

Education Subcommittee Senate Finance Committee

Commonwealth of Virginia

Mary G. Morris, Chief Executive Officer
October 16, 2009

At a Glance...

The Virginia College Saving Plan (VCSP) is...

- An independent state agency
- An administrator of Internal Revenue Code §529 Qualified Tuition Programs
- The country's largest 529 plan, with more than 2.0 million accounts as of September 30, 2009

Investment options:

- VPEPSM
- VESTSM
- CollegeAmerica[®]
- CollegeWealth[®]



Our Programs



Virginia Prepaid Education Program (VPEP) - allows families to purchase contracts for future tuition and mandatory fees at Virginia public colleges and universities.



Virginia Education Savings Trust (VEST) - a direct-sold savings program offering seventeen investment portfolios featuring Vanguard and other mutual funds.

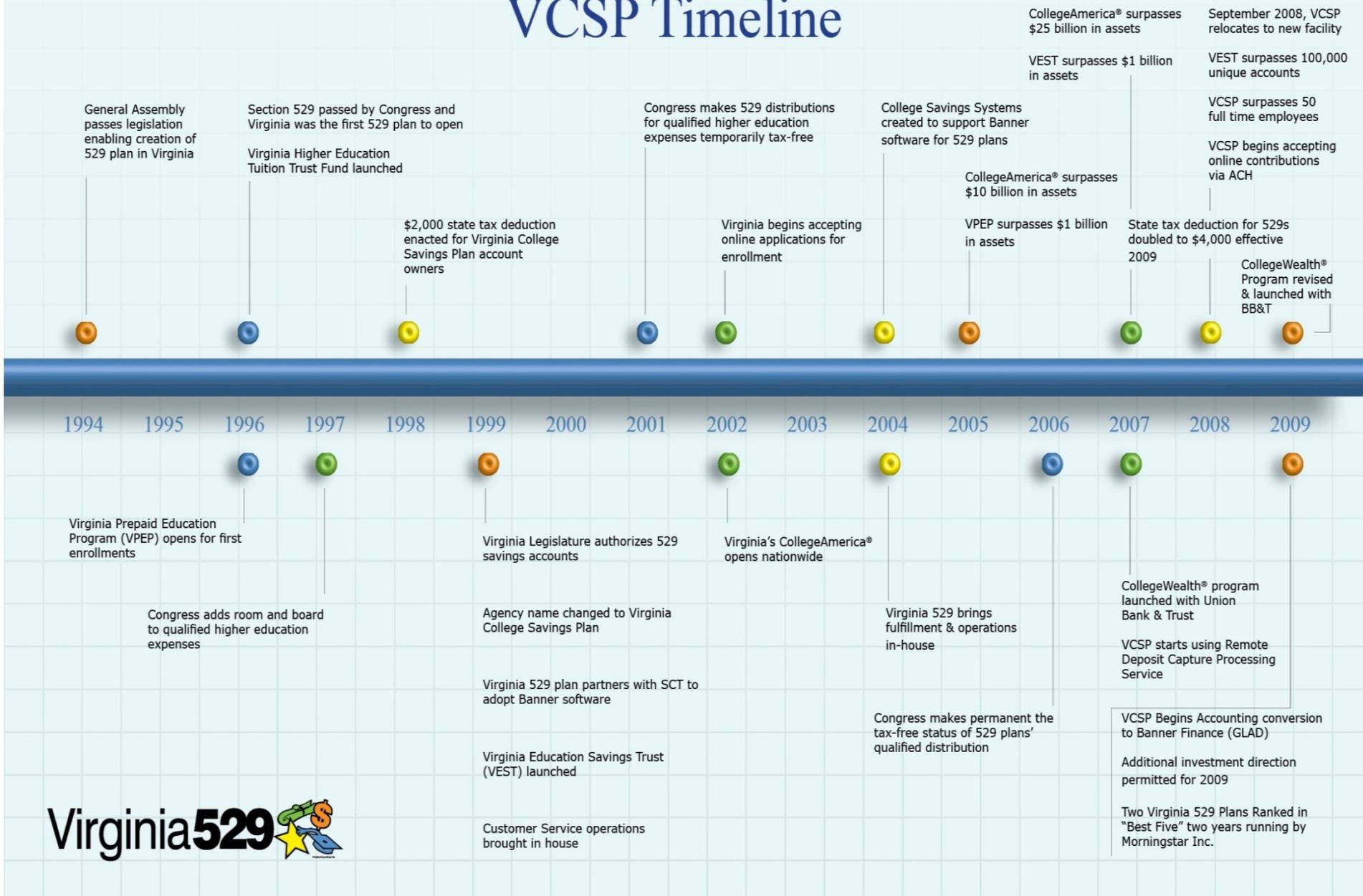


CollegeAmerica – a savings program available through financial advisors, offering a wide selection of American Funds portfolios, one of the largest mutual fund families in the country.



CollegeWealth - FDIC-insured 529 savings accounts offered through participating banks, including BB&T.

VCSP Timeline



Features of 529 Plans



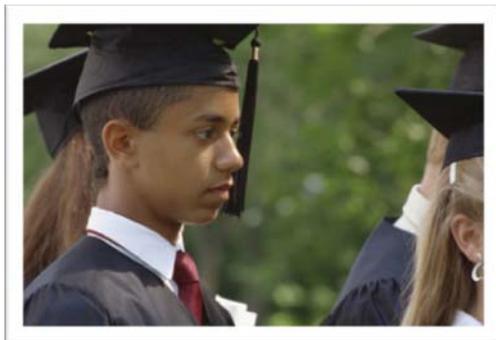
✓ Affordable



✓ Flexible



✓ Diverse investment options



✓ Tax-advantaged

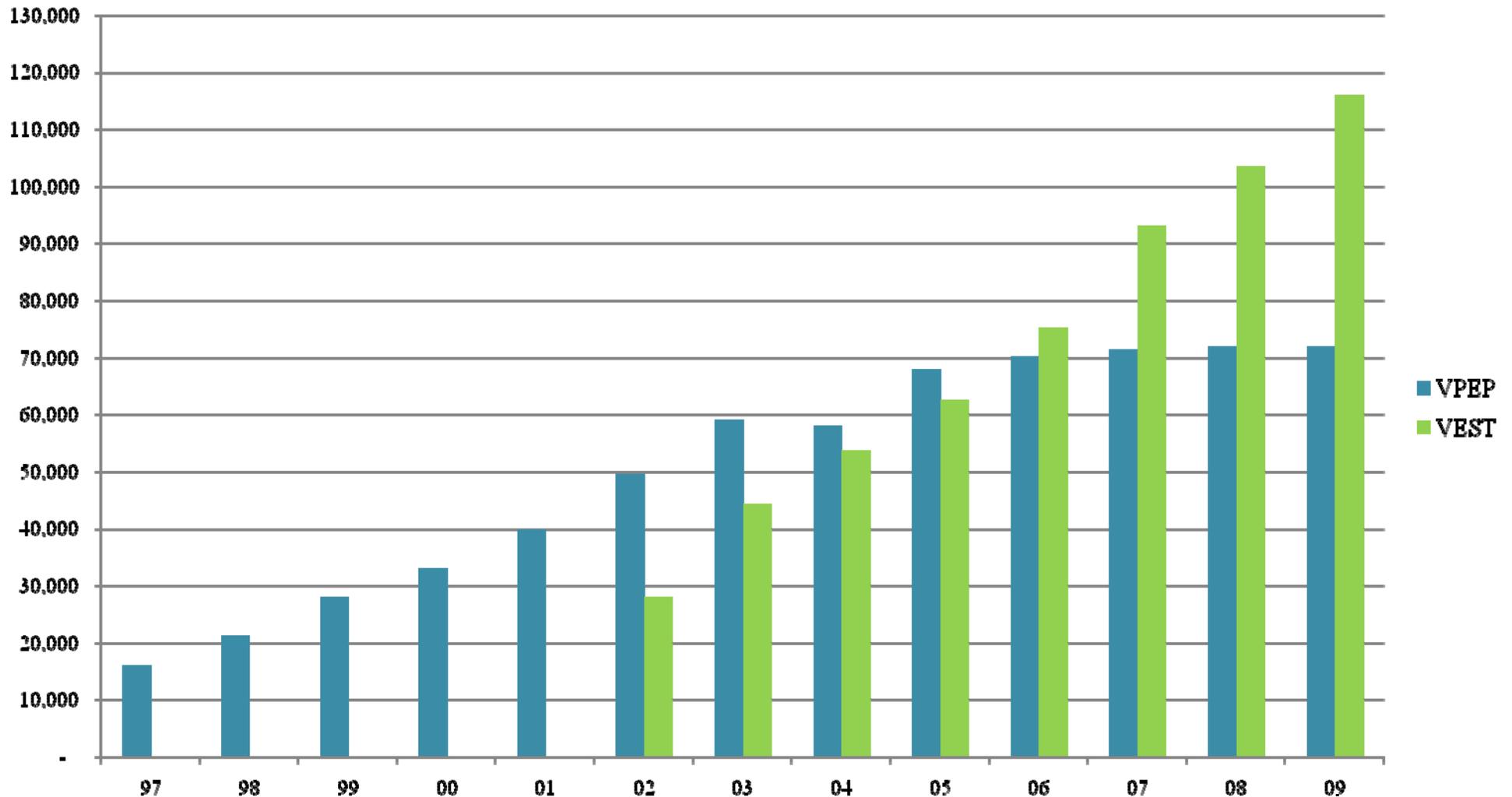




Assets Under Management

Program	Accounts ending FY 2009	Assets Under Management end of FY 2009
VEST	115,957	\$1,056,274,799
VPEP	71,847	\$1,335,093,400
CollegeAmerica	1,807,211	\$21,115,858,233
CollegeWealth	601	\$4,986,631
Total	1,995,616	\$23,512,213,064

VPEP & Vest Account Growth



Program Benefits - VPEP

For Virginia public schools

- Full coverage of tuition and mandatory fees for normal undergraduate full-time course load (*no coverage of course-specific charges*)

For Virginia private schools

- Payments + actual rate of return
- Cap = highest Virginia public institution

For Out-of-State schools

- Payments + reasonable rate of return (*institutional money market rate*)
- Cap = average Virginia public institution





VPEP Payout Scenarios

2009/10 Academic Year

Contract Purchase Price* **\$ 3,817.00**

Payout Value if attending an In-State College/University:

	<u>Payment Amt.</u>	<u>Annualized Return</u>
College of William and Mary	\$ 10,800.00	20.3%
University of Virginia	\$ 9,680.00	17.1%
Old Dominion University	\$ 7,318.00	10.2%
Payout calculation if attending any Private In-State College/University:	\$ 5,208.00	4.0%
Payout calculation if attending any Out-of-State College/University:	\$ 5,019.00	3.5%
Cancellation or Rollover Value:	\$ 5,019.00	3.5%

* I Year University Contract - 1999 Purchase Date

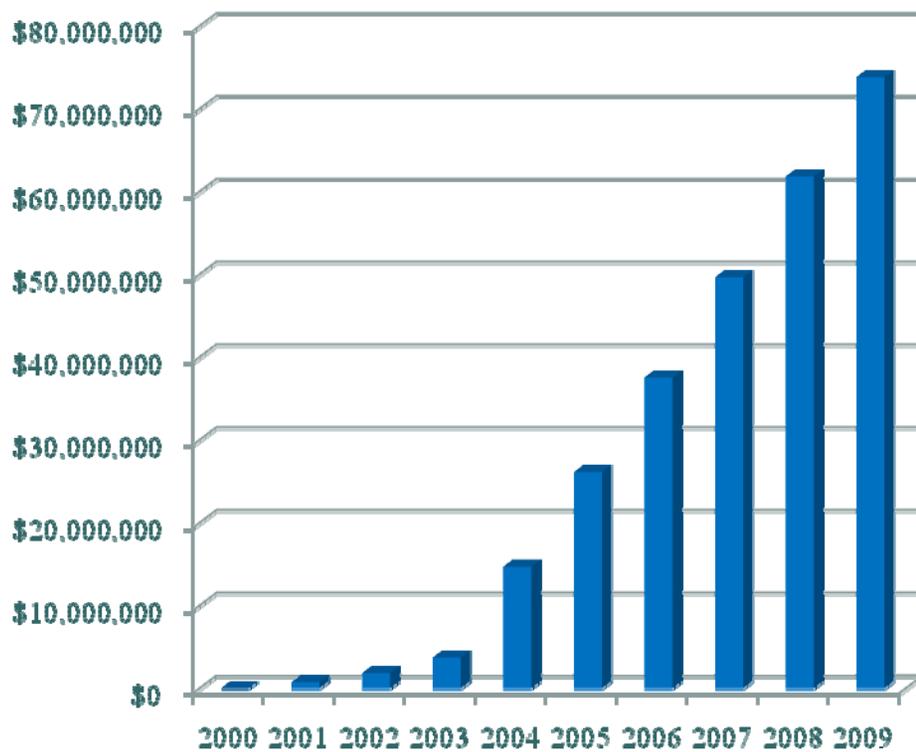
Prepaid tuition contracts and savings trust agreements; terms; termination; etc.

§ 23-38.81 (C)- ...each prepaid tuition contract shall include provisions for the application of tuition prepayments

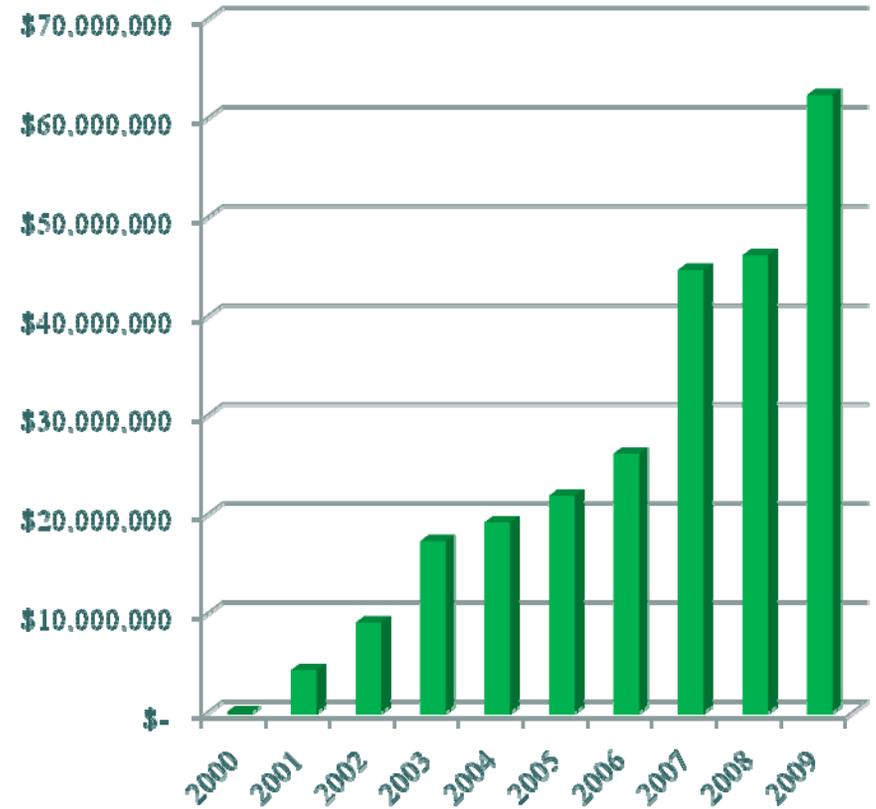
- (i) at accredited, nonprofit, independent institutions of higher education located in Virginia, including actual interest and income earned on such prepayments and
- (ii) at public and at accredited, nonprofit, independent institutions of higher education located in other states, including principal and reasonable return on such principal as determined by the Board.
- Payments authorized for accredited, nonprofit, independent institutions located in Virginia may not exceed the projected highest payment made for tuition at a public institution of higher education in Virginia in the same academic year, less a fee to be determined by the Board.
- Payments authorized for public and for accredited, nonprofit, independent institutions of higher education located in other states may not exceed the projected average payment made for tuition at a public institution of higher education in Virginia in the same academic year, less a fee to be determined by the Board.

Dollars Paid Out by Program

VPEP

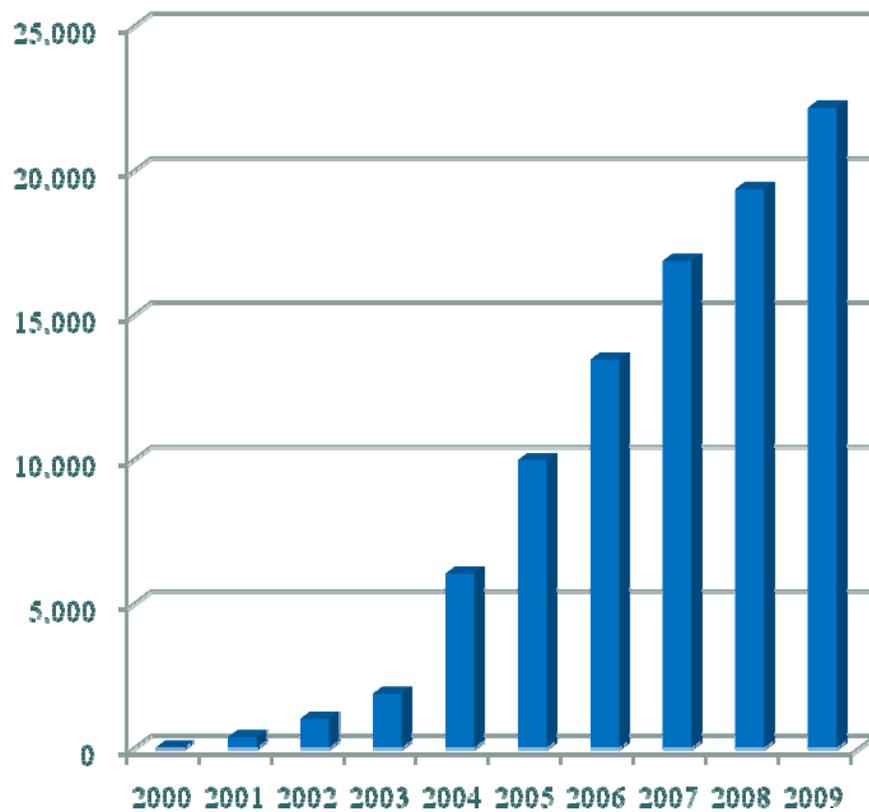


VEST

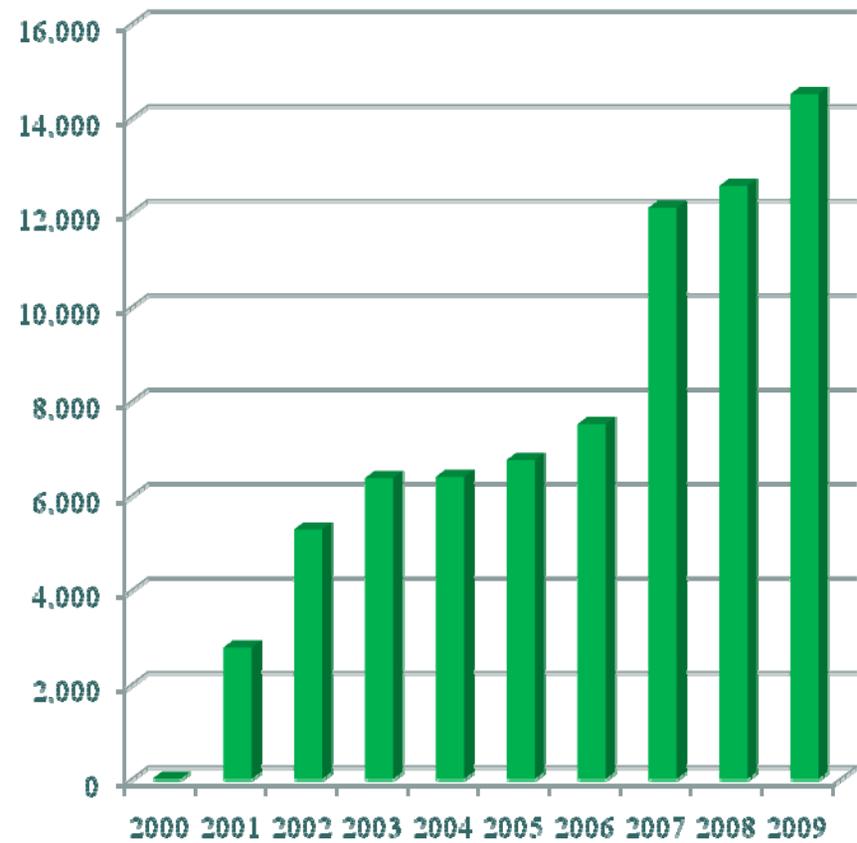


Number of Payments by Program

VPEP



VEST





Program Statistics

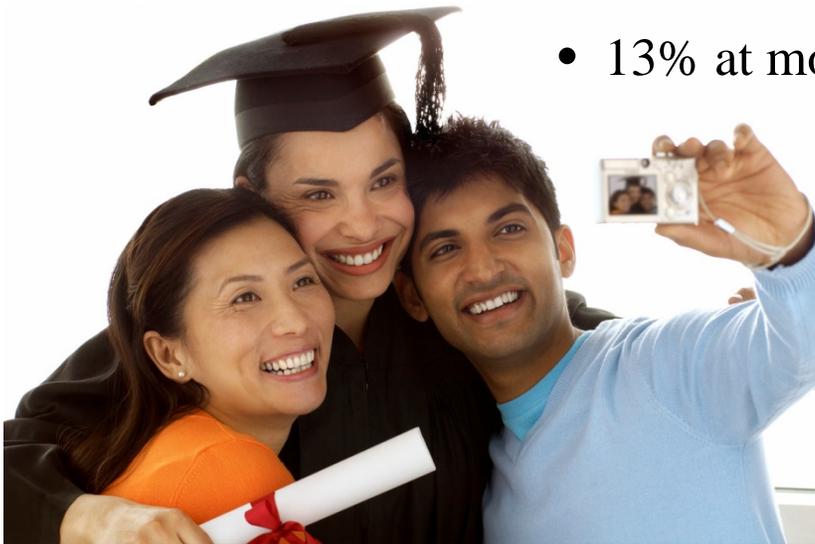
Distributions began in 2000

Over \$563 million distributed through 09/30/09 (VPEP and VEST)

VPEP Student Attendance – 2009-2010 Academic Year

- 68% in-state public four-year institutions*
- 13% community college
- 6% in-state private
- 13% at more than 460 out-of-state schools

* 38% of students (26% overall) attending in-state public institutions attend University of Virginia, Virginia Tech and William & Mary

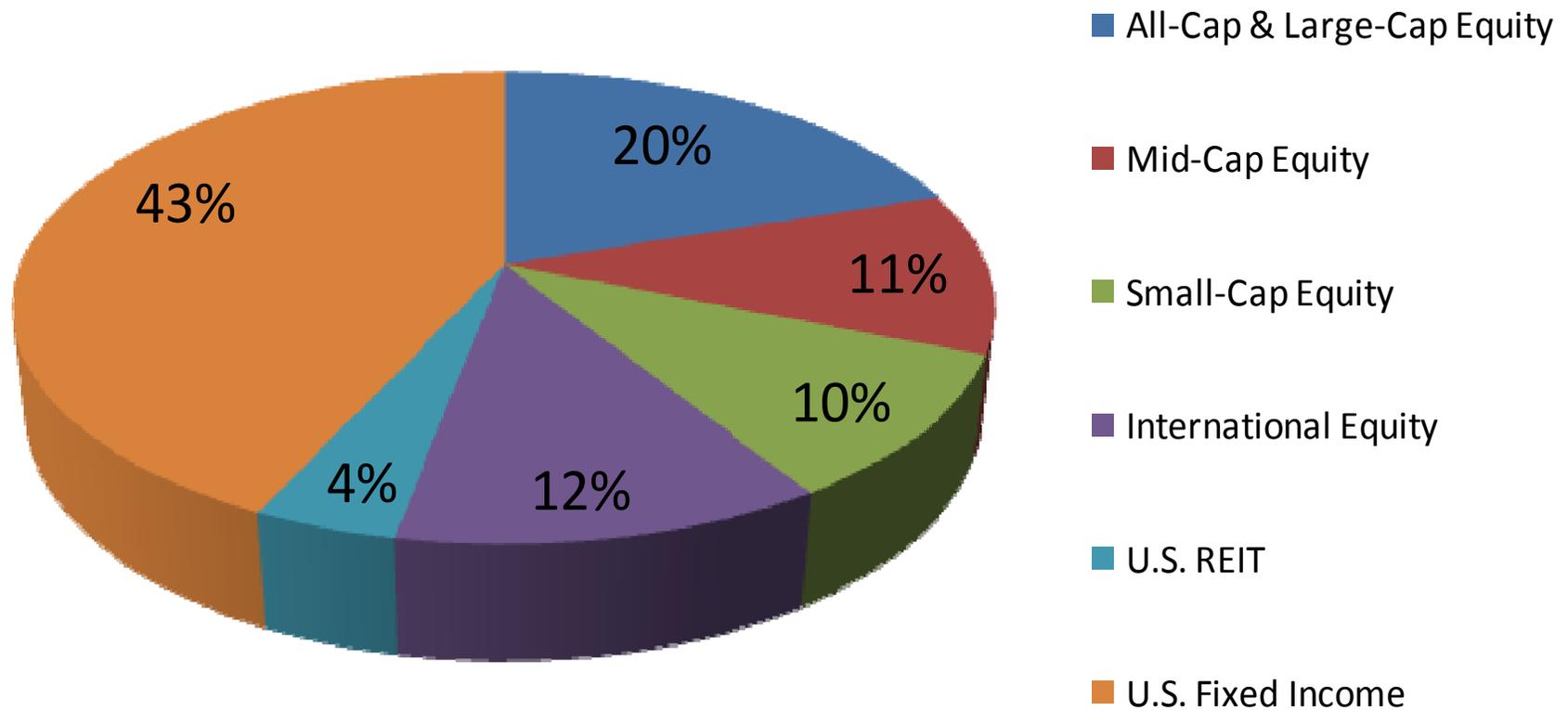




VPEP Assets Under Management

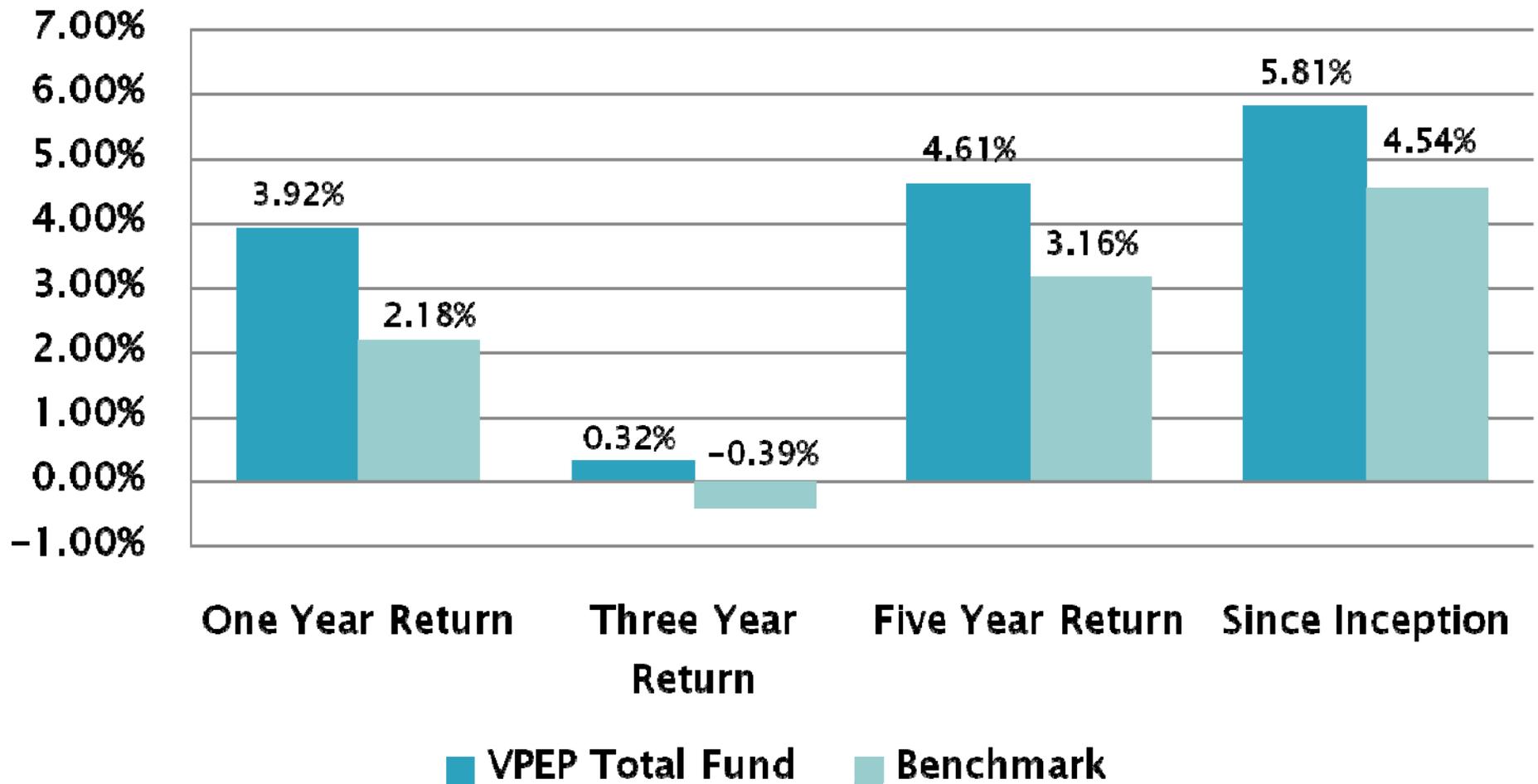
Distributed by Asset Class as of September 30, 2009

Percentage of Assets



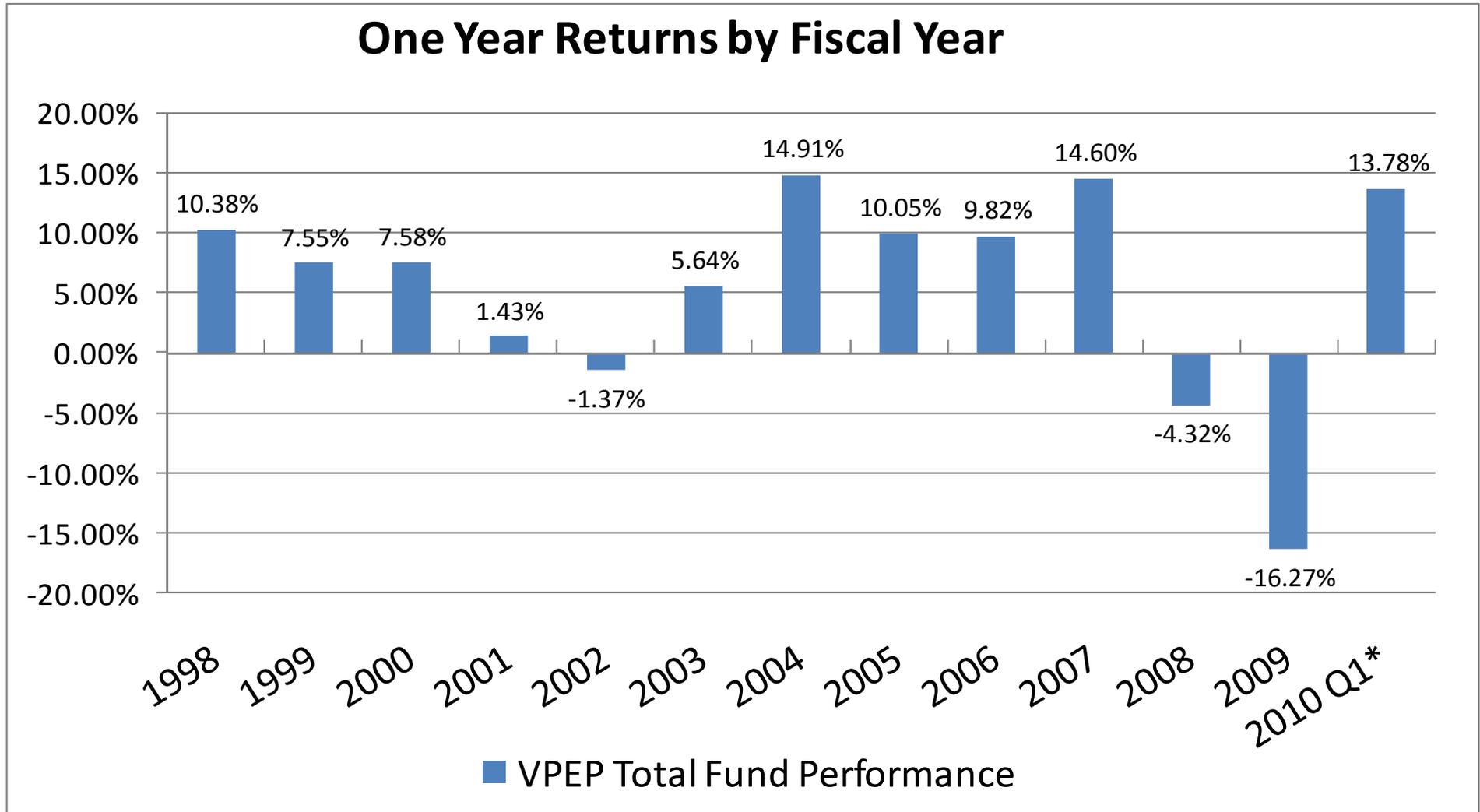
VPEP Performance ending 9/30/2009

** Not Including Cash with the Treasurer of Virginia.*



VPEP Annual Returns Since Inception

* Fiscal Year 2010 does not include cash with the Treasurer of Virginia.



Investment Return Assumptions

Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2008	7.0%
2009	7.0%



VPEP Actuarial Tuition Increase Assumptions*

Academic Year	Universities		Community Colleges	
	Current assumption	Prior assumption	Current assumption	Prior assumption
Fall 2010	8.50%	8.50%	7.50%	7.50%
Fall 2011	8.50%	7.50%	7.50%	7.50%
Fall 2012 forward	7.50%	7.50%	7.50%	7.50%

*Assumption includes tuition and all mandatory fees (both education and general fees and non-education and general fees)

VPEP Actuarial Valuation

(Amounts in Millions)

Actuarial reserve (deficit) at June 30, 2008	(51.8)
Interest on the reserve at 7.00%	(3.6)
Investment gain (loss)	(358.3)
Tuition gain (loss)	54.4
Lower than expected account balances	38.1
Sales of new contracts	11.3
Administrative Fee Revenue from VCSP	15.7
Change in Assumptions	(6.7)
Change in Investment Policy	7.7
Other	9.1
Actuarial Reserve / (Deficit) as of June 30, 2009	(284.1)



Actuarial Valuation since Inception

FY Ended:	Actuarial Value of Program Assets	Actuarial PV of Future Obligations	Actuarially Funded Percentage	Actuarial Reserve (Deficit)
2001	\$576.2	\$531.0	109%	\$45.2
2002	723.9	781.8	93%	(57.9)
2003	945.2	1,177.8	80%	(232.6)
2004	1,029.3	1,157.7	89%	(128.4)
2005	1,370.4	1,430.4	96%	(60.0)
2006	1,591.0	1,617.5	98%	(26.5)
2007	1,852.7	1,730.5	107%	122.2
2008	1,839.6	1,891.4	97%	(51.8)
2009	1,625.7	1,909.8	85%	(284.1)

Outreach



- New Marketing Partners
 - Virginia High School League
 - Idea Stations
 - VAWizard.org
 - Richmond International Raceway
 - State Fair of Virginia
 - WTVR Battle of the Brains
- Revamped Employer Sponsorship Program
- New Website
- Enhanced K – 12 & University Partnerships
- Social Media Campaign





PARNASSUS INVESTMENTSSM

New VEST Investment Option –

- Socially Targeted Investment Portfolio - Offered October 1, 2009
– Parnassus Equity Income Fund



CollegeWealth Re-launch

- New partnership with BB&T
- Anticipated opening early November 2009



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