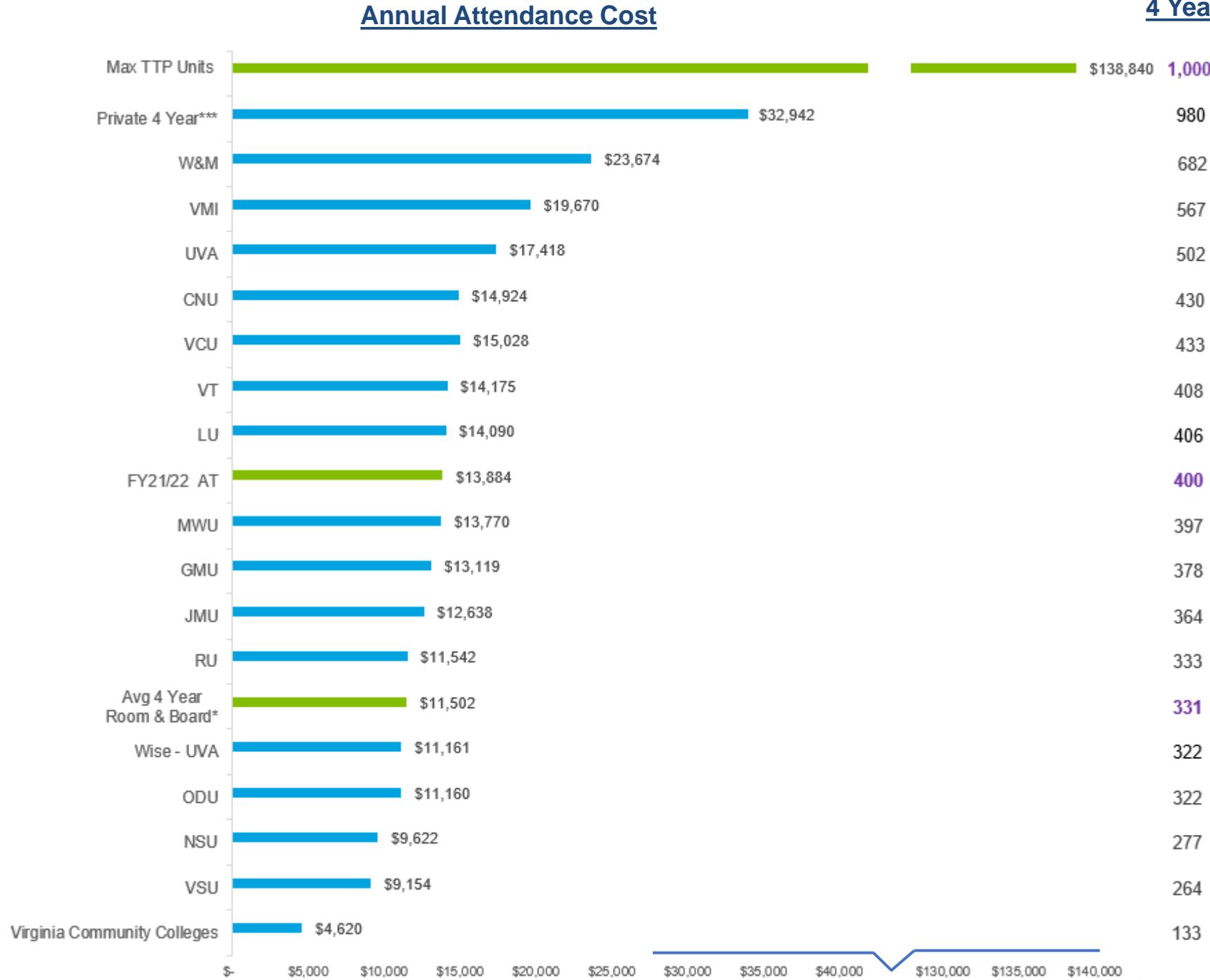
†Statistics as of 6/8/2021



Tuition Track Portfolio Unit Analysis

VA Public Universities 2021-2022*

AT Units
4 Years**



*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 College rates as of 2020-2021 school year



ABLEnow Timeline

ABLEnow has grown to become the second largest ABLE program in the country with 12,000+ 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
- 2021** ● ABLEnow is the largest independent ABLE program with customers in all 50 states



ABLEnow Snapshot

12,000+

active
accounts

65%+

YOY increase
in VA accounts

\$100+

million
contributed

Account and event data through 7/21 | confidential and unaudited

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



Expanded Access & Affordability Program

Vision & Strategy

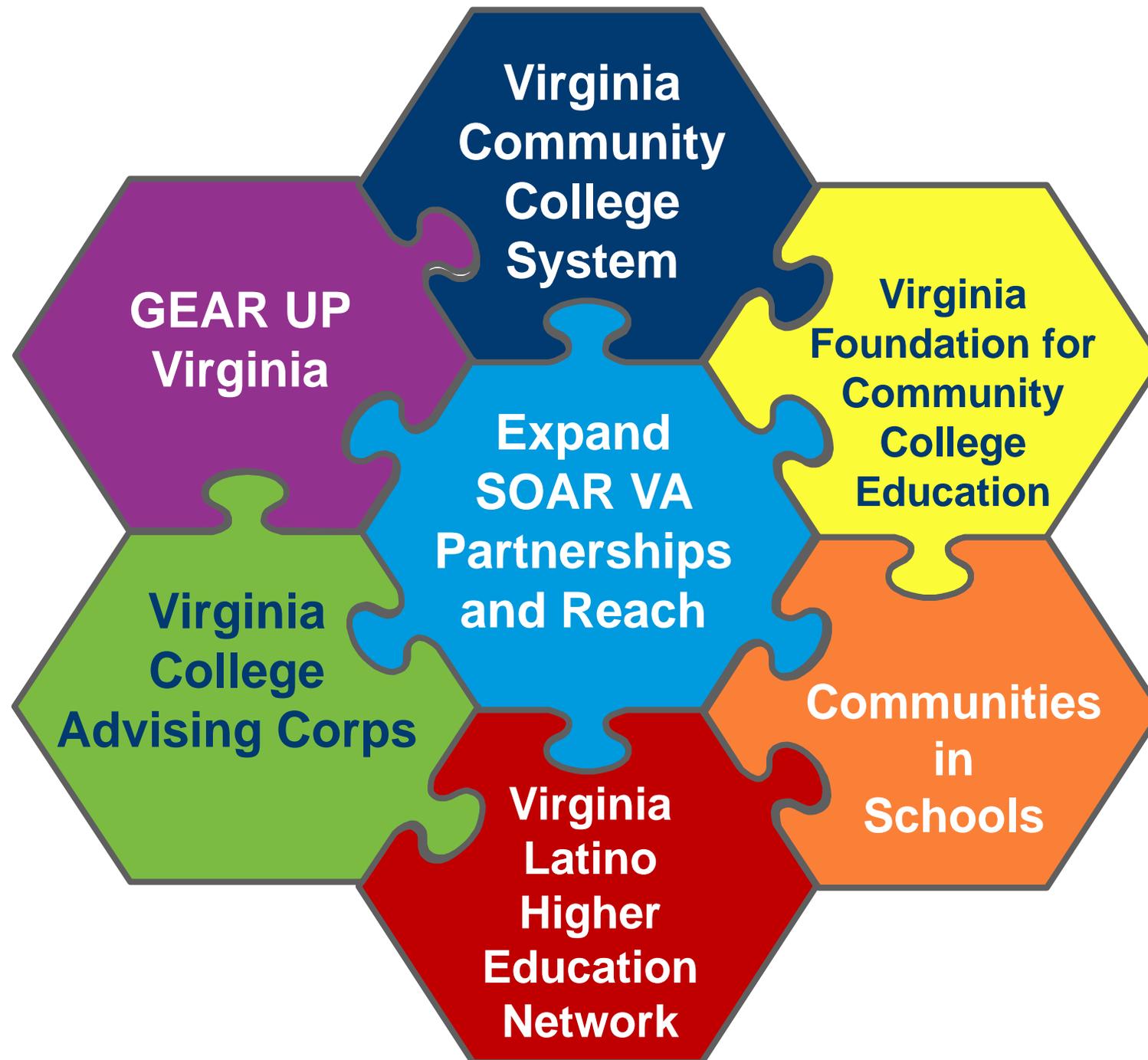
Design

Implementation

Analysis & Oversight

- Evolution of commitment to statutory mission: increase access to and affordability of higher education
- Holistic plan structured to align with the Virginia Plan for Education
- State and community partners serving all regions of the Commonwealth – emphasize underserved and under-resourced
- Access Advisory Committee supports Board in oversight and evaluation

Access & Affordability Program



State-Facilitated Private Retirement

Blueprint for Program Development

Chapter 556, 2021 Virginia Acts of Assembly tasks Virginia529 to develop the new program, with sponsorship and oversight by the Virginia529 Board

A two-year planning and implementation process is envisioned to identify and engage program partners and stakeholders, develop, pilot and launch program



State-Facilitated Private Retirement Program Implementation

- Establish Program Advisory Committee
- Select Third Party Recordkeeper
- Develop Program Participation and Implementation Guidelines
- Conduct Outreach and Education Campaign
- Develop and Implement Investment Framework

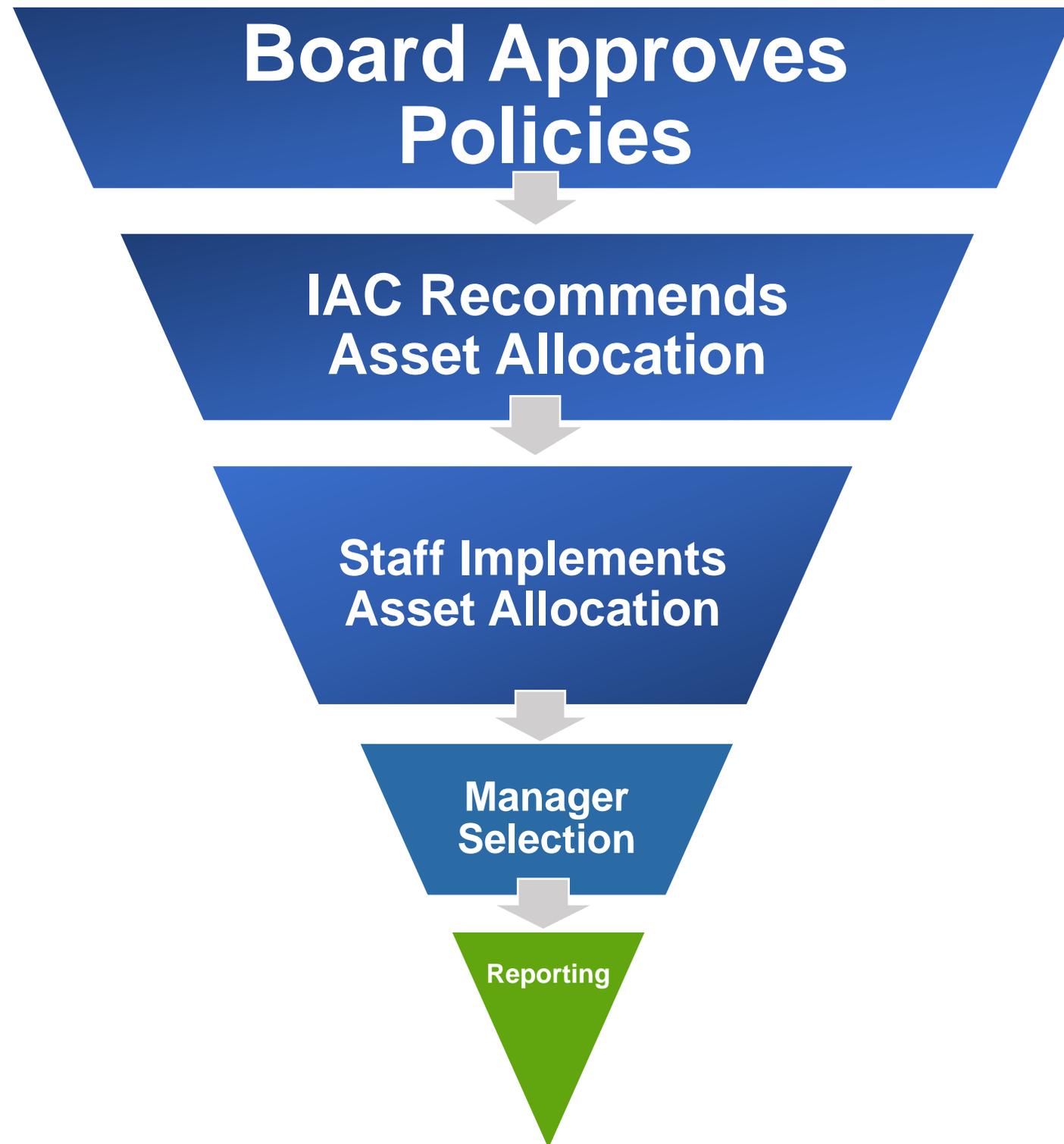




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Investment Update

Updated Governance Process



Defined Benefit 529 Programs: Actuarial Valuation

- **Actuarial valuation** compares the present value of assets against the obligation of future payout
 - Assumptions are reviewed and adopted annually by the Board
 - Annual [valuation report](#) details the actuarial soundness of the programs
 - JLARC commissions actuarial valuation audit every four years – 2021 audit completed
- What does actuarial funded status mean?
 - A simple point in time measurement of fiscal health and sustainability of programs
 - Funded status is sensitive to long-term assumptions



2020 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 2021 & 2022 academic years
 - 6% for 2023 academic year and thereafter
- Actuarial funded status as of June 30, 2020 was 157%

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 – 2020	5.75%
2021	5.5%*

*Pending Board Approval



Defined Benefit 529 Programs Asset Allocation Policy Updates

Group/Asset Class	2019
US Large Cap	5.0%
US SMID Cap	5.0%
US Small Cap	2.0%
Intl Developed	5.0%
Emerging Markets	<u>5.0%</u>
Total Equities Group	22.0%
Real Estate - Private	7.5%
Private Equity	13.0%
Hedge Funds	<u>5.0%</u>
Total Alternatives Group	25.5%
Convertibles	5.0%
High Yield	7.5%
Private Debt	5.0%
Emerging Market Debt	2.5%
Aggregate Fixed Income	17.0%
Multi-Asset Credit	10.0%
Bank Loans	5.5%
Inflation Index Bonds	0.0%
Stable Value	<u>0.0%</u>
Total Fixed Income	52.5%
Total Prepaid 529 Program	100.0%

Group/Asset Class	2021*
Global All Cap Equities	22.0%
Real Estate - Private	10.0%
Private Equity	13.0%
Total Alternatives Group	23.0%
Aggregate Fixed Income	20.0%
Multi-Asset Credit	35.0%
Total Fixed Income	55.0%
Total Prepaid 529 Program	100.0%



Defined Benefit 529 Programs Performance Drivers

	<u>Total Fund</u>	<u>Fund BM</u>	<u>Difference</u>
3/31/2020	-5.21%	-2.10%	-3.11%
Equity	-15.67%	-12.31%	-3.36%
Fixed Income	-3.23%	-2.37%	-0.86%
Alternatives	7.46%	11.42%	-3.96%
3/31/2021	29.19%	27.85%	1.34%
Equity	69.50%	57.92%	11.58%
Fixed Income	15.31%	18.30%	-2.99%
Alternatives	17.00%	15.47%	1.53%

Factors impacting performance

- Asset Allocation
- Global equity positioning
- Cyclical bias
- Defensive Fixed Income posture
- Maturing Private Market Allocation
- Manager Selection

Source: Virginia529 Performance Reports 2011-2020; Calendar Year Returns



Virginia529SM

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Call 1-888-567-0540 or visit [Virginia529.com](https://www.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](https://www.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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- Appendix -



Assets and Account Growth As of March 31, 2021

Programs	Accounts	Assets Under Management	Account Growth	Percent of National 529 (and 529A) Market ¹
Education Savings		<i>(\$ Billions)</i>		
prepaid529²	55,391	\$3.1	-4.4%	
invest529³	392,079	6.9	9%	
CollegeAmerica	2,461,194	84.4	2%	
Totals	2,908,664	\$94.4		21.5%
Disability Savings		<i>(\$ Millions)</i>		
ABLEnow[®]	11,339	\$60.9	28.4%	
ABLEAmerica	1,114	15.7	49.5%	
Totals	12,453	\$76.6		10.1%

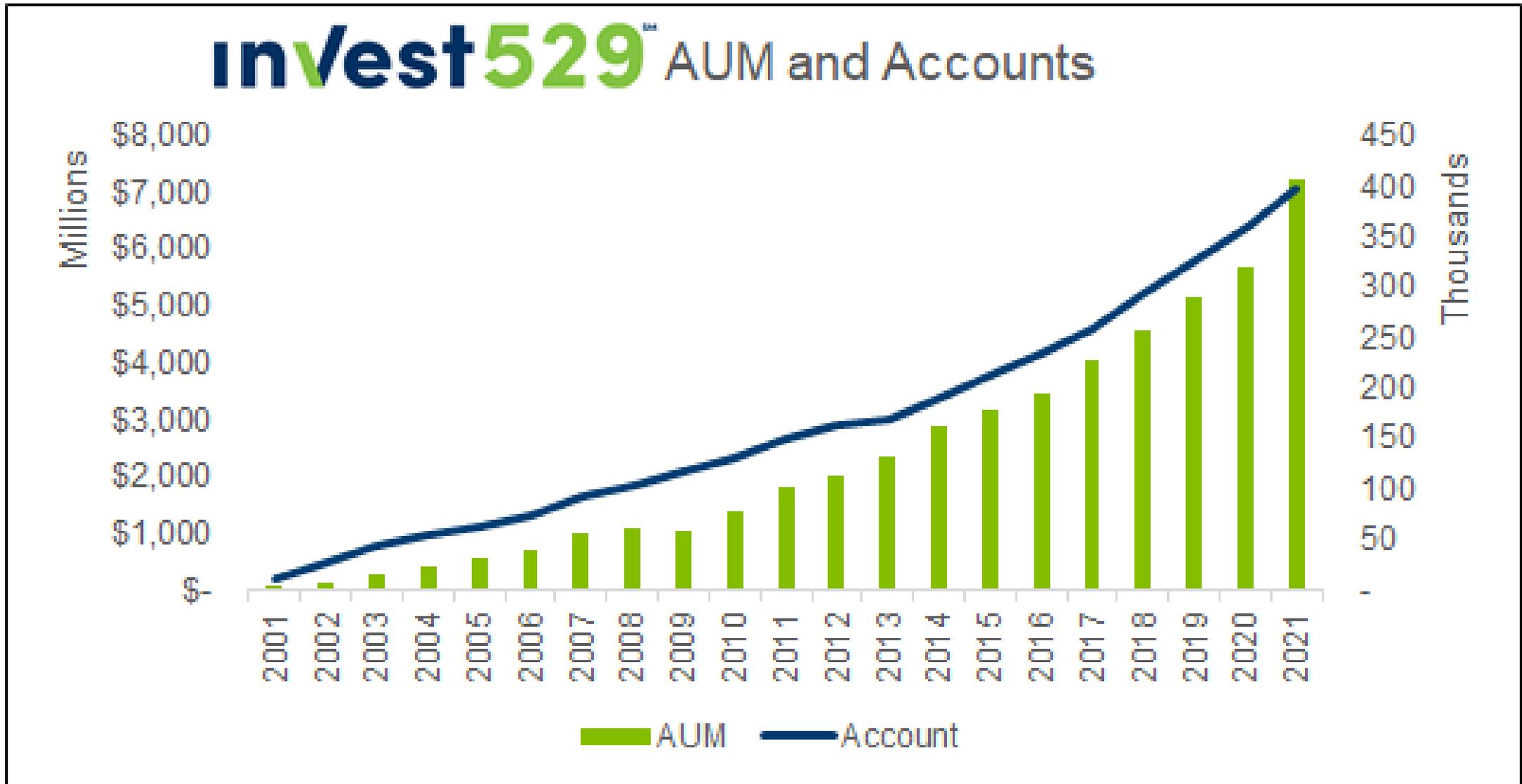
1. Total market share represents total VA529 and assets as a percent of total industry 529 and 529A assets. Industry data obtained from Strategic Insight.

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

3. Invest529, includes Tuition Track Portfolio.



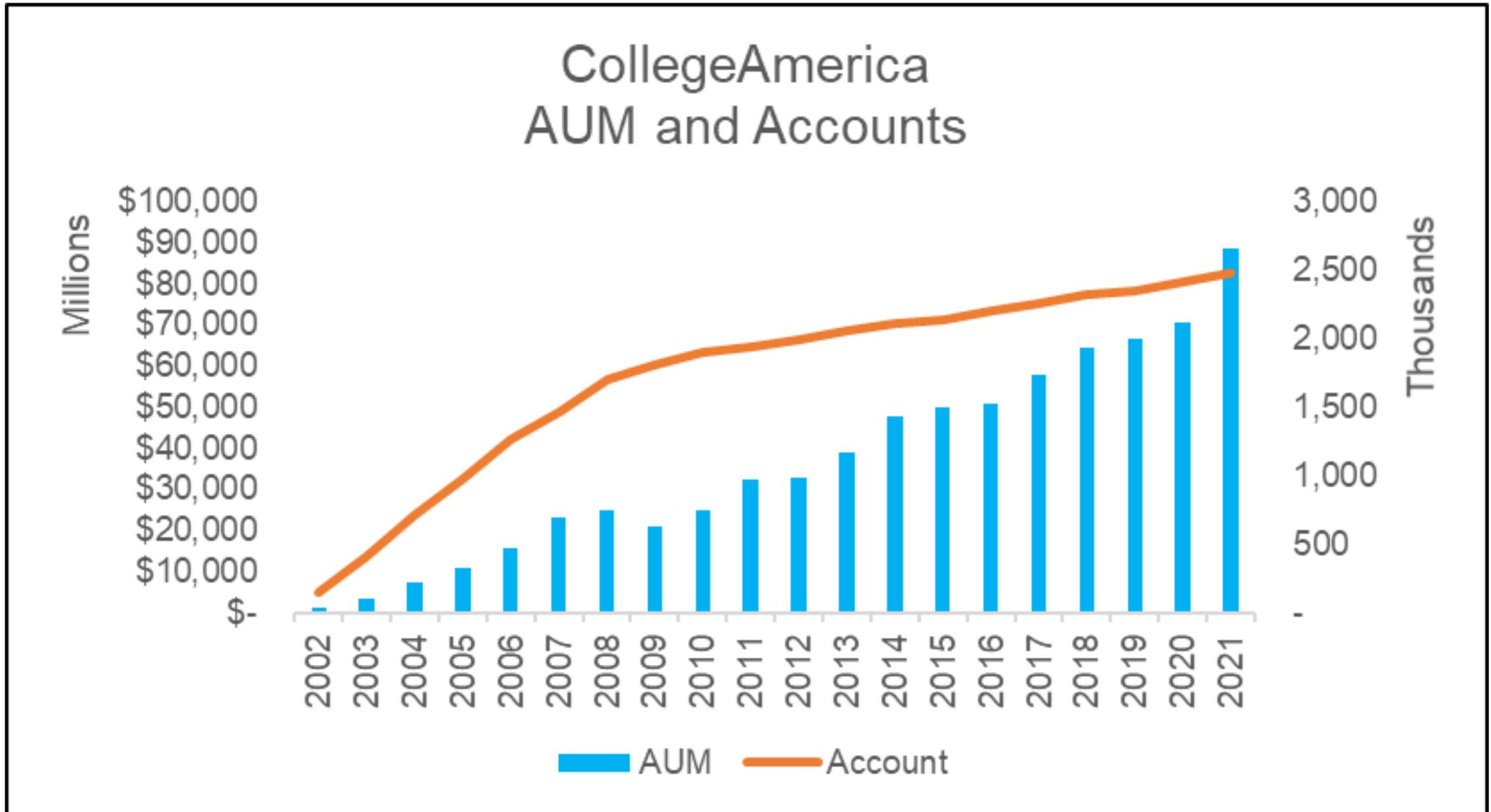
Assets Under Management and Account Trends: 2001-2021



*As of May 31, 2021



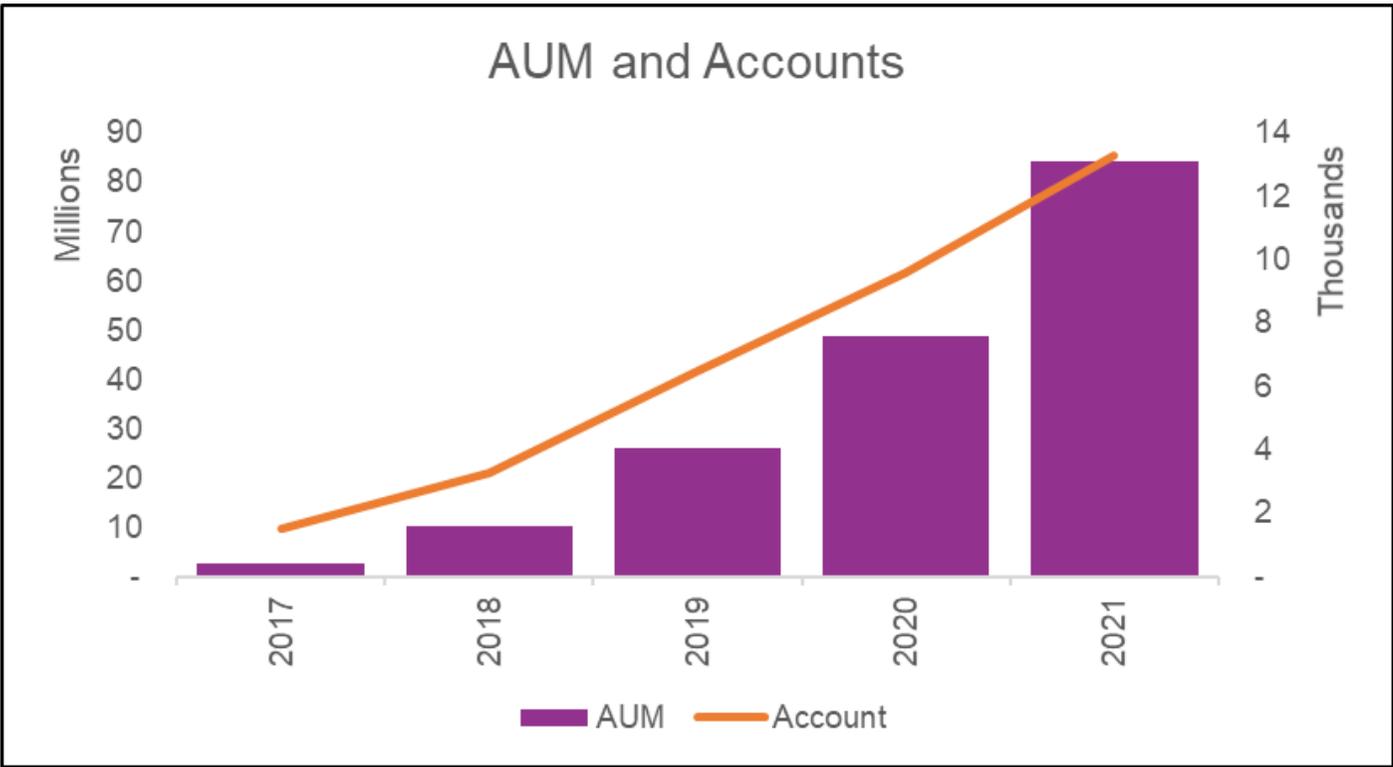
Assets Under Management and Account Trends: 2002-2021



*As of May 31, 2021



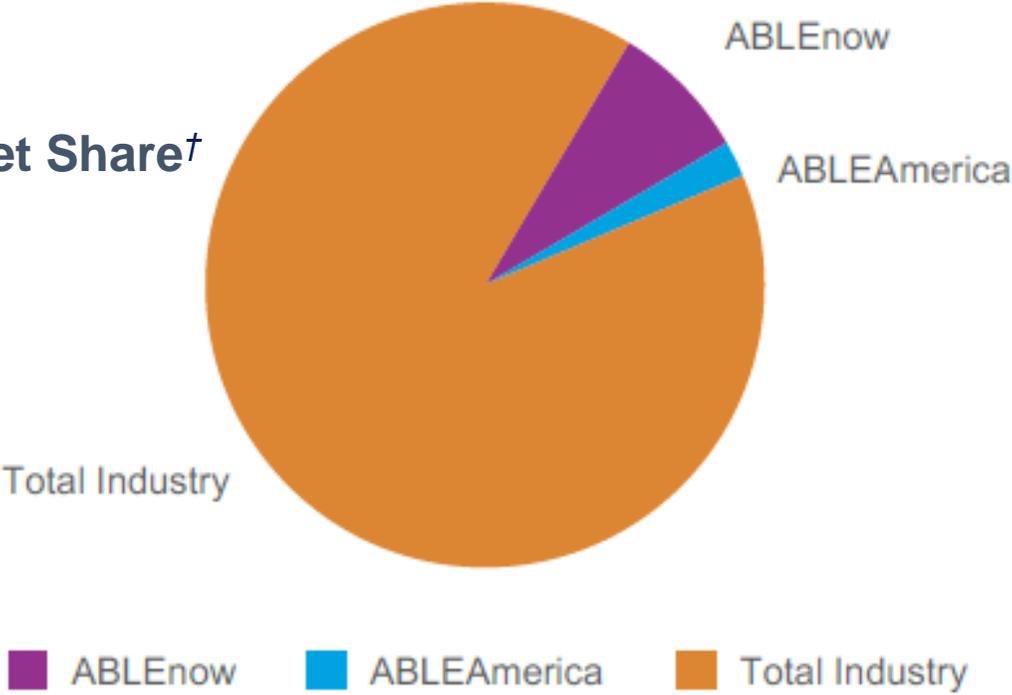
ABLEnow® & ABLEAmerica®



AUM and Total Accounts

*As of March 31, 2021

VA529 ABL Market Share†



†Industry data obtained from Strategic Insight



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 degree

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."

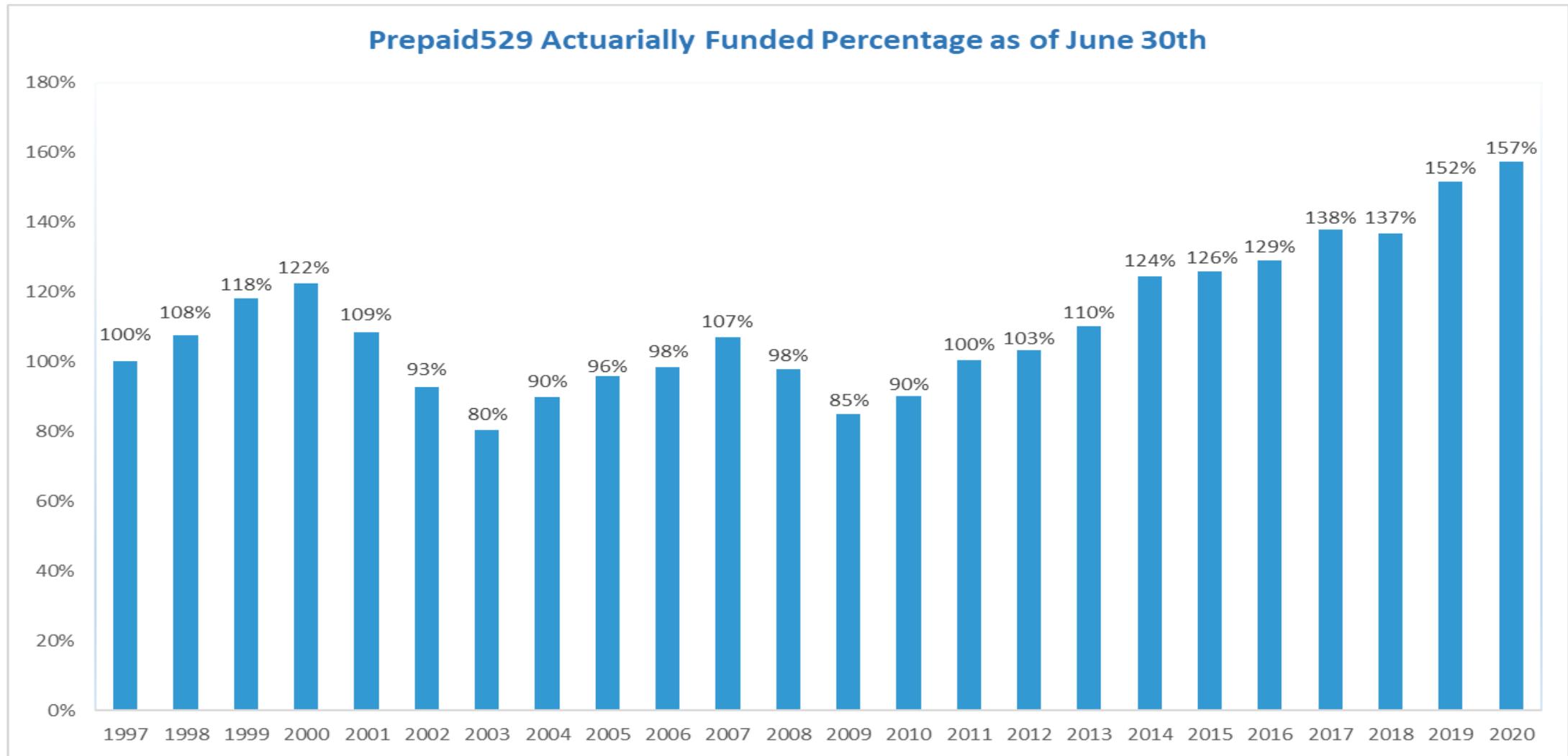
"Financial aid was kind of a mystery to me, but the program put me on track for success and taught me what it takes to be successful."

"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."

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Actuarial Valuation Reports – Plan Funded Status



Defined Benefits 529 Program Net of Fee Performance

as of 3/31/2021

	Since Inception	10 Years	5 Years	3 Years	1 Year	Calendar YTD	3 Month	Inception Date
Total Fund	6.51%	6.26%	8.24%	7.85%	29.19%	2.67%	2.67%	Oct-97
<i>Total Fund Benchmark</i>	6.07%	6.84%	9.20%	8.79%	27.85%	2.97%	2.97%	Oct-97
Total Equity	7.78%	8.94%	13.45%	11.81%	69.50%	4.57%	4.57%	Oct-97
<i>Total Equity Benchmark</i>	6.63%	9.35%	13.82%	11.97%	57.92%	4.84%	4.84%	Oct-97
Total Domestic Equity	8.74%	11.68%	14.91%	14.38%	72.08%	6.56%	6.56%	Oct-97
<i>Domestic Equity Benchmark</i>	8.46%	13.79%	16.64%	17.12%	62.53%	6.35%	6.35%	Oct-97
Total International Equity	6.88%	6.33%	12.08%	9.50%	66.83%	2.22%	2.22%	Oct-97
<i>International Equity Benchmark</i>	5.65%	5.33%	10.95%	7.01%	52.24%	3.01%	3.01%	Oct-97
Total Fixed Income	5.41%	4.27%	4.81%	4.71%	15.31%	-0.79%	-0.79%	Oct-97
<i>Fixed Income Benchmark</i>	5.44%	4.70%	5.90%	6.05%	18.30%	-0.73%	-0.73%	Oct-97
Non-Core Fixed Income	5.24%	4.94%	5.60%	4.96%	19.35%	-0.42%	-0.42%	May-05
<i>Non-Core Fixed Income Benchmark</i>	6.03%	5.89%	7.95%	6.55%	25.40%	0.17%	0.17%	May-05
Core Fixed Income	4.68%	2.96%	3.06%	4.07%	6.56%	-1.59%	-1.59%	Oct-97
<i>Core Fixed Income Benchmark</i>	4.61%	3.12%	3.26%	4.75%	4.59%	-2.61%	-2.61%	Oct-97
Alternatives	6.28%	7.46%	9.96%	11.73%	17.00%	10.21%	10.21%	May-05
<i>Alternatives Benchmark</i>	6.45%	7.86%	9.89%	9.96%	15.47%	10.34%	10.34%	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



invest529[®] Net of Fee Performance

as of 03/31/2021



Invest529
Monthly Portfolio Performance Summary
as of March 31, 2021

	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	1.21	4.46	4.46	46.73				14.61	Jan-20
<i>2039 Benchmark</i>	1.42	3.88	3.88	43.12				13.02	
2036 Portfolio	1.00	3.68	3.68	43.59	8.90			10.36	Jan-17
<i>2036 Benchmark</i>	1.21	3.11	3.11	39.86	9.19			10.69	
2033 Portfolio	0.82	2.99	2.99	37.66	8.13	9.52		7.24	Jan-14
<i>2033 Benchmark</i>	1.03	2.46	2.46	34.25	8.41	9.78		7.38	
2030 Portfolio	0.63	2.12	2.12	31.92	7.48	8.70	7.20	7.34	Jan-11
<i>2030 Benchmark</i>	0.82	1.69	1.69	28.77	7.70	8.85	7.13	7.36	
2027 Portfolio	0.47	1.48	1.48	26.74	6.82	7.79	6.49	5.57	Feb-08
<i>2027 Benchmark</i>	0.63	1.06	1.06	23.78	7.01	7.88	6.39	5.52	
2024 Portfolio	0.18	0.53	0.53	18.84	5.59	6.62	5.79	5.49	Aug-05
<i>2024 Benchmark</i>	0.30	0.20	0.20	16.52	5.78	6.66	5.67	5.18	
2021 Portfolio	-0.31	-0.84	-0.84	8.06	3.69	4.77	4.75	5.33	Jan-02
<i>2021 Benchmark</i>	-0.31	-1.01	-1.01	6.45	3.89	4.81	4.66	4.98	
2018 Portfolio	0.13	0.40	0.40	1.92	2.40	2.94	3.66	4.05	Jan-00
<i>2018 Benchmark</i>	0.08	0.24	0.24	1.12	2.55	2.98	3.58	3.16	

Source: Bank of New York Mellon

Notes: Past performance is no guarantee of future results

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