

Education Subcommittee Senate Finance Committee Commonwealth of Virginia

**Mary G. Morris, Chief Executive Officer
October 19, 2010**

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 million accounts as of June 30, 2010
- 75 employees, headquartered in Richmond, VA

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. Opened in 1996.



Virginia Education Savings Trust (VEST) - a direct-sold savings program offering age-based evolving portfolios and non-evolving investment portfolios featuring Vanguard and other mutual funds. Opened in 1999.



CollegeAmerica – a broker-sold savings program offering a wide selection of the American Funds portfolios, the largest mutual fund family of portfolios in the country. Opened in 2002.



CollegeWealth - FDIC-insured 529 savings accounts offered through participating banks, including BB&T and Union First Market Bank. Opened in 2007.

Features of 529 Plans



✓ Affordable

✓ Flexible

✓ Diverse investment options

✓ Tax-advantaged

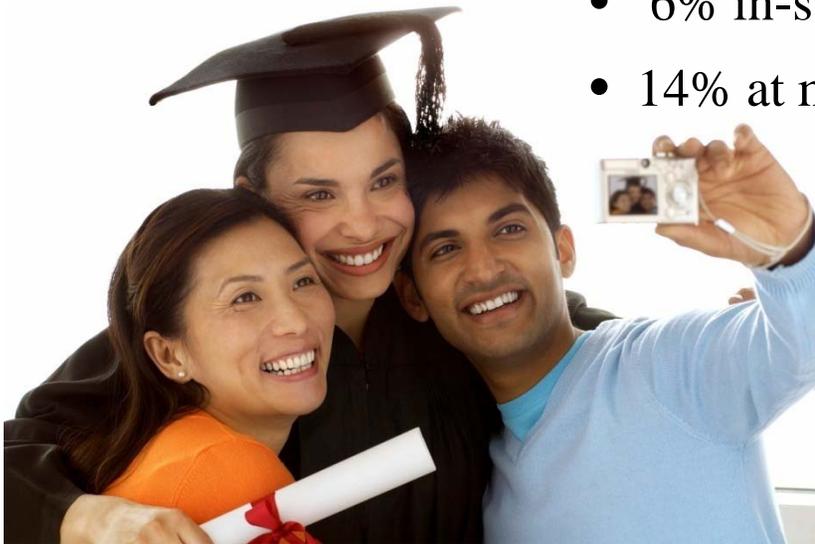


Distributions began in 2000

Over \$681 million distributed through 06/30/10 (VPEP and VEST)

VPEP Student Attendance – 2010 Fall Semester

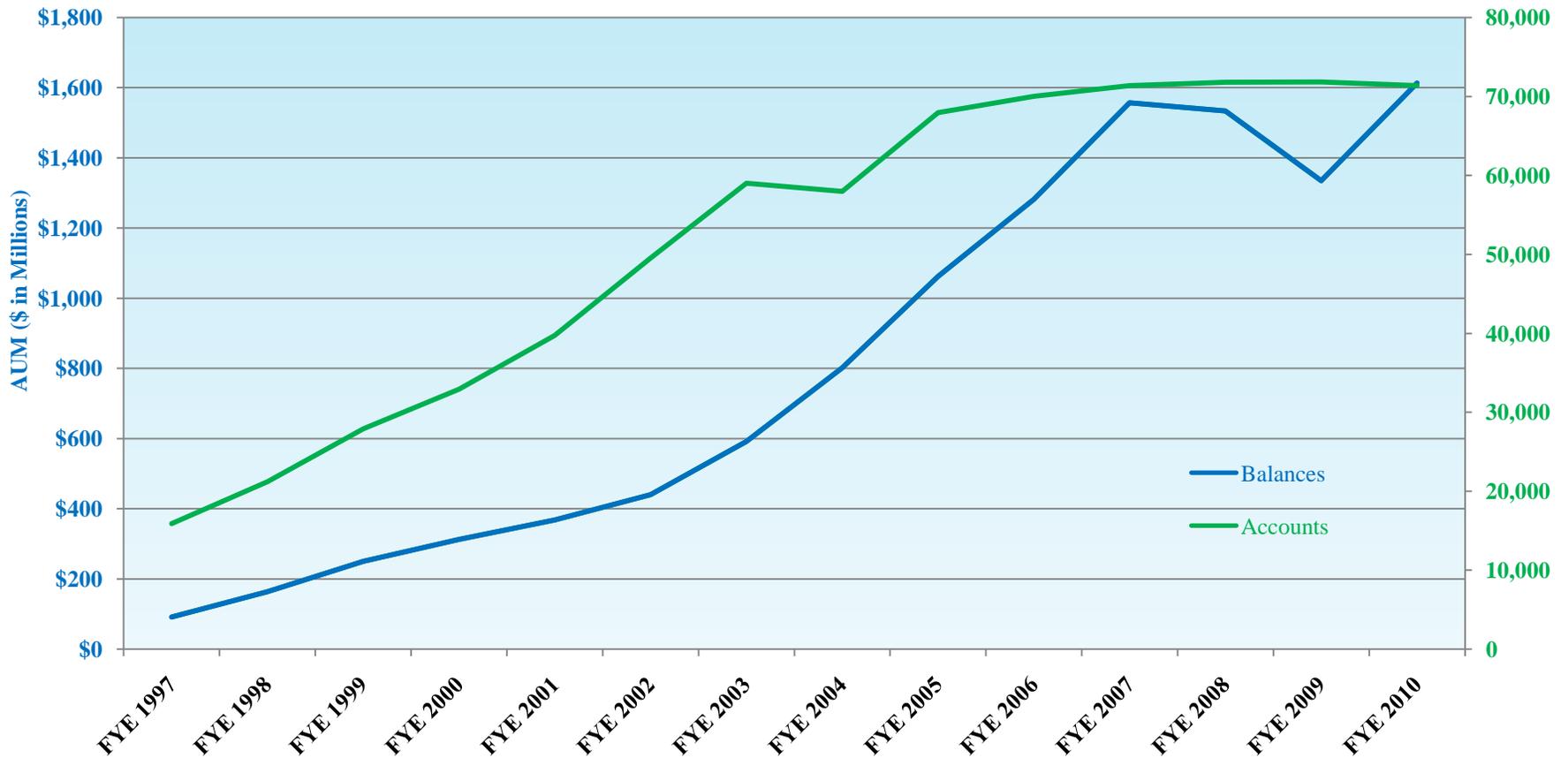
- 67% in-state public four-year institutions*
- 13% community college
- 6% in-state private
- 14% at more than 460 out-of-state schools



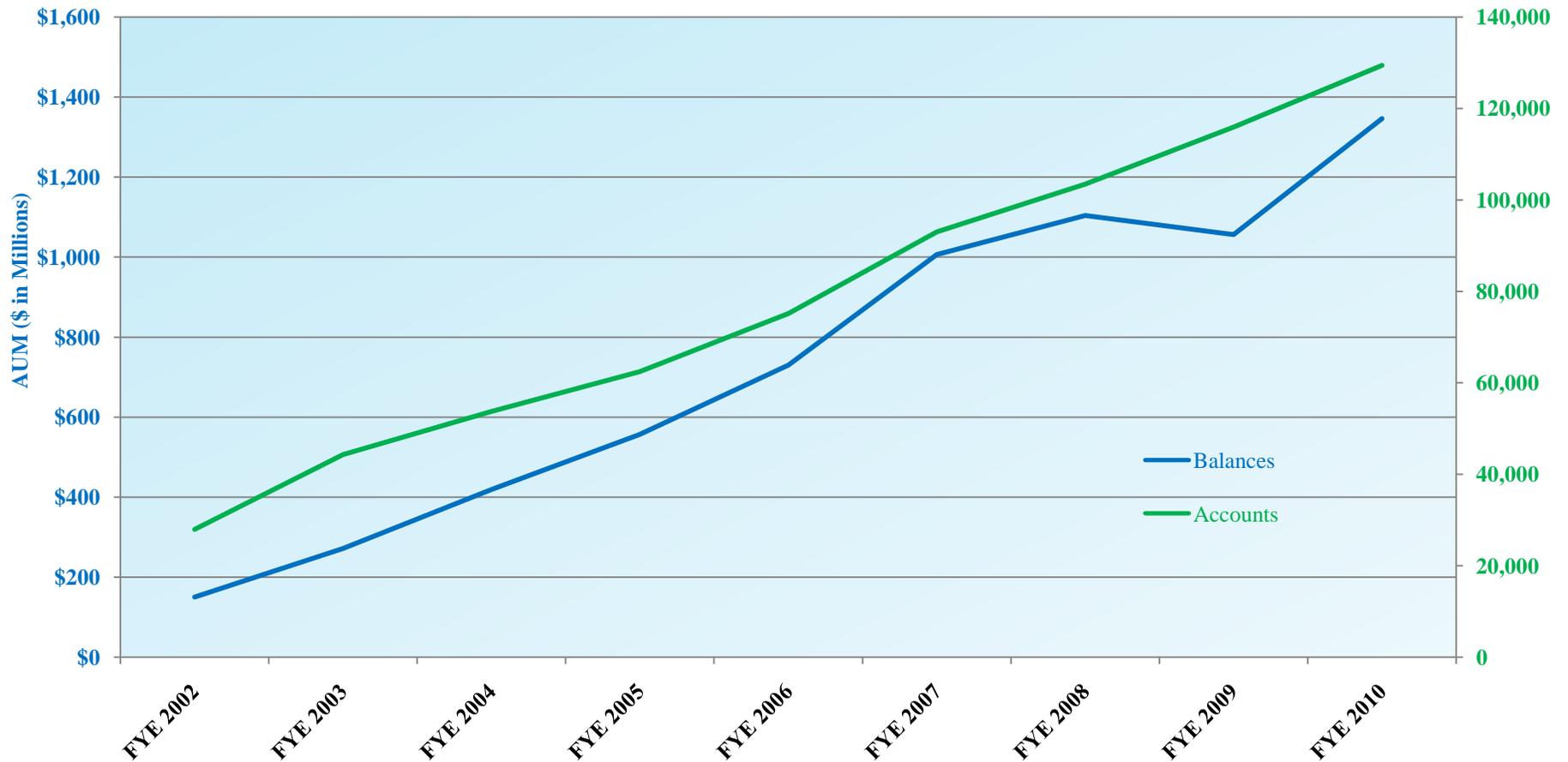
* 64% of students (43% overall) attending in-state public institutions attend University of Virginia, Virginia Tech, William & Mary, James Madison and Virginia Commonwealth University

VPEP Assets and Account Growth

VPEP Assets Under Management and Total Accounts



VEST Assets Under Management and Total Accounts



Program Benefits - VPEP

For Virginia public schools

- Full coverage of tuition and mandatory fees for normal undergraduate full-time course load (*no coverage for course or degree-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



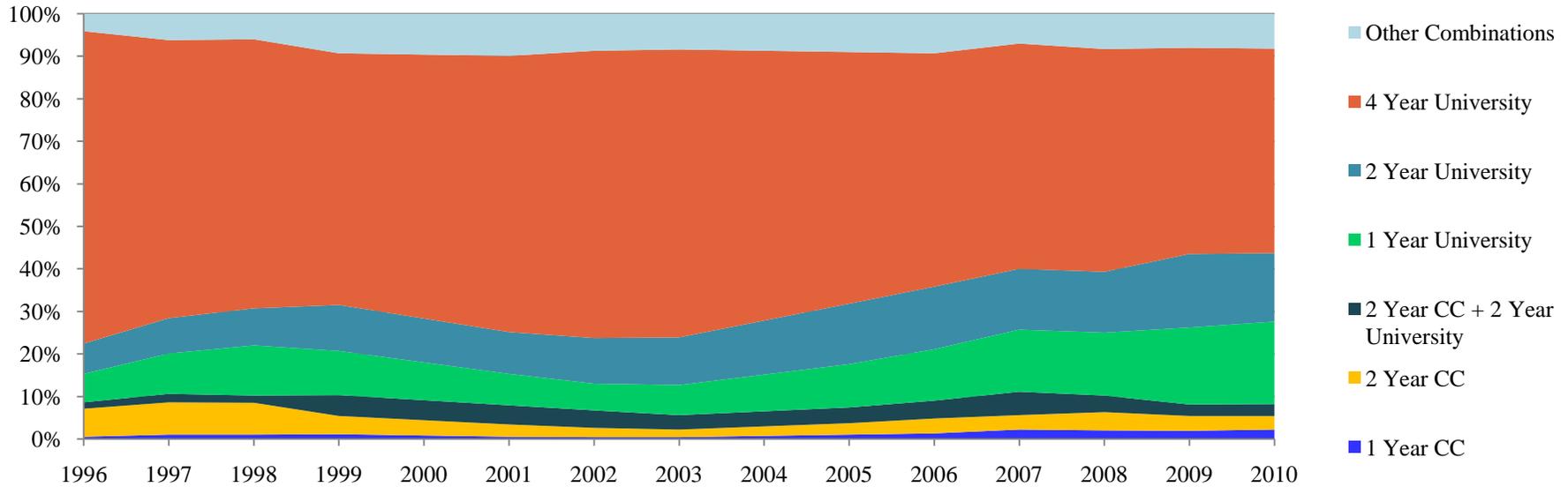
Historical Cost of Kindergartner Contract

Enrollment Year	Price	Contract Type	% Change
1996	\$ 15,357	Four-Year University Plan	n/a
1997	\$ 16,188	Four-Year University Plan	5.41%
1998	\$ 16,836	Four-Year University Plan	4.00%
1999	\$ 14,848	Four-Year University Plan	-11.81%
2001	\$ 15,452	Four-Year University Plan	4.07%
2002	\$ 17,308	Four-Year University Plan	12.01%
2003	\$ 21,636	Four-Year University Plan	25.01%
2005	\$ 31,712	Four-Year University Plan	46.57%
2006	\$ 34,248	Four-Year University Plan	8.00%
2007	\$ 37,332	Four-Year University Plan	9.00%
2008	\$ 39,944	Four-Year University Plan	7.00%
2009	\$ 44,060	Four-Year University Plan	10.30%
2010	\$ 45,972	Four-Year University Plan	4.34%
2011	\$ 50,600	Four-Year University Plan	10.07%

Note: Years shown reflect the calendar year in which the enrollment period began. In some cases the enrollment period extended into the following calendar year. 2000 and 2004 enrollment periods were changed/delayed.

Historical Contract Sales by Type

Types of Contracts as a Percent of Total Contracts by Enrollment Year



Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010
1 Year CC	0.5%	1.0%	1.0%	1.1%	0.5%	0.4%	0.4%	1.0%	1.3%	2.2%	2.0%	1.9%	2.2%
2 Year CC	6.6%	7.6%	7.5%	4.3%	2.9%	2.2%	1.8%	2.7%	3.5%	3.4%	4.3%	3.5%	3.2%
2 Year CC + 2 Year University	1.5%	2.0%	1.7%	4.9%	4.5%	4.1%	3.4%	3.7%	4.2%	5.5%	3.9%	2.7%	2.8%
1 Year University	6.7%	9.5%	11.8%	10.4%	7.4%	6.3%	7.1%	10.2%	12.1%	14.6%	14.8%	18.1%	19.4%
2 Year University	7.1%	8.3%	8.7%	10.8%	9.8%	10.7%	11.2%	14.2%	14.7%	14.3%	14.3%	17.3%	16.1%
4 Year University	73.4%	65.4%	63.3%	59.2%	64.9%	67.5%	67.8%	59.2%	54.9%	53.0%	52.4%	48.5%	48.1%
Other Combinations	4.1%	6.2%	6.0%	9.3%	9.9%	8.7%	8.4%	9.0%	9.3%	7.0%	8.3%	8.0%	8.2%

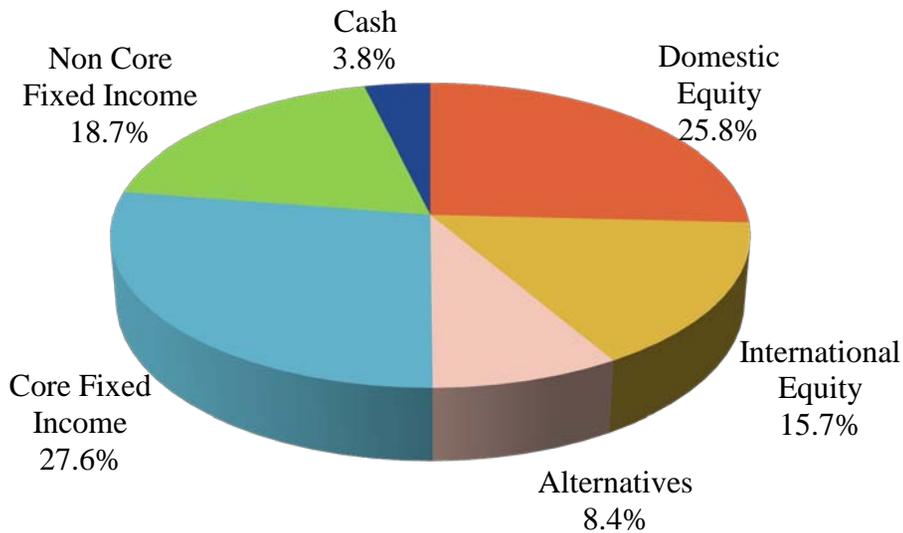


Assets Under Management

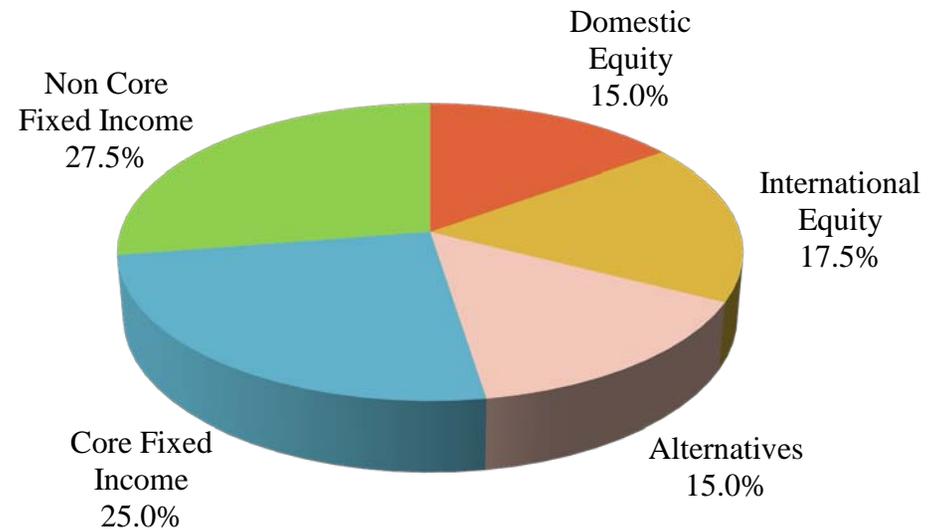
Program	Number of Accounts		Assets Under Management	
	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010
VPEP	71,847	71,373	\$1,335,093,400	\$1,613,149,325
VEST	115,957	129,415	\$1,056,274,799	\$1,346,385,956
CollegeAmerica	1,807,211	1,893,271	\$21,115,858,233	\$25,021,126,526
CollegeWealth	601	2,760	\$4,986,631	\$13,911,187
Total	1,995,616	2,096,819	\$23,512,213,064	\$27,994,572,994

VPEP Assets Under Management

Asset Allocation as of June 30, 2010

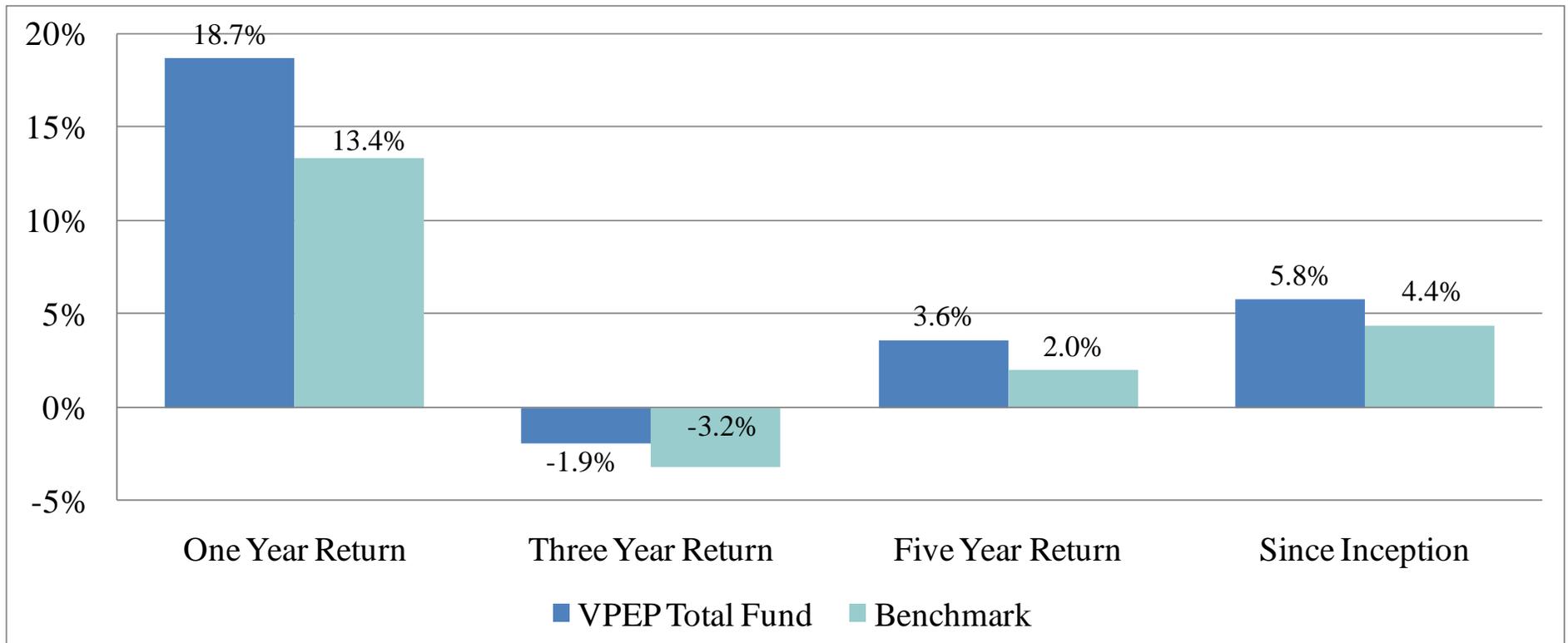


Target Asset Allocation



VPEP Performance ending 6/30/2010

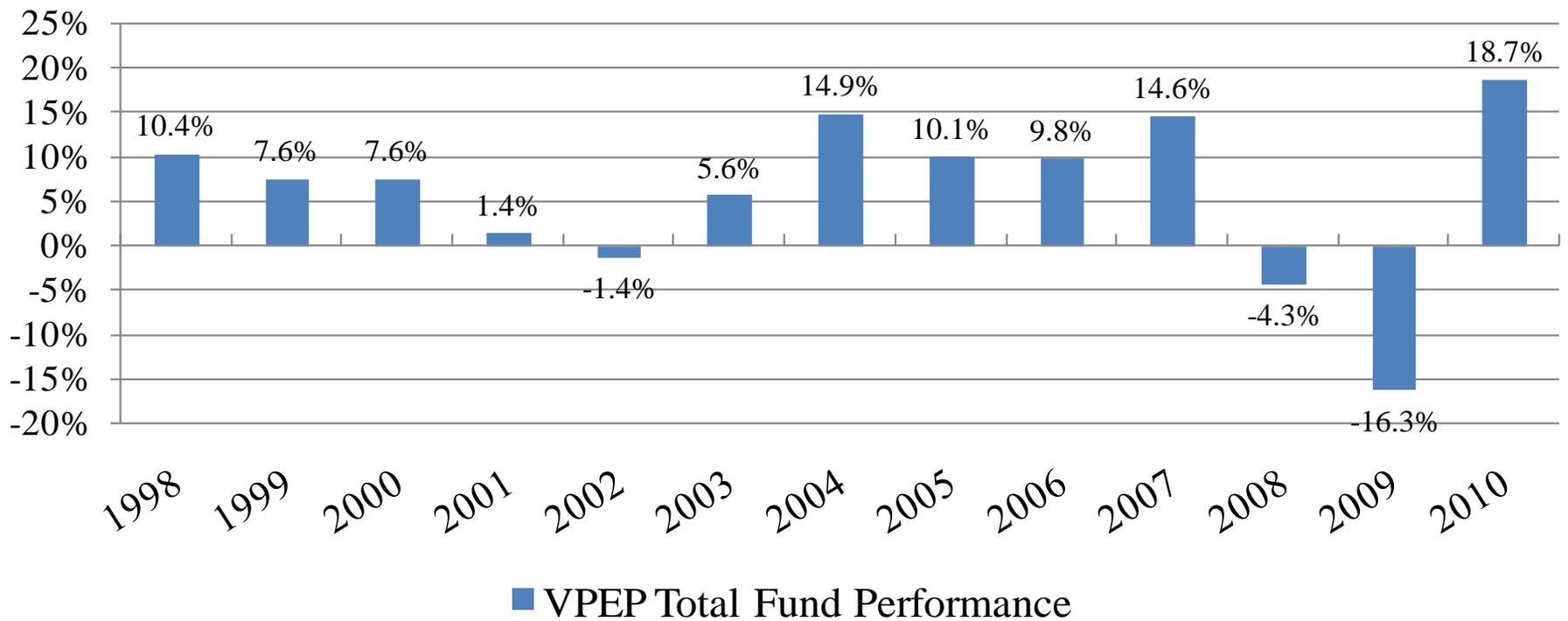
** Not including cash with the Treasurer of Virginia.*



VPEP Annual Returns Since Inception

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

One Year Returns by Fiscal Year



Investment Return Assumptions

Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2010	7.0%

VPEP Actuarial Tuition Increase Assumptions*

Academic Year	Universities		Community Colleges	
	June 30, 2010 assumption	Prior assumption	June 30, 2010 assumption	Prior assumption
Fall 2011	10.00%	8.50%	9.50%	7.50%
Fall 2012	10.00%	7.50%	8.50%	7.50%
Fall 2013 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)

June 30, 2010 VPEP Actuarial Valuation

*(Amounts in Millions-
Preliminary Actuarial Valuation)*

Actuarial reserve (deficit) at June 30, 2009	\$(284.0)
Interest on the reserve at 7.00%	(19.9)
Investment gain (loss)	144.8
Tuition gain (loss)	(40.3)
Higher than expected account balances	(5.0)
Sales of new contracts	11.4
Administrative Fee Revenue from VCSP	22.1
Change in Assumptions	(44.1)
Other	6.7
Actuarial Reserve / (Deficit) as of June 30, 2010	\$(208.3)

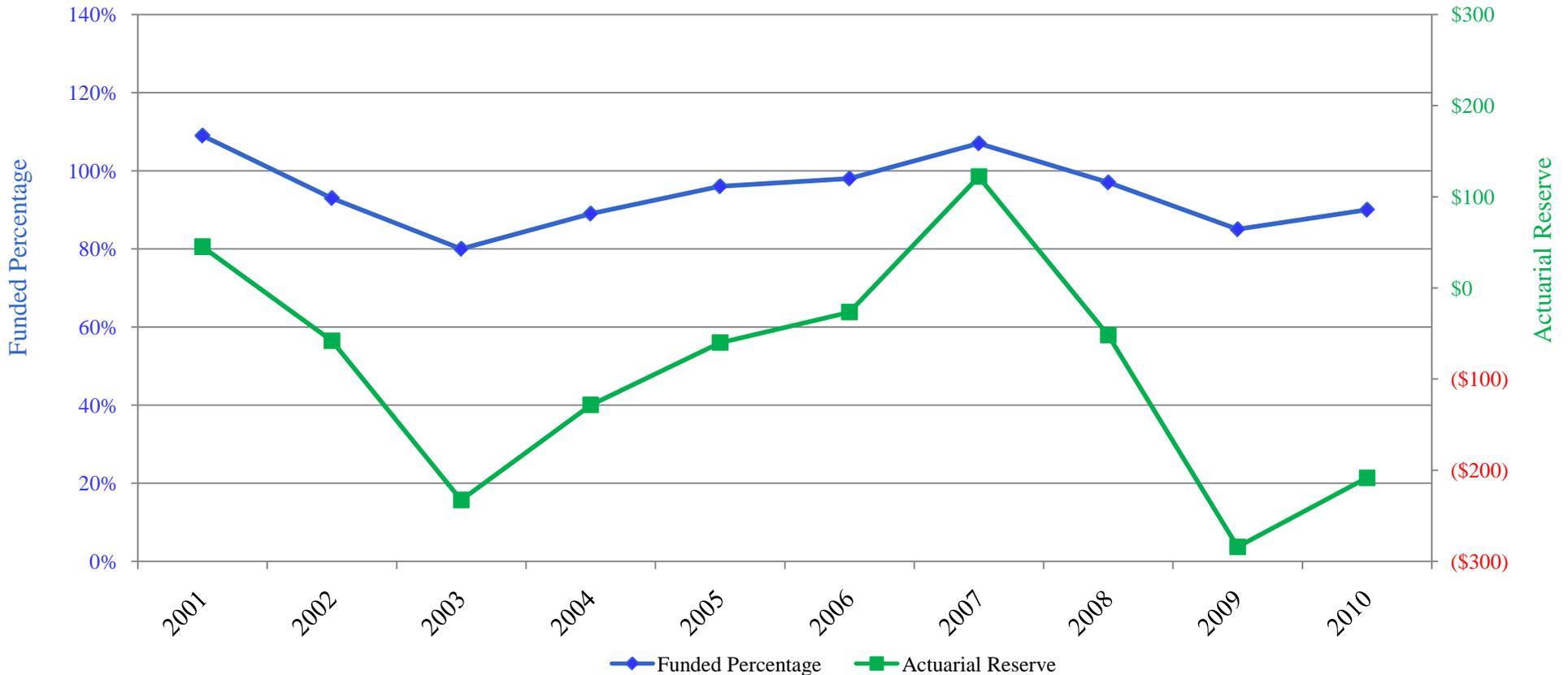
Actuarial Valuation since Inception

(Amounts in Millions- Preliminary Actuarial Valuation for 2010)

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)
2010	1,887.7	2,096.0	90%	(208.3)

Historical Funded Status and Actuarial Reserve

(Amounts in Millions- Preliminary Actuarial Valuation for 2010)



Outreach



- Strategic Partnerships
 - Virginia High School League
 - Idea Stations
 - VAWizard.org
 - State Fair of Virginia
 - UVA / VA Tech Rivalry Challenge
 - WTVR Battle of the Brains
 - Richmond International Raceway
 - Colonial Athletic Association
 - Virginia Congress of Parents and Teachers (PTA)



- Enhanced online presence
 - ✓ New website
 - ✓ Social media – Facebook, Twitter
 - ✓ Account options online



“A GROWING BODY OF RESEARCH SUGGESTS THAT PARENTAL AND CHILDREN’S SAVINGS CAN MAKE COLLEGE ATTENDANCE AND COMPLETION MORE LIKELY AMONG LOW- AND MIDDLE-INCOME FAMILIES

– NOT ONLY BY CREATING GREATER FINANCIAL STABILITY, BUT BY CREATING AND MAINTAINING EXPECTATIONS FOR ATTENDING AND COMPLETING COLLEGE.”

Source: *Closing the College Expectations and Attendance Gap through Savings*
Mark Huelsman, New America's California Asset Building Program



Early Commitment Program – 2010 Pilot



- Statutory Mandate
 - §23-38.77. Powers and duties of Board “6. Develop and implement scholarship and/or matching grant programs...”
- Program developed during 2010 – SOAR Virginia
- Goals:
 - Increase high school graduation rates of students from low/moderate income households
 - Motivate students to prepare for higher education
 - Send message that college is accessible, attainable and affordable
 - Partner with college access providers to provide roadmap
 - Inspire students to aspire to higher education

SOAR VIRGINIA

- Aspirational – increase graduation and college success rates.
- Meaningful commitment
- Ultimately statewide reach.

Eligibility	Pilot program starting with 10 th graders	Pledge	Students pledge to meet program criteria
Residency	Yes	Admission Guarantee	No
Income	200% of poverty level/ward of court/foster care	Eligible Schools	All qualified higher education institutions: <ul style="list-style-type: none"> • Virginia public and private • Universities, colleges, technical and proprietary • Out of state
Awards	Pilot: \$500/year after 10 th , 11 th and 12 th grades. \$500 bonus for VA public school	Account Ownership	VA 529 owns until payout; account created with student view-only access at conclusion of 1 st year
GPA Threshold	Cumulative 2.5		
College Readiness	Work with access provider		
Good Behavior	Attend school regularly, w/o violating code of behavior; community service		

Program Enhancements

- VEST Administrative Fee Reductions
 - Money market portfolio fees reduced from 25 bps to 15 bps on December 18, 2009 and then to 10 bps on February 19, 2010 to preserve the \$1 NAV
 - VEST Portfolio Fees reduced from 25 to 20 bps on April 1, 2010
- Change in payroll deduction contribution collection periods for State employees from monthly to bimonthly to invest funds more timely
- Top to bottom review of VPEP program – for 2010-11 enrollment – reduce contract prices from 16 to 3 – simplify message
- Top to bottom review of VEST program and investment options – enhancing investment mix and modifying age-based glide path
- CollegeWealth re-launch with BB&T – November 2009
- CSS 6.2 – enhance online application process
- GLAD implementation – enhance financial management
- Mail Center enhancements – account householding, cost reductions

Virginia529SM

College Savings Plan



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