

Report to the Governor and the General Assembly of Virginia

# Commonwealth Savers Plan Oversight Report

2026



**COMMISSION DRAFT**

# Joint Legislative Audit and Review Commission

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## Overview

Commonwealth Savers Plan (CSP) administers and manages the investments for five tax-advantaged savings programs available in Virginia (Table 1). CSP administers

- two defined benefit education savings programs—Legacy Prepaid529 and Tuition Track Portfolio;
- one defined contribution education savings program—Invest529;
- one disability savings program—ABLEnow; and
- one state-sponsored retirement savings program for certain private-sector employees without access to retirement savings through their employers—RetirePath Virginia.

CSP’s education and disability savings programs are authorized by Sections 529 and 529A of the Internal Revenue Code, respectively, as well as state statute. Similar programs are sponsored in 49 states and the District of Columbia. RetirePath Virginia was created by state legislation.

CSP also sponsors a defined contribution education savings program (CollegeAmerica) and a disability savings program (ABLEAmerica) under contracts with Capital Group, a private mutual fund company (Table 2). These programs are sold through private financial advisers, and program participants are largely residents outside of Virginia.

CSP’s defined benefit education savings programs allow participants to purchase contracts tied to future costs of college tuition and fees. The Legacy Prepaid529 program was closed to new participants after its final enrollment period in 2019, but existing accounts will continue to pay benefits in the future. CSP opened a new defined benefit program—Tuition Track Portfolio—in February 2021. Together, the Legacy Prepaid529 and Tuition Track Portfolio programs are referred to as the Defined Benefit 529 programs.

The defined contribution education savings programs—Invest529 and CollegeAmerica—provide participants with options to save for educational expenses. Funds from the savings programs can be used to pay for qualified educational expenses. The programs offer federal and state tax advantages on contributions and investment earnings.

CSP’s disability savings programs—ABLEnow and ABLEAmerica—provide tax-advantaged savings accounts for eligible individuals with disabilities. Funds from the programs can be used to pay for qualified disability expenses, such as education, medical care, housing, and transportation. ABLEnow opened to customers in 2016, and ABLEAmerica opened to customers in 2018. Like CSP’s defined contribution education savings programs, ABLEnow and ABLEAmerica offer federal and state tax advantages on contributions and investment earnings.

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Beginning in 2017, all college savings plans can also be used at **elementary and secondary public, private, and religious schools, as well as for registered apprenticeships and student loan repayment.** Previously, college savings plans could be used only at higher education institutions.

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CSP's retirement savings program, RetirePath Virginia, became available statewide in June 2023. The program was created through legislation passed by the 2021 General Assembly and is intended to provide retirement savings options for private sector employees who do not have access to a savings program from their employers. Virginia is one of 22 states that have passed legislation to create retirement savings programs for private sector employees.

**TABLE 1**  
**CSP administers five state tax-advantaged savings programs**

	Type of savings program	Accounts	Assets (\$)
<b>Defined benefit education savings programs</b>			
Legacy Prepaid529	Contracts for future tuition & fees	28,790	\$2.4B
Tuition Track Portfolio	Contracts for future tuition & fees	13,470	\$182.2M
<b>Defined contribution education savings programs</b>			
Invest529	Direct-sold investments	547,294	\$11.6B
ABLEnow	Direct-sold investments	18,234	\$235.2M
<b>Retirement savings programs</b>			
RetirePath	Direct-sold investments	24,844	\$27.3M

SOURCE: CSP program data as of March 31, 2026.

**TABLE 2**  
**CSP sponsors two adviser-sold tax-advantaged savings programs**

	Type of savings program	Accounts	Assets (\$)
CollegeAmerica education savings	Adviser-sold investments	2,638,304	\$105.8B
ABLEAmerica disability savings	Adviser-sold investments	4,885	\$100.9M

SOURCE: CSP program data as of March 31, 2026.

## 1. CSP defined benefit programs and assets

CSP has two defined benefit college savings plans—Legacy Prepaid529, which was closed to new participants in 2019, and Tuition Track Portfolio (TTP), which opened in early 2021. Both programs require participants to be Virginia residents. (Residency is required only when the account is established for TTP.) CSP closed the Legacy Prepaid529 program because of concerns about its sustainability, including the growing disparity in payouts depending on the institution attended, lack of flexibility for purchasing contracts, and declining program participation. Even though the Legacy Prepaid529 program is closed to new participants, it paid \$169 million in benefits in FY25 and will continue to pay benefits into the future for existing participants. TTP distributed \$5.9 million in benefits in FY25.

The TTP program addresses several of the concerns that led to the closure of the Legacy Prepaid529 program. The TTP program is based on a weighted average tuition (WAT) model and pays WAT at Virginia public universities as the basic contract benefit for all participants. Therefore, the payout is the same for all students regardless of where they attend college (in-state, out-of-state, public, or private) and may be more or less than the actual cost of tuition and fees depending on the institution attended. Students who attend more expensive institutions will be required to cover the difference between the WAT payout and actual tuition and fee costs, and students who attend less expensive institutions may have funds left over, which could be used for other expenses such as room and board. The TTP program also sells contracts in unit increments (as opposed to semester increments with the previous Legacy Prepaid529 program), with 100 units equal to one year of weighted average tuition at a public four-year university in Virginia. CSP does not assess a fee to cover administrative costs or a pricing reserve to protect the fund against risk.

### **Total defined benefit 529 liabilities have continued to decline since the Legacy Prepaid529 program closed**

The total actuarial liabilities of CSP's two defined benefit programs have declined considerably in recent years (Figure 1). Since the Legacy Prepaid529 program closed in 2019, total liabilities have decreased from \$2.0 billion to \$1.2 billion as of June 30, 2025. Three primary factors contributed to the decline. First, tuition obligations and active accounts with the Legacy Prepaid529 program are declining now that the program is closed, decreasing 54 percent from approximately 62,500 at the end of FY19 to approximately 28,800 as of March 31, 2026. Second, no liabilities were incurred for the two years between when the legacy program was closed in FY19 and when the TTP program opened in FY21.

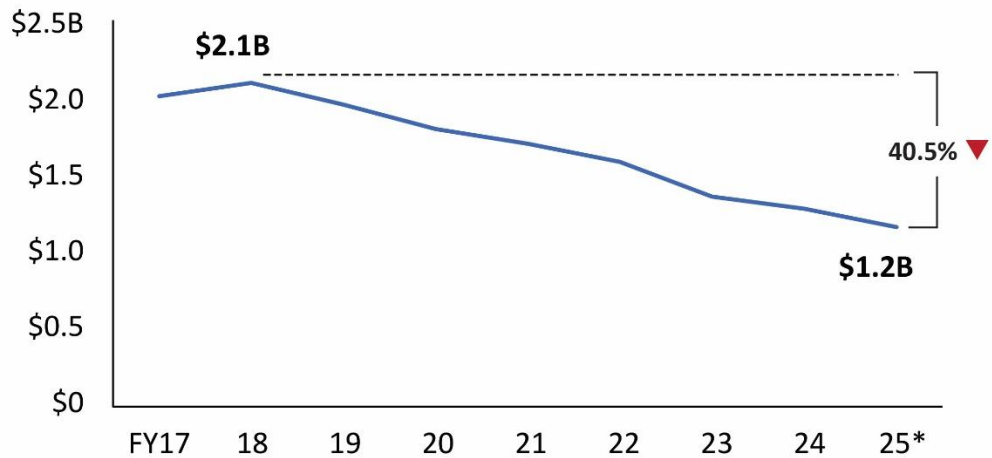
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**Legacy Prepaid529 contracts** cover tuition and fees for a set period, typically ranging from one to eight semesters at a public university or college. The Legacy Prepaid529 contract defines tuition and fees as the normal, full-time, in-state, undergraduate, mandatory tuition and fees assessed to all students. Payout amounts depend on the institution attended.

Payouts for students attending private institutions in Virginia or out-of-state institutions are calculated using contract payments plus a rate-of-return as defined by statute and program policy.

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**FIGURE 1**  
**Total actuarial liabilities of CSP’s defined benefit 529 programs have declined since FY18**



SOURCE: CSP actuarial data.

NOTE: \* Actuarial liabilities as of December 31, 2025. All other years are as of June 30.

The third factor contributing to the defined benefit programs’ declining total liabilities is that TTP program tuition units are being sold at a slower rate than Legacy Prepaid529’s semesters, according to CSP’s actuary. While TTP participation has grown substantially since the program opened in early 2021, with both accounts and assets nearly quadrupling to 13,470 accounts and \$182.2 million in assets as of March 31, 2026, sales of TTP *units* are substantially lower than the equivalent historical sales of Legacy Prepaid529 semesters. An average of 197,000 TTP units were sold each year during FY24–FY25, and approximately 124,000 units were sold through the first three quarters of FY26. If TTP were selling at the same historical rate as Legacy Prepaid529, TTP would be selling approximately 600,000 units annually. TTP units also cost substantially less, and therefore create a smaller liability, than the equivalent Legacy Prepaid529 semesters.

### **TTP has performed as CSP expected, but CSP needs to better explain the program to consumers**

CSP released a report in 2025 stating the TTP program had performed adequately and as expected. JLARC’s 2018 report, *Proposed Change to Payout Model of Prepaid529 Program*, recommended CSP assess the program after its implementation. In terms of accounts and assets under management, the TTP program is growing faster than prepaid plans in other states. Primary reasons people choose TTP over other education savings options are to keep pace with tuition growth, protect against principal losses, and avoid market volatility, according to CSP’s assessment. Although TTP accounts have been purchased at a slower rate than Legacy Prepaid529 accounts, CSP expects that demand

for the program will increase during times of higher market volatility or tuition increases.

A key obstacle to TTP's growth is that CSP has not explained the program in a way consumers can understand. In focus groups convened by CSP, potential or new participants found TTP abstract, and even with explanatory materials, struggled to understand the program's "units." In these focus groups, existing TTP participants were uncertain whether they were on track to meet their saving goals. CSP plans to test and refine communication approaches to better meet consumers where they are and help improve overall program understanding among consumers.

CSP's report also assessed the financial viability of TTP and determined that its lower cost, compared with the Legacy Prepaid529 plan, should make it attractive to customers. In addition to allowing participants to purchase lower-cost "units," TTP does not charge customers fees or reserves for the program because the program's administrative cost is covered with surplus funds in the Defined Benefit 529 (DB529) Fund that holds the assets of both the Legacy Prepaid529 and TTP programs. Legacy Prepaid529 accounts, which helped create that surplus, are expected to continue payouts until at least 2038, at which point the program will wind down. If the TTP program continues to grow and mature, CSP may need to consider how to make the TTP program self-sustaining as the Legacy Prepaid529 program winds down. Surplus funds currently being used to support TTP could also instead be used in other areas, such as higher education access and affordability.

### **Defined Benefit 529 Fund holds approximately \$3.2 billion in assets and has underperformed benchmarks**

For actuarial and investment purposes, CSP combines the assets for the Legacy Prepaid529 and TTP programs into a single DB529 Fund. CSP also created an Access Fund in FY23 with some of the actuarial surplus funds from the DB529 Fund. The board created the Access Fund in preparation for legislative authority to provide enhanced benefits to contract holders, support additional higher education access and affordability initiatives, or both. (More information is available on the Access Fund later in this chapter.) CSP commingles the assets from the DB529 and Access funds for investment purposes and manages them through a single asset allocation and set of investment strategies.

The assets in the DB529 and Access funds have remained at approximately \$3 billion in recent years (Figure 2). Three-quarters of these assets, or a little less than \$2.4 billion, are held in the DB529 Fund. The remaining \$621 million resides in the Access Fund.

The CSP board and its investment advisory committee (sidebar) oversee the investment of the assets in the DB529 and Access funds. The board determines the overall allocation of assets, which is divided into four major asset classes: fixed income, public equity, private equity, and real estate (Figure 2). The investment advisory committee

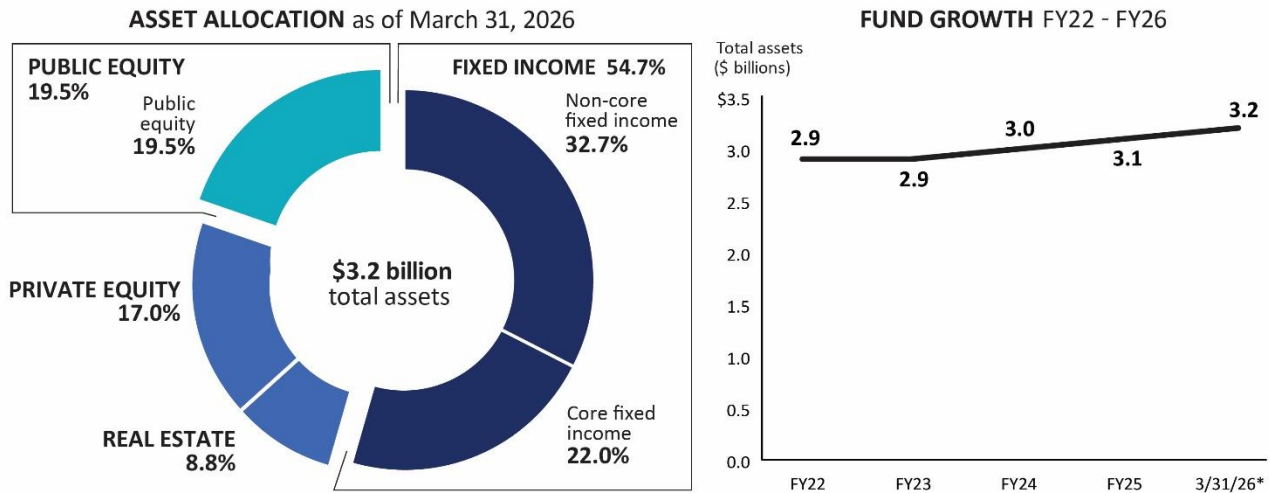
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The CSP investment advisory committee includes the board chairman, chief executive officer, and at least four investment professionals appointed by the board chairman. All members have voting privileges.

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determines the investment strategies within each asset class. CSP investment staff, led by the agency’s investment director, work with a consulting firm to select and retain private investment management firms charged with implementing the investment strategies. Investment staff and the consultant also oversee these external managers, monitor their performance, and make recommendations to the board and investment advisory committee.

**FIGURE 2**  
**Asset allocation and growth in DB529-related assets**



SOURCE: CSP program data.

NOTE: FY21–25 reported as of June 30; FY26 reported as of March 31, 2026.

***DB529-related assets underperformed most benchmarks***

DB529-related assets underperformed most benchmarks but outperformed the 6.0 percent long-term rate of return the CSP board assumes for its investments for most periods. DB529 assets underperformed the total fund custom benchmark for all periods, except the “since inception” period (Table 3). The total fund achieved a return of 9.56 percent for the one-year period ending March 31, 2026, almost 150 basis points below the benchmark. The three-year period underperformance was greater at more than 170 basis points below the benchmark. The underperformance of the total fund relative to its benchmarks is part of a continuing trend.

The total fund’s underperformance is largely driven by underperformance in the fund’s private equity portfolio. Private equity is benchmarked to the public equity markets, which continued to perform strongly, while private equity markets did not perform as strongly as public markets, according to CSP staff. If private equity is not included, the total fund performs better but still underperformed for the five- and 10-year periods. Performance in the fixed income portfolio, which is the DB529 Fund’s largest asset class, has improved compared to prior years, and the portfolio outperformed the benchmarks for all periods except the 10-year period.

**TABLE 3**  
**Defined benefit 529-related assets underperformed most benchmarks**

for the period ending March 31, 2026

	<b>CY to date</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>	<b>Since inception</b>
<b>Total fund</b>	-0.55	9.56	7.86	5.01	6.61	6.25
Benchmark	-0.34	11.03	9.58	5.94	7.56	6.03
Excess return	<b>-0.21</b>	<b>-1.47</b>	<b>-1.72</b>	<b>-0.93</b>	<b>-0.95</b>	<b>0.22</b>
<b>Fixed income</b>	-0.06	6.84	7.36	3.34	4.07	5.04
Benchmark	-0.48	6.29	6.86	3.01	4.44	4.87
Excess return	<b>0.42</b>	<b>0.55</b>	<b>0.50</b>	<b>0.33</b>	<b>-0.37</b>	<b>0.17</b>
<b>Public equity</b>	-3.08	20.72	17.02	8.53	10.97	7.91
Benchmark	-3.11	20.52	17.10	9.35	11.56	7.10
Excess return	<b>0.03</b>	<b>0.20</b>	<b>-0.08</b>	<b>-0.82</b>	<b>-0.59</b>	<b>0.81</b>
<b>Private equity</b>	0.40	9.72	4.17	10.89	13.79	8.54
Benchmark	3.91	22.04	19.47	14.74	15.82	9.85
Excess return	<b>-3.51</b>	<b>-12.32</b>	<b>-15.30</b>	<b>-3.85</b>	<b>-2.03</b>	<b>-1.31</b>
<b>Real Estate</b>	0.58	3.80	-0.90	3.49	3.24	5.44
Benchmark	0.70	2.92	-4.25	2.51	3.88	5.35
Excess return	<b>-0.12</b>	<b>0.88</b>	<b>3.35</b>	<b>0.99</b>	<b>-0.64</b>	<b>0.09</b>

SOURCE: JLARC analysis of CSP investment department data.

NOTE: All returns are net of fees as of March 31, 2026. Total fund, fixed income, and public equity have an inception date of October 1997; real estate inception date was May 2005; private equity inception date was October 2010.

**Fixed income.** The fixed income program (\$1.7 billion) is the largest DB529-related asset class. The program primarily consists of U.S. dollar-denominated securities that pay a specific interest rate (e.g., government bonds, corporate bonds, and U.S. treasury bills), high yield bonds, and emerging market debt. Fixed income investments typically have less volatility than most other asset classes and are expected to generate steady returns even in down equity markets. The fixed income portfolio slightly overperformed its benchmark for all periods except the 10-year period, in which it underperformed by 37 basis points.

As in prior years, CSP staff attribute the long-term fixed income underperformance to its defensive strategy to guard against rising inflation and interest rates. This approach results in relatively lower returns during periods of level or declining federal funds rates, as was the case for much of the five- and 10-year periods. According to staff, the fixed income underperformance over the 10-year period primarily reflected the defensive strategy of CSP's convertible bond program (sidebar) in the non-core fixed income portfolio, which makes up more than two-thirds of fixed income assets. CSP staff eliminated the convertible bond sub-asset class in 2021, and CSP staff believe this change should lead to less deviation from the benchmark in the future.

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A **convertible bond** is a type of corporate bond that can be converted into the issuing company's stock.

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**Public equity.** Public equity (\$620 million) is the second largest asset class of DB529-related assets, with an approximate allocation of 20 percent. The program consists of

stocks and other equity securities for publicly traded companies in the U.S. and international markets. Public equity investments typically exhibit higher volatility than bonds but offer potential for greater long-term growth. The public equity portfolio underperformed its benchmark for the three-, five-, and 10-year periods. However, the public equity portfolio outperformed its benchmark for the one-year period.

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**Value exposures** are investments in companies whose stock prices do not reflect their intrinsic worth. By investing in these companies, investors believe stock prices will increase to more accurately reflect their intrinsic worth.

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The longer-term underperformance of the public equity asset class primarily reflects CSP's defensive strategy to protect public equity assets in down markets and periods of market volatility. Domestic equity, which represents the majority of public equity assets, had been invested more heavily in small- and mid-cap equities and value exposures (sidebar) compared to the benchmark. This strategy detracted from domestic equity's performance during the prolonged increase in growth and large-cap technology equities over the last several years. As a result, the domestic equity portfolio underperformed its benchmark in both the five- and 10-year periods by 13 basis points and 91 basis points respectively.

To improve the performance of the public equity portfolio relative to its benchmark, CSP restructured the portfolio to largely eliminate the tilt toward small and mid-cap equities and value exposures. CSP also converted the domestic equity portfolio to a passively managed index fund after determining that an active management strategy was not likely to outperform the benchmark over the long term, given the efficiencies in the domestic equity markets. These changes are expected to improve the performance of the domestic equity portfolio, and the broader public equity asset class, relative to their benchmarks, according to CSP staff. Domestic equity overperformed its benchmarks for the one- and three-year periods.

**Private equity.** Private equity (\$539 million) is the third largest asset class, with an allocation of about 17 percent of the fund. This asset class is the newest in the portfolio. Private equity is an alternative to traditional public equity and generally includes ownership in companies not listed on public exchanges. Private equity has the potential to provide greater returns than public equity markets and more stable returns during periods of high market volatility, because the private equity market is less volatile. Private equity underperformed by significant margins in the one- and three-year periods. Underperformance in the five- and 10-year periods was less, though still at least 200 basis points. Private equity underperformed because it failed to keep pace with the strong public equity market which provides the basis for the private equity benchmark. According to CSP staff, the benchmark used for the private equity asset class is a higher hurdle than many peers, but the CSP board's philosophy is that private investments should earn a premium over time because of the illiquidity of the investments.

**Real estate.** Real estate (\$279 million) is the smallest asset class of the DB529-related assets, making up about 9 percent of the fund. Real estate is an alternative asset class consisting primarily of private real estate and is designed to help diversify the fund. Real estate outperformed for the one-, three-, and five-year periods but underperformed in the 10-year period. CSP staff expect to expand the real estate portfolio across geographic and types of real estate to further improve performance.

**DB529 Fund has a funded status of 232 percent and an actuarial reserve of \$1.5 billion as of December 31, 2025**

CSP must maintain sufficient assets in the DB529 Fund to pay the current and future obligations of the Legacy Prepaid529 and TTP programs. The fund receives two sources of revenue: (1) payments from contract holders and (2) fund investment returns. In previous years, the fund also received net operating revenue each year, much of which was composed of administrative fees from other CSP programs, primarily the CollegeAmerica program. Assets in the fund must be sufficient to cover future benefit payments, refunds, and other payouts.

As has been true for the past decade, the DB529 Fund has more than sufficient assets to meet its future obligations. As of December 31, 2025, the program’s funded status was 232 percent (Figure 3), and the actuarial reserve was \$1.5 billion. At this level, there is more than a 99 percent chance of meeting or exceeding future obligations for the Legacy Prepaid529 and TTP programs, based on the actuarial valuation and current actuarial assumptions. The notable decline in FY23 was primarily because of the CSP board’s allocation of \$500 million in actuarial surplus funds from the DB529 Fund to the Access Fund. The amount of actuarial reserve far exceeds the necessary amount of funds to support the program.

The funded status of the DB529 Fund has not been lower than 100 percent since 2010. The funded status increased because of several factors: the allocation of administrative fee proceeds to the fund, investment returns, moderate tuition growth, and the prolonged use of a pricing reserve added to the contract price to protect the fund against risk. Several recent changes in actuarial assumptions also increased the funded status.

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**Funded status** is the actuarially determined ratio of assets to obligations for the Defined Benefit 529 program.

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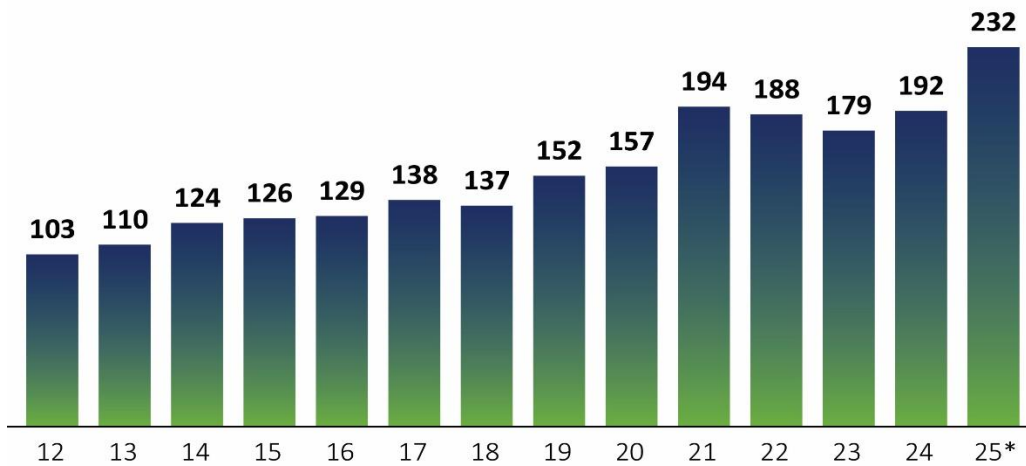


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The DB529 fund’s **actuarial reserve** is the best estimate of the present value of the surplus (or deficit) that will result once all currently held obligations are paid over time, using the assets currently held in the fund.

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**FIGURE 3**  
**Percent funded status of the DB529 Fund has risen to a new high**



SOURCE: CSP actuarial data.

Note: \* Funded status as of December 31, 2025. All other years as of June 30. CSP board removed \$500 million in actuarial surplus funds from the DB529 Fund in FY23, which has grown to \$621 million. If the \$621 million from the Access Fund were included, the funded status would be 282 percent as of December 31, 2025.

***CSP revised several DB529 assumptions in 2025, improving the actuarial accuracy of the fund***

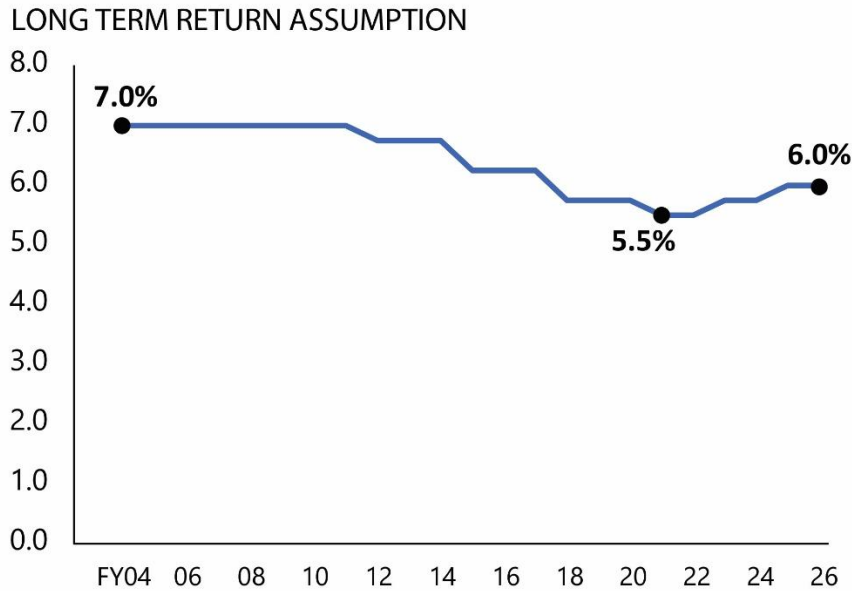
In 2025, the CSP board revised several important assumptions related to the defined benefit programs. The assumptions are key to calculating the actuarial liabilities and funded status of the DB529 Fund, and the revisions improved the actuarial accuracy of the fund. Based on input from the actuary, CSP staff, and investment consultants, the board revised assumptions related to

- the tuition and fee growth,
- the reasonable rate of interest,
- the volatility of investment and tuition, and
- the bias assumption related to beneficiaries attending schools with higher tuition than the weighted average.

Collectively, the revised assumptions increased the actuarial reserve by \$25.3 million based on the June 30, 2025, valuation.

The CSP board also increased the long-term rate of return assumption for the DB529 Fund from 5.75 percent to 6.0 percent in 2025 (Figure 4). The long-term rate of return assumption is an annualized percentage return on investments expected in the future based on a 20-year forecast of capital markets. The long-term rate of return is a key assumption that affects the projected increase in the value of DB529 assets, and therefore, directly affects the funded status of the DB529 Fund. The board decided, with input from its investment consultant, to increase the assumed rate of return to 6.0 percent based on expected increases in future returns for both the public and private markets. The increase in the return assumption increased the actuarial reserve by \$13.5 million based on the June 30, 2025, valuation.

**FIGURE 4**  
**DB529 Fund’s long-term investment return assumption increased in 2025**



SOURCE: CSP actuarial data.

***CSP’s Comprehensive Risk Framework has substantial impacts on assessments of funded status, and actuarial reserve and should be regularly monitored***

In December 2022, the CSP board adopted a Comprehensive Risk Policy with a Comprehensive Risk Framework to help assess the actuarial soundness of and overall risks faced by the DB529 Fund. The framework was adopted to help ensure that all future obligations of the DB529 programs are met and determine the amount of actuarial reserve funds that could be made available for other purposes, such as higher education access and affordability.

The Comprehensive Risk Framework includes a risk scorecard that scores the DB529 Fund across several metrics, including liquidity, funded status, stochastic modeling, and a risk-based capital (RBC) model. As of December 31, 2025, the DB529 Fund scored as low risk across all metrics, meaning that it is very likely that the fund can meet future obligations and has significant actuarial reserve funds that could be made available.

As part of the Comprehensive Risk Framework, CSP conducts stress testing of the DB529 Fund to determine how the actuarial reserve could be affected under different tuition and market conditions. The stress tests can show significantly reduced amounts of actuarial reserve available, in part, because the RBC portion of the model has an additional reserve requirement. For example, while the actuarial reserve was \$1.5 billion at a funded status of 232 percent as of December 31, 2025, under the most severe stress test scenario CSP modeled, the actuarial reserve would drop by over half to \$740 million (at a 154 percent funded status) when including the RBC reserve requirement.

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**Stochastic simulation modeling** predicts the probability of various outcomes over time under different conditions, allowing for random variations in variables such as expected investment returns, tuition increases, standard deviations, correlations, and inflation.

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Because the Comprehensive Risk Framework substantially affects assessments of the actuarial reserve funds available, a third party should regularly monitor the framework to ensure it has accurate modeling and does not unnecessarily reduce actuarial reserve funds available. JLARC, with the assistance of a third-party consultant, conducted an independent review of the risk framework in 2024. The consultant recommended modifications to the framework, specifically to include stochastic simulation modeling that the consultant indicated is particularly useful in making decisions about the actuarial reserve funds available (sidebar). (CSP has since added stochastic modeling into its framework.) The consultant also noted that the RBC model's assumptions were more conservative than expected. Further, in recent updates of the risk framework, CSP has modeled one-time withdrawals of actuarial reserve funds (\$250 million, \$500 million, and \$750 million). Large one-time withdrawals (\$500 million and \$750 million) show an increased risk to the fund and are inconsistent with previous JLARC recommendations stating that funds should be withdrawn incrementally over several years.

### **Access Fund has grown to \$621 million while the General Assembly considers various proposals related to access and affordability**

As mentioned previously, in March 2023 the CSP board approved the creation of an Access Fund and the allocation of \$500 million in actuarial surplus funds from the DB529 Fund to it. The new fund was created for two potential purposes, depending on legislative action:

- to provide additional benefits to certain Legacy Prepaid529 contract holders and
- to fund additional programs or partnerships that enhance higher educational accessibility, with a focus on underserved or under-represented students.

To date, no funds from the Access Fund have been spent because CSP has not received spending authority for them. As a result of investment earnings, fund assets have increased to \$621 million as of December 31, 2025. CSP acknowledges additional actuarial funds could be allocated to the Access fund, but without legislative direction, the board has not approved additional allocations. Between the DB529 Fund surplus and the Access Fund, well over \$1.1 billion could be made available, if allocated over several years, for access and affordability programs.

In recent years, the General Assembly has considered but not enacted legislation that would have directed the use of actuarial reserve funds, including the Access Fund, to support higher education access and affordability. The 2025 General Assembly considered four bills:

- SB 835 and HB 2593 were broadly consistent with the recommendations and options in JLARC's 2022 review of *Defined Benefit 529 Surplus Funds*. SB 835 would have used \$500 million in actuarial reserve funds to create the Virginia

College Opportunity Endowment to support scholarships for low-income students at 12 of the state's 15 public higher education institutions. HB 2593 would have used \$500 million in actuarial reserve funds to create the Virginia College Access and Affordability Scholarship Fund to support low-income, first-generation, and other at-risk students. HB 2593 also would have required the CSP board to create a surplus rebate program for Legacy Prepaid529 contract holders, with the aggregate amount of rebates not to exceed \$350 million.

- SB 1065 and HB 2225 were less consistent with the 2022 JLARC report and would have codified the Access Fund, codified an Access Advisory Committee within CSP, and given the CSP board authority to use actuarial reserve funds to support access and affordability programs.

While none of these bills were passed by either chamber, budget language directed the creation of a joint subcommittee to consider the 2022 JLARC report's recommendations and develop recommendations for the withdrawal and use of actuarial reserve funds. However, the work group did not meet.

During the 2026 session, the General Assembly considered two bills addressing the actuarial reserve that were similar to 2025 legislation. The introduced version of SB 375 would have created the Virginia College Opportunity Endowment and was very similar to SB 835 from the 2025 session. HB 1001 would have created the Virginia College Access and Affordability Scholarship Fund and was very similar to HB 2593 from the 2025 session, although it did not include a surplus rebate program. Both bills were broadly in line with the 2022 JLARC report's recommendations but were left in the House Appropriations Committee.

In both the 2025 and 2026 sessions, Governor Youngkin's proposed budget included language that would have allocated some of the surplus funds to support the Virginia Military Survivors and Dependents Education Program. This language was removed by the General Assembly in both sessions.

## 2. Invest529 program

Invest529 is a college savings program sold directly by CSP to program participants. Participants contribute to their individual accounts and have several investment options. Investment earnings are exempt from federal taxes if they are used to pay for qualified education expenses, such as tuition, books, housing, and student loan repayment. For state residents, Virginia also exempts earnings from state taxes and offers an income tax deduction for contributions made to this and other CSP savings programs. Funds from Invest529 accounts can be used at institutions in Virginia and other states. The program distributed \$805 million to participants in FY25.

### **Invest529 assets increased faster than accounts over the past 10 years**

The Invest529 program has increased substantially over the past 10 years in both program participation and total assets under management (Figure 5). The number of Invest529 accounts doubled in the 10 years from FY17 through March 31, 2026, increasing an average of 9 percent per year. The value of assets under management grew at a substantially faster pace over this period, nearly tripling from \$4.0 billion to \$11.6 billion. This asset growth reflects both new contributions and investment returns. Invest529 assets have increased more than 20 percent since FY24 (\$2.2 billion), largely because of substantial investment returns. The increase in Invest529 participation over this period follows a national trend for college savings programs, which have steadily grown over the past decade.

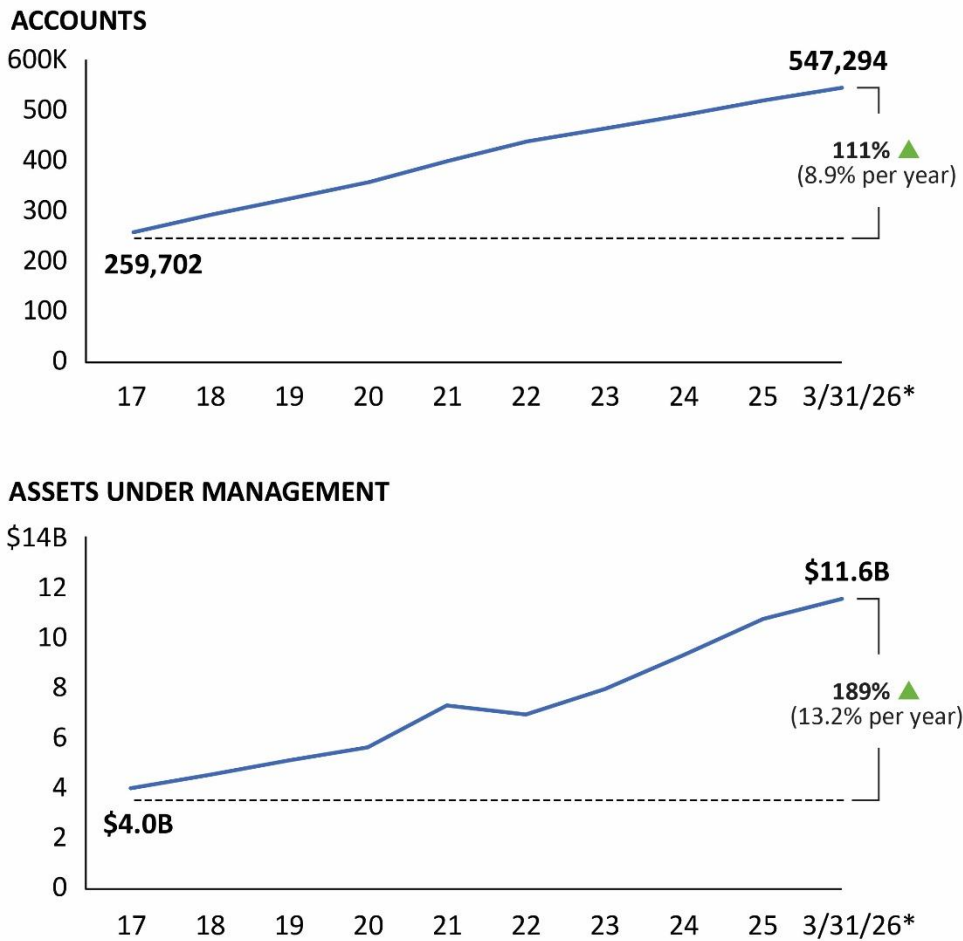
### **Most of Invest529 options outperformed their benchmarks for all periods, but some actively managed options did not**

The Invest529 program held a total of \$11.6 billion in assets as of March 31, 2026. Assets are owned by program participants who have individual accounts. Individual participants can invest in any combination of 23 investment options offered by the program. Investment options include traditional investments, such as stock and bond investments, and target-enrollment portfolios that automatically adjust over time as the participant approaches college age. Fourteen options are a blend of active and passive management strategies, depending on the asset allocation of the individual option, with the goal of providing better returns or lower volatility than the overall market. The remaining nine options are passively managed and designed to track market indices.

The Invest529 options outperformed their investment benchmarks, with a few exceptions (Table 4). Nearly every passively managed option outperformed the benchmarks, but some actively managed options missed their benchmarks. In most cases, underperformance was by less than 80 basis points. The exceptions to this were the Environmental, Social, and Governance (ESG) portfolio, which underperformed in every time period by at least 150 basis points, and the Stable Value portfolio, which underperformed by 123 basis points in the three-year time period.

According to CSP staff, the underperformance of the ESG portfolio can be attributed to defensive selections during a period where risk tolerance was generally higher. Another factor is that ESG portfolios typically have lower or no allocations to the technology and energy sectors. ESG portfolios include investments based on consideration of their environmental impact (such as carbon emissions, energy consumption, and regulatory compliance), social impact (such as labor practices, diversity, and community engagement), and governance (such as integrity, accountability, and transparency). Stable value intermediate performance was impacted by the monetary policy tightening from 2022 through 2024. However, long-term, CSP views stable value as an important part of the portfolios.

**FIGURE 5**  
**Total Invest529 accounts and assets grew substantially over the last 10 years**



SOURCE: JLARC analysis of program data from CSP.  
 NOTE: Figures reported are as of June 30 of the fiscal year except for 2024, which is as of March 31.

All passively managed investment options outperformed their benchmarks across all periods, except the Total International Stock portfolio, which underperformed in the

10-year period by 1 basis point. CSP attributes the overperformance to particularly strong returns from some international equity managers.

**TABLE 4**  
**Most Invest529 investment options met or exceeded their benchmarks for all periods, but some actively managed options did not**

for the period ending March 31, 2026

	1 year	3 years	5 years	10 years
<b>Actively managed options</b>				
Met or exceeded benchmark	<u>10</u>	<u>8</u>	<u>8</u>	<u>5</u>
Total number of options	13	13	12	9
<b>Passively managed options</b>				
Met or exceeded adjusted benchmark	<u>9</u>	<u>9</u>	<u>9</u>	<u>7</u>
Total number of options	9	9	9	8

SOURCE: CSP program data.

NOTE: The total number of investment options in each period can differ because longer-term performance data may not be available for newer options. Performance is reported net of investment and administrative fees. Passively managed investment options are expected to trail their benchmarks by the expense ratio (fees) charged by the investment managers. Benchmarks were adjusted to account for the estimated impact of fees. One passively managed option still slightly trailed the benchmark after this adjustment was made.

***Invest529 maintained a bronze rating from Morningstar in 2025***

In 2025, Morningstar maintained its bronze rating of the Invest529 program. The ratings firm cited a solid investment team, sensible changes to Invest529 portfolios, and an attractive price as the primary reasons for the rating. Morningstar ratings are an important measure of the quality and cost of an education savings plan and may be used by individuals to decide which type of savings plan to open.

### **3. CollegeAmerica program**

CollegeAmerica is an education savings program offered under a partnership between CSP and Capital Group, a private mutual fund company. CollegeAmerica accounts are sold through private financial advisers and invested in a suite of American Funds mutual funds. Program participants contribute to individual accounts and work with their adviser to determine how money is invested. Investment earnings are exempt from federal taxes as long as they are used to pay for qualified education expenses, such as tuition, books, and housing. For state residents, Virginia also exempts earnings from state taxes and offers an income tax deduction for contributions made to this and other CSP college savings programs. Funds from CollegeAmerica accounts can be used at institutions in Virginia and other states. The program distributed \$8.0 billion to participants in FY25.

#### **CollegeAmerica participation and assets continue to grow**

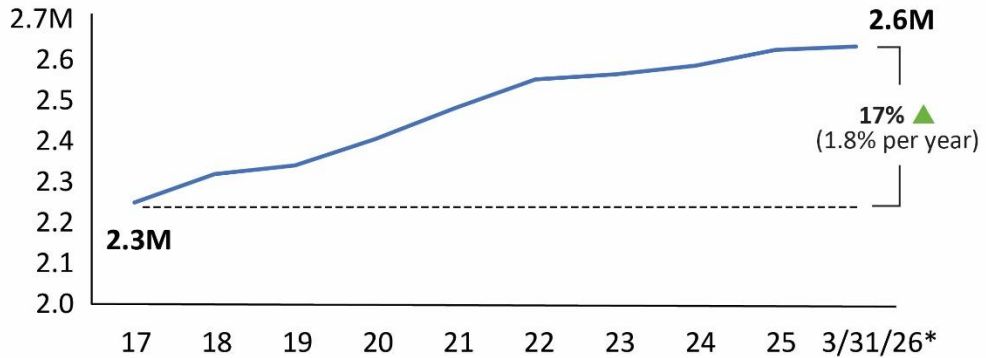
The CollegeAmerica program has increased over the past 10 years in both the number of participant accounts and the total assets under management (Figure 6). The number of CollegeAmerica accounts increased an average of 2 percent per year from FY17 to March 31, 2026. The value of assets under management increased substantially faster over this period (by more than 80 percent) from \$57.9 billion to \$105.8 billion. This growth is attributable to both new contributions and investment returns. The increase in CollegeAmerica participation follows a nationwide trend for college savings programs, which have grown steadily over the past decade.

#### **CollegeAmerica investment options showed mixed performance**

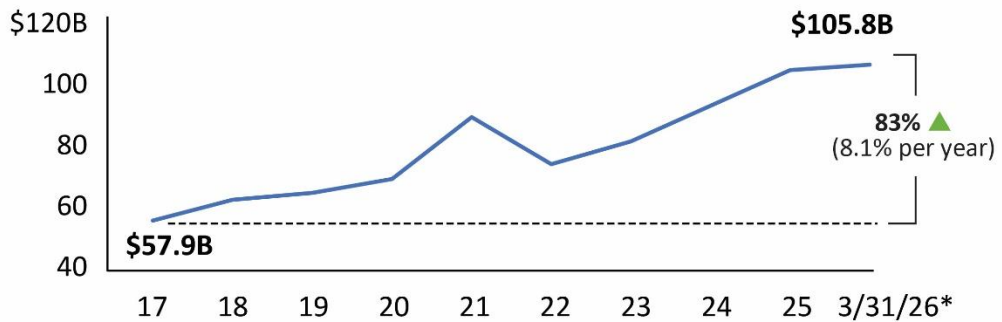
The CollegeAmerica program held \$104.9 billion in assets as of March 31, 2026. In consultation with their adviser, program participants can choose from 46 investment options from Capital Group's American Funds mutual funds. Investment options include traditional individual investment options, such as stock and bond investments, target-date portfolios that automatically adjust over time as the beneficiary approaches college age, and diversified portfolios ("Portfolio Series") based on different investment strategies, such as growth or capital preservation. All of the CollegeAmerica options are actively managed, with the goal of providing better returns or lower risk than the overall market.

**FIGURE 6**  
**CollegeAmerica assets grew substantially faster than accounts over the past 10 years**

**COLLEGEAMERICA ACCOUNTS**



**COLLEGEAMERICA ASSETS**



SOURCE: CSP program data.

NOTE: Figures are reported as of the June 30 end of the fiscal year except for 2026, which is reported as of March 31.

The CollegeAmerica investment options showed mixed performance as of March 31, 2026 (Table 5). A majority of the individual series options overperformed their benchmarks for the five- and 10-year periods, but less than half of these options overperformed for the one- and three-year periods. All but two of the college target-date options underperformed applicable benchmarks for the one- and three-year periods, and all college target-date options underperformed in the five- and 10-year periods. The portfolio series options performed better with most options outperforming their benchmarks for all periods. CSP’s board approves the investment options available through the CollegeAmerica program, and American Funds manages the options through a partnership with Virginia. As a result, key responsibilities of CSP are monitoring the funds and ensuring that they are managed well.

**TABLE 5**  
**CollegeAmerica investment options showed mixed performance**

for the period ending March 31, 2026

	1-year	3-year	5-year	10-year
<b>Individual options</b>				
Met or exceeded benchmark	<u>15</u>	<u>15</u>	<u>19</u>	<u>18</u>
Total number of options	33	33	33	31
<b>College target-date options</b>				
Met or exceeded benchmark	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total number of options	7	6	6	4
<b>Portfolio series options</b>				
Met or exceeded benchmark	<u>5</u>	<u>5</u>	<u>4</u>	<u>5</u>
Total number of options	6	6	6	6

SOURCE: CSP program data.

NOTE: The total number of investment options in each period can differ because longer-term performance data may not be available for newer options. Performance is reported net of investment fees. Investment performance comparisons are for the "A" share class; 83 percent of CollegeAmerica assets are invested in A shares.

***CollegeAmerica maintained silver rating from Morningstar since 2023***

Morningstar has maintained its silver rating of the CollegeAmerica program since 2023. Prior to 2023, Morningstar had rated the CollegeAmerica program as bronze. For the 2023 upgrade, Morningstar cited the Capital Group's investment process, which resulted in changes to the equity allocations of several CollegeAmerica options.

## 4. ABLÉ programs

The Achieving a Better Life Experience (ABLE) program is intended to offer tax-advantaged 529A savings accounts for individuals with disabilities. Account funds can be used to pay for qualified disability expenses such as education, training, medical care, housing, and transportation. A 2014 federal law authorized state-run ABLE programs, and Virginia became the first state to enact ABLE legislation in March 2015.

Under Virginia’s ABLE Act, CSP was given responsibility to establish and manage programs for ABLE savings accounts. CSP’s two ABLE programs are modeled on its two education savings programs. Both CSP ABLE programs are national programs, open to enrollment by residents of Virginia and other states. CSP’s ABLEnow direct-sold program opened in 2016, and the ABLEAmerica adviser-sold program opened in 2018.

### **ABLEnow direct-sold program**

The ABLEnow program is a “direct-sold” investment program similar to Invest529. Under this program, participants establish investment accounts directly with CSP. CSP is responsible for customer service, investment oversight, and marketing. As with Invest529, CSP offers ABLEnow participants several investment options through external investment management firms.

### ***CSP transitioned ABLEnow program recordkeeper to Ascensus to improve customer experience and lower fees***

CSP chose a new recordkeeper, Ascensus, in 2025, and the transition was completed in March 2026. Customer benefits include a modernized account management platform, a new gifting feature, and lower administrative fees. The company handles most aspects of account management, including program enrollment, contributions, and disbursements. (CSP maintains ownership of customer service, marketing, and administrative activities.) Moving forward, Ascensus, in partnership with CSP, will focus on increasing account registrations through its entity management dashboard. (Entities are organizations that support individuals with disabilities who can open and manage accounts for eligible individuals.)

### ***ABLEnow participation has increased, and investment options mostly met or exceeded their benchmarks***

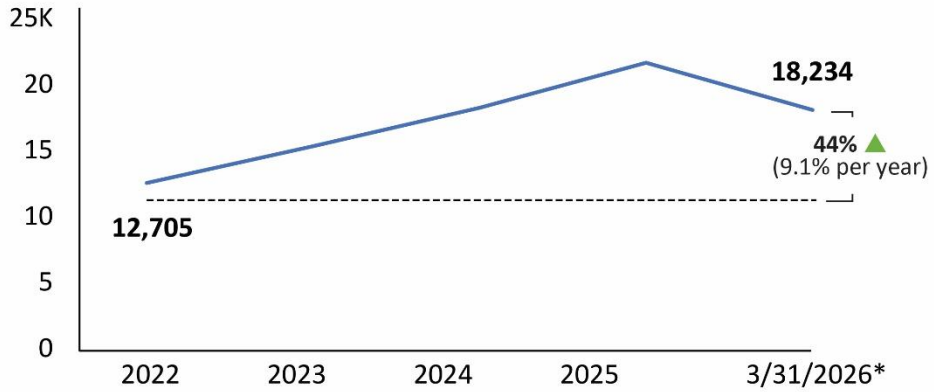
The ABLEnow program is relatively small compared with CSP’s education savings programs. ABLEnow is much newer, and the potential customer base is much smaller and more difficult to reach than the customer base for education savings. Furthermore, ABLE programs have requirements set by federal statute—such as annual contribution limits and that the beneficiary must also be the account holder—that may make the programs less appealing, according to CSP staff.

Though it remains relatively small, the ABLEnow program continues to grow rapidly in the number of accounts and total assets (Figure 7). The number of accounts increased almost 45 percent in the past five years, increasing from 12,705 accounts in FY23 to more than 18,200 accounts as of March 31, 2026. Total assets almost tripled over this period, increasing from \$89.4 million to \$235.2 million. One reason for the increased accounts is a recent federal law change that raised the age of disability onset eligibility from 26 years old to 46 years old. That change went into effect January 1, 2026.

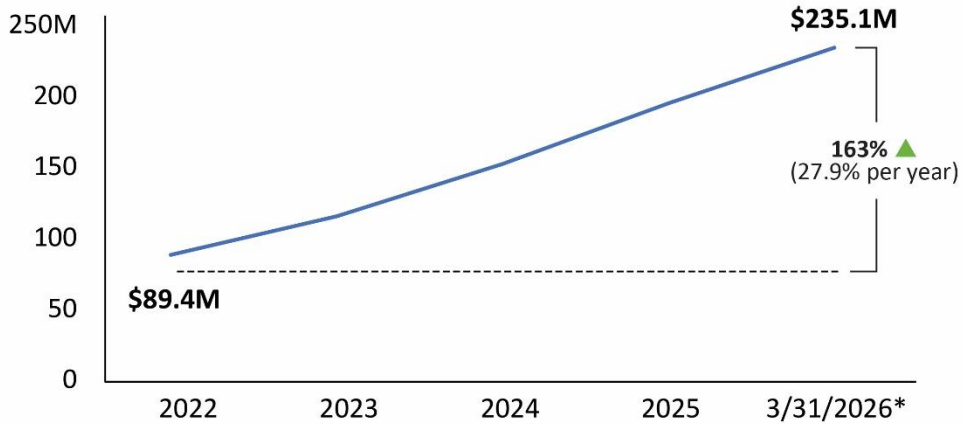
ABLEnow offers five investment portfolios that vary in asset allocation and investment return potential. They include three target-risk portfolios: aggressive growth, moderate growth, and conservative income, which are composed of different proportions of equity (stocks) and fixed income (bond) investments. These three options are passively managed and designed to track market indices. The fourth option is an FDIC-insured high-yield savings account. The fifth option is an interest-bearing FDIC-insured checking account with debit card functionality. Because ABLEnow is relatively new, the program intentionally offers fewer and less expensive (passively managed) investment options. The investment advisory committee and board will consider additional options as the program grows.

**FIGURE 7**  
**ABLEnow accounts and assets have grown rapidly over the last 5 years**

**ABLENOW ACCOUNTS**



**ABLENOW ASSETS**



SOURCE: CSP program data.

NOTE: Figures are reported as of the June 30 end of the fiscal year except for 2026, which is reported as of March 31. During the recordkeeper transition, which occurred March 23, a significant number of zero balance accounts were closed, which contributes to the decline in the number of accounts in 2026.

At least three of the four ABLEnow investment portfolios overperformed their benchmarks (adjusted for fees) for the one-, three-, and five-year periods as of March 31, 2026 (Table 6). Only the money market outperformed the benchmark since inception. In all cases of underperformance, the portfolios underperformed by less than 10 basis points. (Investment performance is not tracked for the FDIC-insured checking account with debit card functionality.)

**TABLE 6**  
**ABLEnow options mostly met or exceeded their benchmarks**

for the period ending March 31, 2026

	1-year	3-year	5-year	10-year	Since inception
<b>Portfolio options</b>					
Met or exceeded adjusted benchmark	$\frac{4}{4}$	$\frac{3}{4}$	$\frac{4}{4}$	n/a	$\frac{1}{4}$
Total number of options	4	4	4		4

SOURCE: CSP program data.

NOTE: Passively managed investment options are expected to trail their benchmarks by the expense ratio (fees) charged by the investment managers. In all cases of underperformance, the portfolios underperformed by less than 10 basis points. Benchmarks were adjusted to account for the estimated impact of fees. Inception of all investment options was 2016. As a result, returns for the 10-year period are not yet available.

**ABLEAmerica adviser-sold program**

The ABLEAmerica program is an “adviser-sold” investment program similar to the CollegeAmerica education savings program. Under this program, participants establish investment accounts through private financial advisers. CSP partners with Capital Group, its CollegeAmerica partner, to manage the program. Capital Group handles most administration and investment management duties. CSP retains the authority to approve investment options and other aspects of the program’s operations. ABLEAmerica continued to grow rapidly over the last two years. Total assets in the program nearly doubled over this period, and the number of accounts increased more than 50 percent. The program had 4,885 accounts and \$101 million in assets as of March 31, 2026.

Similar to ABLEnow, the ABLEAmerica program offers seven investment portfolios that vary in their asset allocation and investment return potential. The ABLEAmerica portfolios showed mixed performance (Table 7). Two of the seven portfolios—Money Markets and Preservation—underperformed for the one-, three-, and five-year periods. Investment performance for the 10-year period is not available because the ABLEAmerica program became operational in 2018.

**TABLE 7**  
**ABLEAmerica options showed mixed investment performance**

for the period ending March 31, 2026

	1-year	3-year	5-year	10-year
<b>Portfolio options</b>				
Met or exceeded adjusted benchmark	$\frac{5}{7}$	$\frac{5}{7}$	$\frac{4}{7}$	n/a
Total number of options	7	7	7	

SOURCE: CSP program data.

NOTE: Performance is reported net of fees. Inception of all investment options was 2018. As a result, returns for the 10-year period are not yet available.

## 5. RetirePath Virginia program

RetirePath Virginia is a state-sponsored automatic-enrollment retirement savings program for certain private-sector employees in Virginia. The program is intended to provide retirement savings options to employees who do not have access to retirement savings programs through their employers. CSP implemented the program in response to legislation enacted by the 2021 General Assembly. The costs of implementing the program were funded by a non-interest-bearing loan of up to \$2 million annually from the Virginia Department of Treasury, which CSP must repay out of program-generated fees once the program has positive cash flow.

CSP partners with Vestwell and BNY for RetirePath's program administration and recordkeeping. Vestwell is the program administrator, with responsibilities related to program compliance, account opening, employer onboarding, marketing and communications, and online portals for employers and employees. BNY Mellon is responsible for recordkeeping and custodial services, financial reporting, and mutual fund accounting.

RetirePath participants start with a default contribution rate of 5 percent to a Roth IRA (with an option for a traditional IRA), and contributions automatically escalate by 1 percent each year. (The maximum automatic escalation contribution rate is 10 percent, though participants can choose to contribute more.) Participants can choose from several investment options, which are all passively managed index funds, including target date funds, U.S. and international equity funds, a fixed income fund, and a capital preservation fund.

### **RetirePath participation and assets have increased, and all investment options exceeded their benchmarks**

Since its launch on June 20, 2023, RetirePath accounts have tripled, increasing from 8,900 accounts in FY24 to almost 25,000 accounts as of March 31, 2026. Assets have rapidly increased over the same period, from \$4.0 million in FY24 to over \$27 million. On average, funded accounts have a balance of \$1,100 in retirement savings as of March 31, 2026. All RetirePath investment options have exceeded their benchmarks.

**TABLE 8**  
**All RetirePath investment options exceeded their benchmarks**

for the period ending March 31, 2026

	1-year	3-year	5-year	10-year	Since inception
<b>Target-date options</b>					
Met or exceeded adjusted benchmark	<u>9</u>	<u>8</u>	n/a	n/a	<u>9</u>
Total number of options	9	8			9
<b>Portfolio options</b>					
Met or exceeded adjusted benchmark	<u>5</u>	<u>5</u>	n/a	n/a	<u>5</u>
Total number of options	5	5			5

SOURCE: CSP program data.

NOTE: Passively managed investment options are expected to trail their benchmarks by the expense ratio (fees) charged by the investment managers. Inception of investment options was 2023 or later. As a result, returns for the five- and 10-year periods are not yet available.

### **RetirePath expanded July 1 to include employers with five or more employees**

The General Assembly unanimously passed legislation (HB 176 and SB 149) during the 2026 session that expanded RetirePath beginning July 1, 2026. The original program required employers with at least 25 full-time employees (working at least 30 hours per week) and not offering a retirement plan to participate. The 2026 legislation expanded RetirePath to businesses with five or more employees, regardless of part-time or full-time status. In addition, the legislation also conformed the program to the federal SECURE 2.0 Act, which added flexibility to retirement plans, including improved portability, increased age for required distributions, and a federal contribution to eligible savers. The expansion is expected to make another 357,000 employees eligible for program participation. CSP is expanding the program in phases through the end of October 2026 with a first “wave” for employers with 10–24 employees and a second “wave” for employers with 5–9 employees.

### **CSP is continuing outreach to noncompliant employers and determining enforcement mechanisms**

To ensure employer compliance with RetirePath Virginia, CSP is conducting outreach to employers about program requirements. Employers may be noncompliant with the program for three reasons:

- failure to register with the program or certify an exemption from the program’s requirements,
- failure to submit payroll contributions for eligible employees, or
- failure to add new employees or update employee information.

To date, CSP's efforts to ensure employer compliance with RetirePath have focused primarily on outreach to employers about the program's requirements. With the expansion this year, CSP staff plan to continue focusing on education and onboarding of new employers.

Under the Code of Virginia, CSP is required to develop enforcement mechanisms for employers that do not comply with the program, including penalties of up to \$200 per eligible employee each year. CSP staff, along with the Office of the Attorney General and the Department of Labor and Industry (DOLI), are discussing potential enforcement options, including having DOLI conduct enforcement on CSP's behalf. According to CSP staff, adding this authority for DOLI may require legislative action.

Developing a penalty system for RetirePath, and eventually assessing fines against non-compliant employers, will likely be critical to the program's success. However, as CSP implements a financial penalties system, it will be important to balance providing employers with the opportunity to come into compliance and the need to assess penalties for persistent, deliberate noncompliance. CSP staff noted that minimizing burdens on small businesses may be important to achieve compliance.

### **Two federal retirement initiatives may impact RetirePath**

Starting in January 2027, two federal initiatives may impact RetirePath. The first is the implementation of the federal Saver's Match program. This program, part of SECURE 2.0, will provide eligible savers with a 50 percent federal match up to a maximum match amount of \$1,000. (Eligible savers are those who make below \$20,500 annually, with a reduced match for those who make between \$20,500 and \$35,500.) CSP is looking at how to implement this initiative with RetirePath, as the match must be deposited into a traditional IRA, but the default RetirePath account is a Roth IRA. The second initiative is the implementation of TrumpIRA.gov. TrumpIRA.gov will be an online platform that allows individuals not already covered by employer-sponsored retirement plans to sign up for an IRA with access to investments similar to the Federal Thrift Savings Plan. This initiative is not intended to replace state-run retirement savings programs, but it is not clear how it will impact them. One factor that may limit the initiative's impact is that enrollment in RetirePath is automatic, while TrumpIRA.gov requires active enrollment by participants.

## 6. Agency and program management

CSP agency and program operations are funded almost entirely through fees charged by its college savings programs. The CSP board approves the agency’s budget and all changes to programs, including the fees charged to participants. Like all state agencies, CSP’s spending must be authorized by the General Assembly through the Appropriation Act.

### CSP’s spending increased 17 percent over the last five years, largely because of increased staffing and IT expenses

CSP’s agency budget increased \$7.0 million over the five-year period from FY21 to FY25 (Table 9). This represents a 17 percent increase, with an average annual increase of 4.4 percent. This is a smaller average annual increase than in prior years. Much of the increase reflects spending growth on personal services (staff) and information technology (IT)—the fastest-growing categories of agency spending over the past five years.

**TABLE 9**  
CSP’s operating expenditures increased 17 percent over the last 5 years

	FY21 (\$M)	FY25 (\$M)	Change (\$M)	Change (%) <sup>a</sup>
Personal services	\$16.0	\$22.2	\$6.2	38.5%
Marketing & communications	6.8	8.8	2.0	29.6
Professional services	4.1	5.6	1.6	39.1
Information technology	2.1	5.9	3.7	173.9
Facilities and leases	1.2	1.5	0.3	23.5
Other <sup>b</sup>	0.9	1.7	0.8	84.6
Access and affordability initiatives <sup>c</sup>	9.5	2.0	-7.5	-78.9
<b>Total</b>	<b>\$40.6</b>	<b>\$47.7</b>	<b>\$7.0</b>	<b>17.3%</b>

SOURCE: CSP program data: budget versus actual reports.

NOTE: Numbers may not sum because of rounding and are not adjusted for inflation.

<sup>a</sup> Percentage and dollar changes in spending may not equal figures in table because of rounding. <sup>b</sup> Other expenses include administrative services; meetings, conferences, and training; supplies and materials; and professional development, memberships, and subscriptions. <sup>c</sup> Access and affordability initiatives include the SOAR Scholars program and nine additional programs from external organizations that support higher education access and affordability in Virginia. The table does not include a one-time budget execution adjustment for \$25 million that CSP received in FY25 to support access and affordability initiatives. The General Assembly did not authorize CSP to spend additional funds in the 2025 appropriation act.

CSP’s spending on personal services increased nearly 40 percent between FY21 and FY25, from \$16.0 million to \$22.2 million. The increase reflects growth in the number of staff, with 29 new positions added over this period—a 24 percent increase in total FTEs. The staffing increase reflected the implementation of the agency’s new programs (Tuition Track Portfolio and RetirePath Virginia) and growth of its existing programs, according to CSP staff. Most of the new positions were in the finance and

information technology divisions. The finance division added 14 new customer service and financial operations positions. The information technology division added 10 new positions between FY21 and FY25, including new positions in security, systems engineering, and application development. The additional IT positions reflect the growing complexity of the agency's operations and the number and sophistication of cybersecurity attacks, according to CSP staff. The overall increase in spending on personal services also reflects increases in total compensation, which were driven partially by salary increases for state employees and CSP's adoption of a comprehensive compensation plan.

CSP's IT spending (not including compensation for IT staff) nearly tripled between FY21 and FY25, increasing from \$2.1 million to \$5.9 million over this period. Increased IT expenditures reflect several factors, including

- growth in cybersecurity threats;
- more stringent IT security standards, such as faster response times when cybersecurity incidents occur;
- increases in licensing fees;
- a new customer contact platform; and
- cloud initiatives intended to improve IT service levels and resiliency.

### **CSP used budget execution adjustments in recent years to allocate significant funding for additional higher education access and affordability programs**

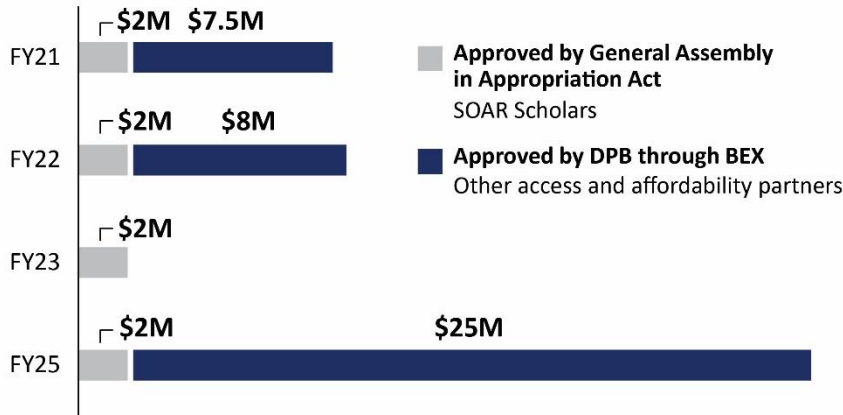
CSP, along with external partners, supports higher education access and affordability programs through its SOAR Virginia initiative. The programs are administered by public and private partner organizations and provide mentoring, coaching, academic and financial aid advising, support services, and scholarships for students at risk of not enrolling in or completing a post-secondary program.

In the FY20–FY22 budget biennium, CSP allocated \$15.5 million for access and affordability programs through a budget execution adjustment (BEX) (Figure 8). A BEX is an administrative budget adjustment that is approved by the Department of Planning and Budget (DPB); it does not go through the Appropriation Act process. The funds were reallocated from elsewhere in CSP's operating budget. The \$15.5 million allocation was planned to support six partnerships through FY25. At the end of FY25, CSP added three new partners (for a total of nine), funded through a \$25 million BEX. Prior to the BEX adjustments, CSP had typically been allocated just \$2 million annually for the SOAR Scholarship program through the appropriation act.

Until the General Assembly gives additional authority, CSP cannot allocate additional funds to its access and affordability programs. Language in the 2025 appropriation act prohibited CSP from adding any new partnerships starting June 30, 2025, or increasing

funding for access and affordability initiatives. In recent sessions the General Assembly has considered taking action to support higher education access and affordability initiatives using DB529 surplus funds, though no legislation has been enacted.

**FIGURE 8**  
**CSP used BEX approved by DPB to fund access and affordability initiatives**



Source: JLARC analysis of CSP data

Note: BEX = budget execution adjustment, which is an administrative budget adjustment approved by DPB outside of the appropriation act process.

**Two new members were appointed to the CSP board in the last two years**

The CSP board is a supervisory board that is directly vested with authority for managing and overseeing most aspects of CSP. The board has 11 members, including four appointed by the governor, three appointed by the General Assembly, and four ex-officio members (the state treasurer, state comptroller, a representative of the State Council of Higher Education for Virginia, and a representative of the Virginia Community College System). Board members serve four-year terms. The board appoints the chief executive officer who oversees the day-to-day management of CSP and its programs.

Since July 2024, two new members have been appointed to the CSP board:

- Clyde Clark was appointed by the House of Delegates to the CSP board in July 2025. His term will expire in June 2029. Mr. Clark is a senior vice president and relationship manager for Blue Ridge Bank, NA.
- Jessica Holte was appointed by the governor to the CSP board in August 2025. Her term will expire in June 2029. Ms. Holte is a retirement plan specialist for Blueprint Financial.

Lisa N. Jennings and Susan Ferguson were elected by the CSP board to serve as chair and vice-chair, respectively, for 2026. The chair and vice-chair serve one-year terms.





June 26, 2026

Mr. Hal E. Greer, Director  
Joint Legislative Audit and Review Commission  
919 East Main Street, Suite 2101  
Richmond, Virginia 23219

VIA EMAIL

Re: Commonwealth Savers 2026 Oversight Report

Dear Mr. Greer:

Commonwealth Savers Plan (Commonwealth Savers) thanks you for the opportunity to review and comment on the exposure draft of the 2026 *Commonwealth Savers Oversight Report* (the Report). Commonwealth Savers appreciates the professionalism of the review and the collaboration and sharing of information and ideas between JLARC staff and Commonwealth Savers staff. We appreciate the recognition in the Report of our collective efforts to onboard new programs and expand our mission and reach across the last 30 years and the acknowledgement of our prudent and successful stewardship and financial management of customer contributions in the investment oversight and management of a variety of disparate programs and strategies.

As an independent, non-general fund agency, Commonwealth Savers has multiple statutory mandates and missions, all centered on financial knowledge and wellness to assist Virginians for their financial and educational journeys. In 2026, Commonwealth Savers is celebrating its 30<sup>th</sup> year of providing programs to enhance education access and affordability for all Virginians through our education savings programs and financial education initiatives alongside the 30<sup>th</sup> anniversary of passage of IRC § 529. The legacy Prepaid529<sup>SM</sup> program was authorized in 1994 and first opened in 1996. Our second 529 education savings option, Invest529<sup>SM</sup>, opened in 1999. The legacy Prepaid529 program closed to new participants in 2019 to make way for its successor defined benefit program, the Tuition Track Portfolio, which is offered as a portfolio option in Invest529. The third rung of our education savings programs is CollegeAmerica®, offered in partnership with the Capital Group Companies since 2002, using the American Funds mutual funds portfolios. CollegeAmerica is the program which makes us the largest 529 plan, and one of the most highly regarded and ranked by independent sources, in the country.

Commonwealth Savers over the last 16 years has been able to expand efforts to meet its statutory mission to help make college more affordable and accessible to all Virginians through the SOAR Virginia® program's access and affordability initiatives. Although the SOAR Virginia program is not mentioned in the Report, it is an integral component of the multiple core programs of CSP. To date, funding for SOAR Virginia initiatives has been provided from net operating revenues of CSP (both through the Appropriations Act and administratively through the legislatively approved budget execution process (BEX)). As noted in the Report, most recently the BEX process was used in FY 2024 to ensure programs supporting some 70,000 students annually remained in place as the General Assembly continued its consideration of the application of some of the actuarial reserves of the Defined Benefit 529 (DB529) Fund.

The Report fully describes the DB529 Fund, its actuarial funded status and the considerable work done by CSP in recent years to develop a robust Comprehensive Risk Framework and Policy. That work guides the CSP Board in identifying opportunities to apply a portion of the actuarial surplus to other trust purposes focused on education access and affordability. We appreciate the thorough description of the DB529 Fund, the actuarial surplus and the work of the CSP Board to manage that Fund and surplus as fiduciaries. We also acknowledge the description in the Report of the reasons that the DB529 Fund surplus has continued to increase in recent years, recognizing it is the result of several positive outcomes including strong investment performance and continued moderation of public university tuition increases in the Commonwealth.

As noted in the Report, the DB529 Fund has been the subject of multiple legislative efforts in both houses over the last five years. None of the bills introduced have passed both chambers but in each year progress has been made to (i) to refine and clarify the opportunity presented through the careful stewardship of CSP over the last 30 years, (ii) to understand the fiduciary relationship and responsibilities of the CSP Board related to management of the Fund and (iii) to consider ways to maximize the impact of applying this resource to enhance education access and affordability to all Virginians, as directed in enabling legislation. CSP has continued to work with JLARC staff and members of the Assembly over those five years to develop a plan acceptable to a majority of stakeholders and members. The Report documents some of those efforts – our only note here is that we believe SB1065 and HB2225, introduced in 2025, also were as broadly consistent with options presented in JLARC’s 2022 review as the other legislative efforts outlined in the Report.

With respect to the DB529 Fund, we believe it is helpful that this year’s Report documents the steps taken by the CSP Board to address the actuarial surplus. Everyone agrees that a unique opportunity to impact generational education access, affordability and attainment in Virginia is presented by the DB529 Fund. CSP looks forward to continuing to work on a final resolution to maximize the positive impact of allocating funds to programs and initiatives to support and encourage students of all ages. The Report also provides important information on the actions of the CSP Board to create an Access Fund for this purpose. In 2023, the CSP Board allocated \$500 million from the DB529 Fund to a newly created Access Fund. The value of the Access Fund as of May 31, 2026 had increased to \$645.4 million. Both the DB529 Fund and the Access Fund are sub funds within the broader special nonreverting Enterprise Fund managed by CSP, as established in enabling legislation. Currently those funds remain commingled and are being invested under the supervision of the CSP investment team, its Investment Advisory Committee and the CSP Board trustees.

We are pleased to inform you that on June 25, 2026 at its regularly scheduled meeting, the CSP Board considered a further allocation to the Access Fund. After full consideration and discussion, and within the risk threshold parameters of its Comprehensive Risk Framework, the Board authorized an additional allocation of \$375 million to the Access Fund before the end of the current fiscal year, with another allocation authorized up to \$175 million before the end of December 2026, if all the risk parameters remain positive. This review is part of the Board’s ongoing fiduciary oversight and management of both funds.

Over the past twelve years, the General Assembly has expanded Commonwealth Savers' mission beyond education savings, and we are grateful for the General Assembly's continued support of these expansions and confidence in the work of CSP. The Report captures recent activity related to Commonwealth Savers' two ABLE disability savings programs, ABLEnow® opened in 2016 and ABLEAmerica® opened in 2019, providing tax-advantaged savings options to individuals with disabilities. CSP's two ABLE programs constitute the largest independent ABLE program in the country.

Pursuant to its most recent legislative mandate, Commonwealth Savers launched RetirePath Virginia<sup>SM</sup> in June 2023. RetirePath is a state-facilitated, automatic-enrollment individual retirement account (Auto-IRA) savings program for eligible working Virginians without access to retirement savings at work. As noted in the Report, participation in the program has exceeded projections and continues to thrive, now serving more than 25,000 working Virginians, without cost or responsibility to their employers. CSP is exceedingly grateful to the General Assembly for its support of the program and your unanimous passage during the 2026 legislative session of a bill to expand the reach of RetirePath Virginia. Your action will open participation in retirement savings to more than 350,000 additional working Virginians at more than 35,000 businesses across Virginia. The work to enroll these newly eligible employees has already started.

We generally agree that the Report accurately describes Commonwealth Savers' responsibilities and its programs. We are honored to administer (i) the largest 529 plan in the country, providing quality investment options with expense ratios which are among the lowest nationally while also advancing our statutory mandate to enhance educational access and affordability for all Virginians, (ii) the largest independent ABLE program offering in the country and (iii) the first state-facilitated auto-IRA program in the South, all while advancing financial education, awareness and wellness through our outreach to and programs for individuals and families across Virginia.

As always, Commonwealth Savers appreciates the thought and effort put into the Report and looks forward to presenting to the Commission on July 6, 2026, and answering any questions members may have.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary G. Morris', with a long horizontal line extending to the right.

Mary G. Morris, CEO

cc: Members, Commonwealth Savers Board  
Kimberly Sarte  
Alexandra Jansson





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

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