

Education Subcommittee Senate Finance Committee Commonwealth of Virginia

Mary G. Morris, Chief Executive Officer
October 4, 2011
Roanoke Higher Education Center

Virginia College Saving Plan (Virginia529)

- Independent state agency
- Administrator of four Internal Revenue Code §529 Qualified Tuition Programs:
 - VPEPSM
 - VESTSM
 - CollegeAmerica[®]
 - CollegeWealth[®]



One 529 Plan – Four Programs



Virginia Prepaid Education Program (VPEP) – The first program to open, in 1996, provides prepaid contracts to cover future base tuition and mandatory fees at Virginia public colleges and universities.



Virginia Education Savings Trust (VEST) – The second program to open, in 1999, offers 18 investment options including age-based evolving portfolios and non-evolving portfolios with a diverse range of investment managers. Available directly from Virginia 529.



CollegeAmerica – Available only through financial advisors, this program opened in 2002 and offers a wide selection of portfolios from one of the largest mutual funds families in the country, the American Funds.



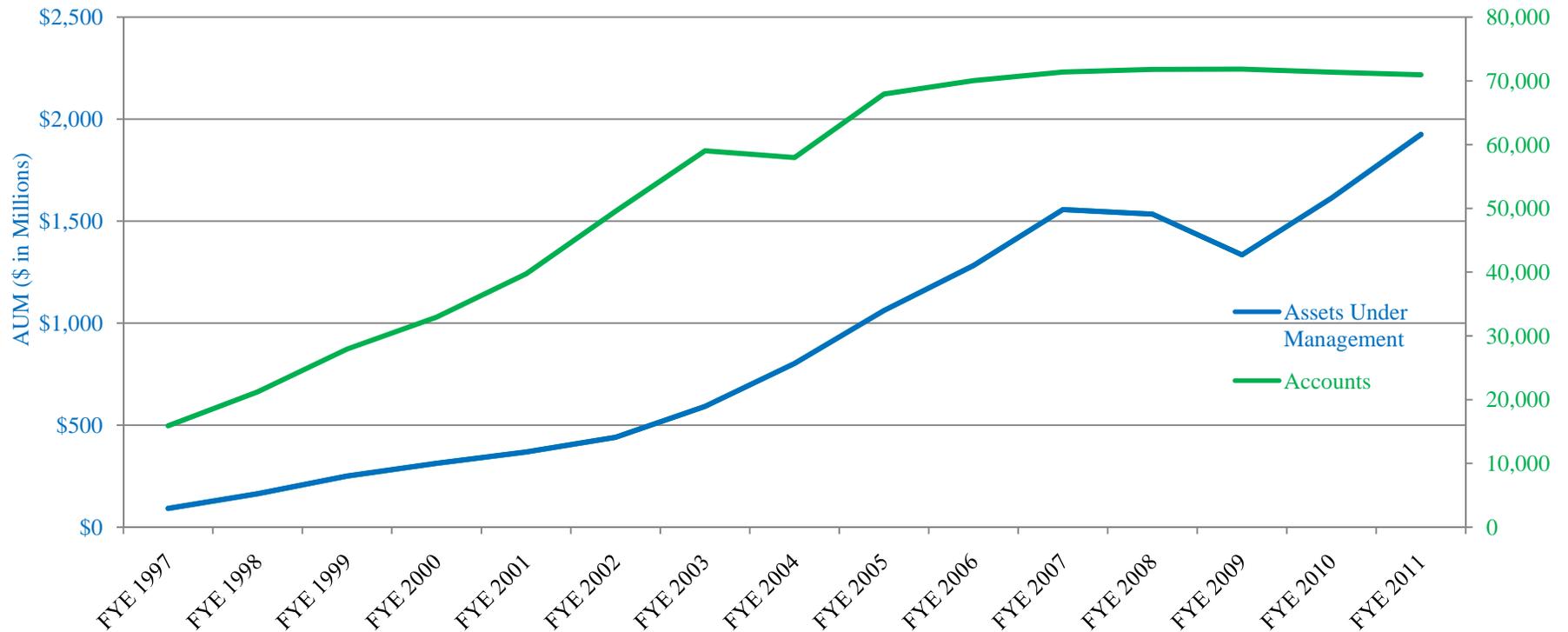
CollegeWealth – Virginia 529's youngest program, opening in 2007, provides FDIC-insured 529 savings accounts through BB&T and Union First Market Bank.

- Country's largest 529 plan
 - Over 2.1 million accounts as of 6/30/11
 - Almost \$36 billion in assets under management as of 6/30/11
- Offering accounts for fifteen years – first distributions in 2000
 - Over \$879 million distributed through 06/30/11 (VPEP and VEST)
- VPEP Student Attendance – Fall Semester 2011
 - 68% Virginia public four-year institutions
 - 14% Virginia community colleges
 - 6% Virginia private institutions
 - 13% Over 460 schools outside Virginia



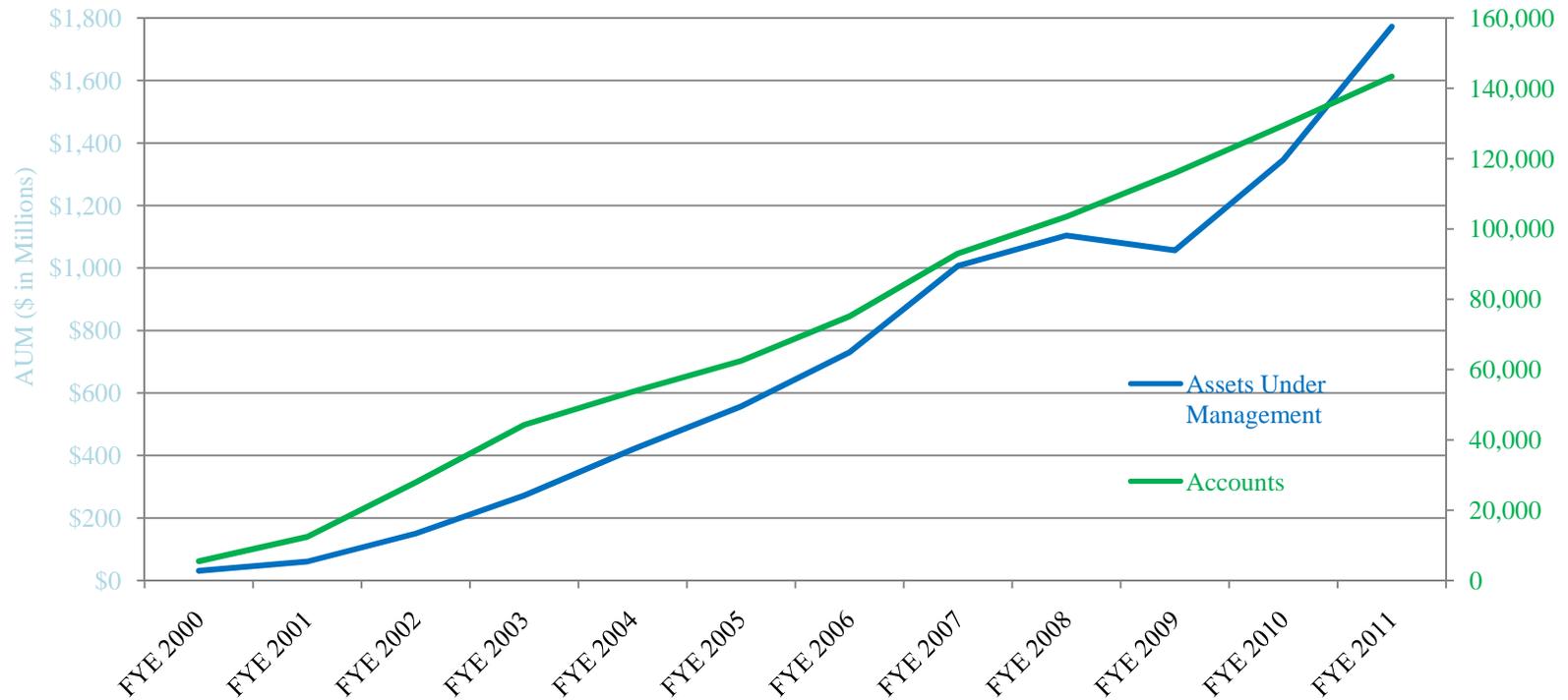
VPEP Assets and Account Growth

VPEP Assets Under Management and Total Accounts



VEST Assets and Account Growth

VEST Assets Under Management and Total Accounts





VPEP Program Benefits

Virginia public schools

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

Virginia private schools

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

Out-of-State schools

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





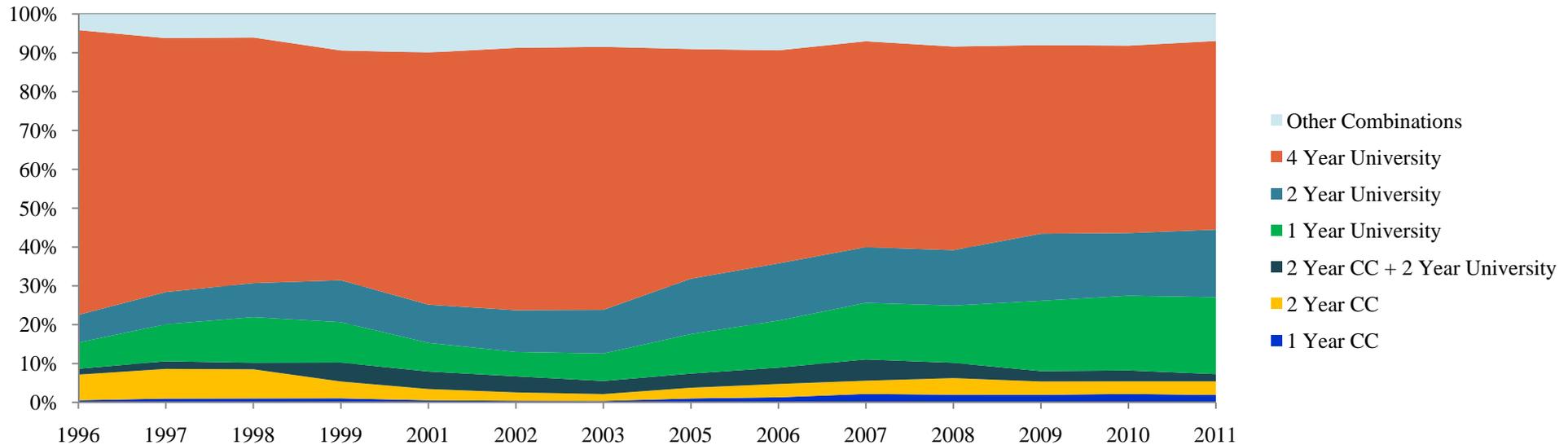
Historical Cost of Kindergartner Contract

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%
2012 *	\$ 54,600	Four-Year University Plan	7.91%

*2012 Enrollment Period opens December 1, 2011

VPEP Contract Sales by Type

Contracts Type as a Percent of Total Contracts by Enrollment Year



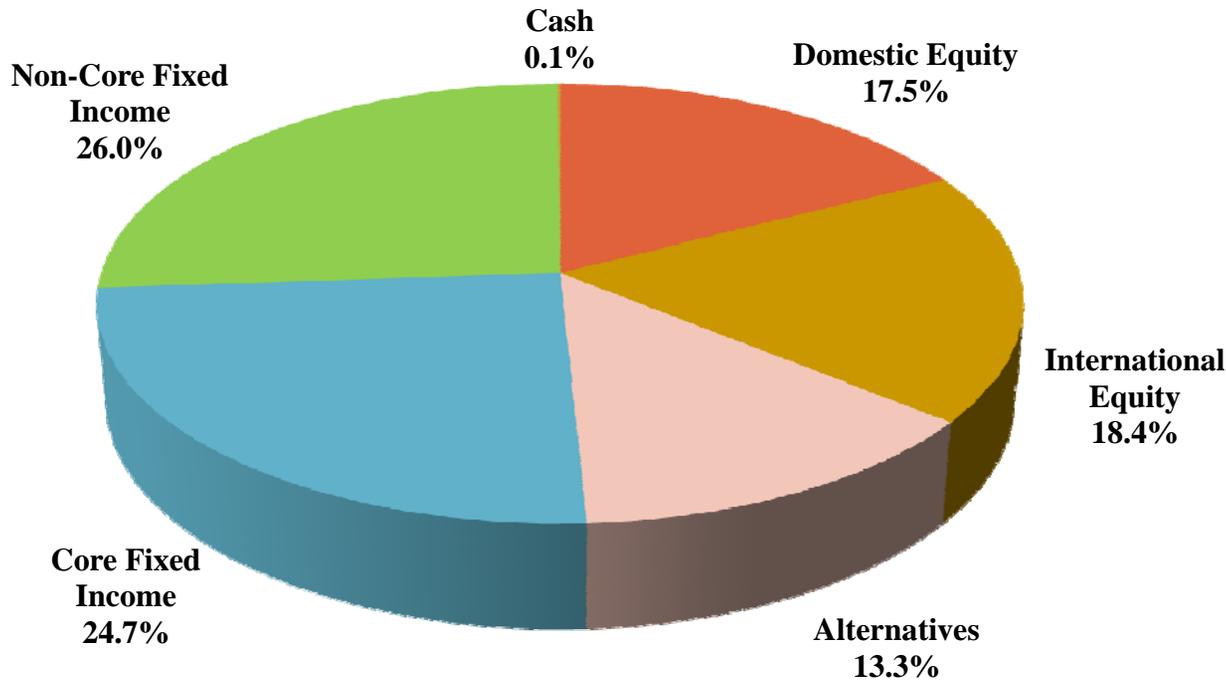
Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010	2011
1 Year CC	0.5%	1.0%	1.0%	1.1%	0.5%	0.4%	0.4%	1.0%	1.3%	2.2%	2.0%	1.9%	2.2%	1.9%
2 Year CC	6.6%	7.6%	7.5%	4.3%	2.9%	2.2%	1.8%	2.7%	3.5%	3.4%	4.3%	3.5%	3.3%	3.5%
2 Year CC + 2 Year University	1.5%	2.0%	1.7%	4.9%	4.5%	4.1%	3.4%	3.7%	4.2%	5.5%	3.9%	2.7%	2.8%	1.9%
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%	19.2%	19.8%
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%	17.4%
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%	48.3%	48.6%
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%	6.9%



Accounts and Assets Under Management

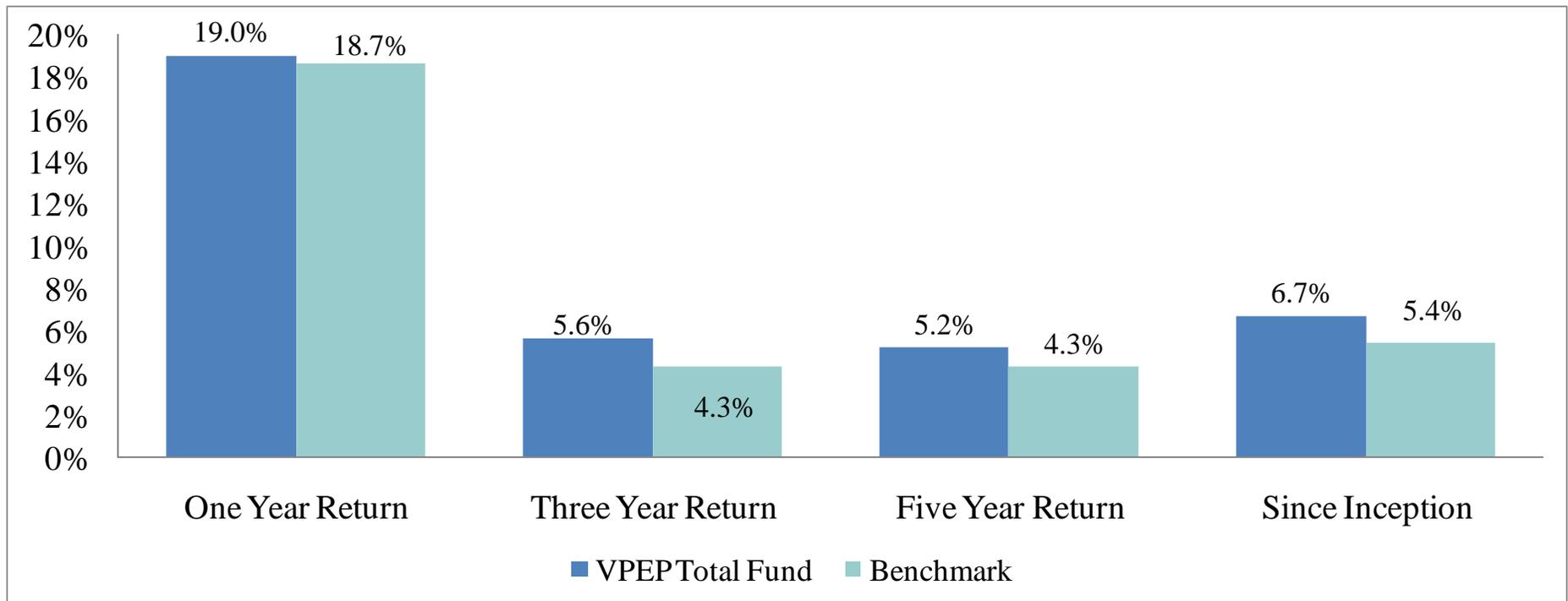
Program	Number of Accounts		Assets Under Management	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
VPEP	71,373	70,955	\$1,613,149,325	\$1,924,977,504
VEST	129,415	143,354	\$1,346,385,956	\$1,771,941,677
CollegeAmerica	1,893,271	1,940,664	\$25,021,126,526	\$32,130,272,763
CollegeWealth	2,760	5,385	\$13,911,187	\$25,662,963
Total	2,096,819	2,160,358	\$27,994,572,994	\$35,852,854,907

VPEP Asset Allocation as of June 30, 2011

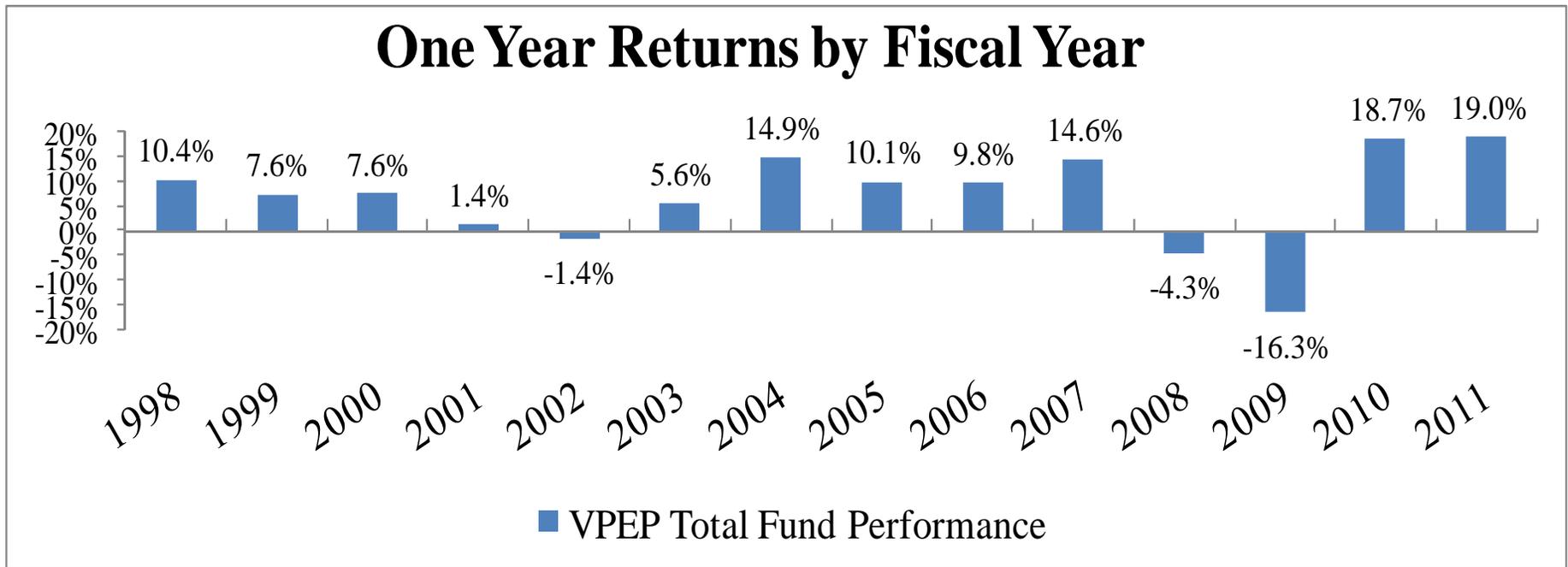


Asset Class	Target
Domestic Equity	15%
International Equity	17.5%
Alternatives	15%
Core Fixed Income	25%
Non-Core Fixed Income	27.5%

VPEP Performance ending 6/30/2011



VPEP Annual Return History



Long-term Investment Return Assumptions

Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2011	7.0%



Actuarial Tuition Increase Assumptions*

Academic Year	Universities		Community Colleges	
	Current assumption	Prior assumption	Current assumption	Prior assumption
Fall 2012	10.00%	10.00%	8.50%	8.50%
Fall 2013	10.00%	7.50%	7.50%	7.50%
Fall 2014 forward	7.50%	7.50%	7.50%	7.50%

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



VPEP Preliminary Actuarial Valuation as of 6/30/11

*(Amounts in Millions-
Preliminary Actuarial Valuation)*

Actuarial Reserve / (Deficit) at June 30, 2010	\$(207.4)
Interest on the deficit at 7.00%	(14.5)
Investment gain (loss)	193.9
Tuition gain (loss)	31.7
Change in payout assumption for community colleges	(6.7)
Higher than expected account balances	(11.9)
Sales of new contracts	12.3
Administrative fee revenue from VCSP	21.9
Change in assumptions	(26.5)
Other	16.2
Actuarial Reserve / (Deficit) as of June 30, 2011	\$9.0



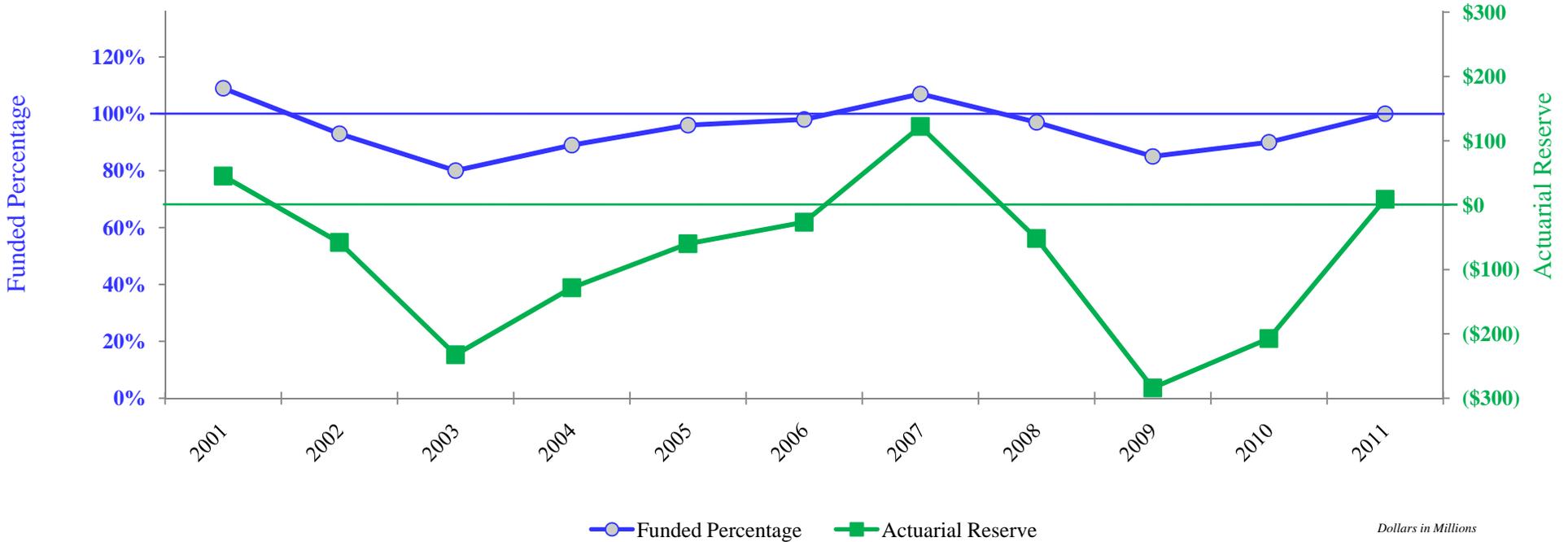
Actuarial Valuations since Inception

(Amounts in Millions- Preliminary Actuarial Valuation for 2011)

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	1,888.6	2,096.0	90%	(207.4)
2011	2,224.3	2,215.3	100%	9.0

(Amounts in Millions- Preliminary Actuarial Valuation for 2011)

VPEP Historical Funded Status and Actuarial Reserve





- Strategic Partnerships

- Virginia Dept. of Education
- Virginia High School League
- Science Museum of Virginia
- Idea Stations
- VAWizard

- WTVR Battle of the Brains
- Richmond Int'l Raceway
- UVA/VA Tech Rivalry
- Colonial Athletic Association
- Virginia Parents and Teachers Assn. (PTA)
- State Fair of Virginia

- Enhanced online presence

- ✓ Updated website
- ✓ Social media – Facebook, Twitter
- ✓ Account options online



SOAR VirginiaSM – Early Commitment Program

- Statutory Mandate

Develop and implement scholarship and/or matching grant programs. Va. Code §23-38.77(6).

- Program pilot commenced in 2011

- 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		

2011 Program Highlights

- VEST
 - Money market portfolio fees reduced to preserve the \$1 NAV
 - Settlement from weekly to daily - March 2011
 - Enhanced investment options and modified age-based glide path
 - Further diversified age-based portfolios by adding four asset classes
- CollegeAmerica
 - Omnibus accounts - Edward Jones - May 2011
 - Two funds added in 2011
 - Surpassed \$30 billion in AUM in January 2011
- VPEP
 - Completed transition to new asset allocation strategy
 - Simplified contract pricing – from 16 prices to 3
- Morningstar re-affirmed top ratings for VEST and CollegeAmerica
- CollegeWealth – Union First Market to dual account platform – March 2011

Appendices



CollegeAmerica Portfolio Options

Fund Name	6/30/2011	% of Total	6/30/2010	% of Total	\$ Increase
Growth Funds	11,676,225,620	36.3%	8,720,726,416	34.9%	2,955,499,204
AMCAP Fund	961,445,034	3.0%	691,991,104	2.8%	269,453,930
Europacific Growth Fund	1,568,644,466	4.9%	1,183,103,170	4.7%	385,541,296
The Growth Fund of America	5,366,143,920	16.7%	4,157,125,445	16.6%	1,209,018,475
The New Economy Fund	255,624,221	0.8%	173,890,611	0.7%	81,733,610
New Perspective Fund	1,529,807,337	4.8%	1,148,536,700	4.6%	381,270,637
New World Fund	928,978,828	2.9%	613,468,200	2.5%	315,510,628
Smallcap World Fund	1,065,581,814	3.3%	752,611,185	3.0%	312,970,628
Growth-and-income Funds	9,091,737,689	28.3%	6,838,393,479	27.3%	2,253,344,210
American Mutual Fund	559,095,716	1.7%	387,156,424	1.5%	171,939,292
Capital World Growth and Income	3,231,905,504	10.1%	2,429,903,945	9.7%	802,001,560
Fundamental Investors	1,476,661,196	4.6%	1,042,327,561	4.2%	434,333,635
International Growth and Income	90,336,559	0.3%	46,488,203	0.2%	43,848,356
The Investment Company of America	2,047,419,206	6.4%	1,634,463,314	6.5%	412,955,892
Washington Mutual Investors Fund	1,686,319,509	5.2%	1,298,054,033	5.2%	388,265,476
Equity-income Funds	3,943,271,347	12.3%	3,090,057,162	12.3%	853,214,185
Capital Income Builder	2,490,431,520	7.8%	1,969,409,921	7.9%	521,021,598
The Income Fund of America	1,452,839,827	4.5%	1,120,647,241	4.5%	332,192,587
Balanced Funds	2,825,140,977	8.8%	2,202,615,259	8.8%	622,525,718
American Balanced Fund	2,753,783,043	8.6%	2,202,615,259	8.8%	551,167,784
American Funds Global Balanced Fund	71,357,934	0.2%	0	0.0%	71,357,934
Bond Funds	3,655,440,341	11.4%	3,220,294,871	12.9%	435,145,470
American High-Income Trust	440,176,675	1.4%	332,698,564	1.3%	107,478,111
The Bond Fund of America	1,516,932,983	4.7%	1,451,726,125	5.8%	65,206,858
Capital World Bond Fund	572,947,032	1.8%	448,956,060	1.8%	123,990,972
Intermediate Bond Fund of America	510,288,888	1.6%	449,099,340	1.8%	61,189,548
Short-Term Bond Fund of America	317,371,121	1.0%	231,113,328	0.9%	86,257,793
U.S. Government Securities Fund	295,937,364	0.9%	306,701,455	1.2%	-10,764,092
American Funds Mortgage Fund	1,786,278	0.0%	0	0.0%	1,786,278
Money Market Fund	942,542,207	2.9%	948,833,114	3.8%	-6,290,907
American Funds Money Market Fund	942,542,207	2.9%	948,833,114	3.8%	-6,290,907
Total	32,134,358,181		25,020,920,301		7,113,437,880



CollegeWealth Investment Options

- **Offerings**

- Union First Market Bank – High Yield Savings Account
- BB&T – Money Market Savings Account

- **Opening an Account**

- \$25 initial deposit to establish account
- No minimum balance or maintenance fees
- No annual fee
- Opened directly with partner banks (shadow account opened simultaneously at VCSP)

- **Interest Compounded Monthly**

BB&T		
Tier	Rate	APY [†]
\$0 - \$24,999	1.98%	2.00%
\$25,000+	2.23%	2.25%

Union First Market Bank		
Tier	Rate	APY [†]
\$0 - \$9,999	1.98%	2.00%
\$10,000+	2.47%	2.50%

[†]FDIC limits apply, Rates as of 6/30/2011

June 30, 2011 VEST Performance

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	Inception Ending	Inception Date
AGE-BASED EVOLVING PORTFOLIOS								
James River Portfolio	-1.19	1.20	4.35				4.35	Jan-11
<i>James River Benchmark</i>	-1.46	0.72	4.73				4.73	
Eastern Shore Portfolio	-1.20	1.18	5.34	26.15	4.61		2.86	Jan-08
<i>Eastern Shore Benchmark</i>	-1.46	0.74	4.75	25.77	4.26		2.82	
Alleghany Portfolio	-1.06	1.22	5.36	23.70	4.34	4.22	4.97	Aug-05
<i>Alleghany Benchmark</i>	-1.28	0.79	4.50	22.80	3.10	3.50	4.25	
Chesapeake Portfolio	-0.95	1.33	4.92	21.16	4.32	4.24	5.95	Jan-02
<i>Chesapeake Benchmark</i>	-1.08	1.00	4.16	19.92	3.24	3.81	5.29	
Potomac Portfolio	-0.80	1.38	4.53	18.29	4.77	4.41	4.42	Jan-00
<i>Potomac Benchmark</i>	-0.87	1.12	3.86	16.94	3.41	3.90	2.83	
Southside Portfolio	-0.67	1.44	3.96	15.68	5.18	4.71	4.45	Jan-00
<i>Southside Benchmark</i>	-0.69	1.21	3.51	14.13	3.42	4.06	3.05	
Blue Ridge Portfolio	-0.46	1.55	3.45	11.85	4.80	4.38	4.45	Jan-00
<i>Blue Ridge Benchmark</i>	-0.46	1.35	2.94	9.70	2.56	3.52	3.09	
Highlands Portfolio	0.29	0.89	1.79	3.67	-0.98	0.85	2.89	Jan-00
<i>Highlands Benchmark</i>	0.07	0.22	0.45	0.94	-1.71	0.95	2.00	
Shenandoah Portfolio	0.29	0.89	1.79	3.67	3.91	4.24	4.14	Jan-00
<i>Shenandoah Benchmark</i>	0.07	0.22	0.45	0.94	1.51	2.58	2.79	
Tidewater Portfolio	0.29	0.89	1.78	3.67	3.91	4.24	3.93	Jan-00
<i>Tidewater Benchmark</i>	0.07	0.22	0.45	0.94	1.51	2.58	2.71	
Piedmont Portfolio	0.29	0.89	1.79	3.67	3.91	4.24	4.53	Jan-00
<i>Piedmont Benchmark</i>	0.07	0.22	0.45	0.94	1.51	2.58	3.54	
STATIC NON-INDEX PORTFOLIOS								
Aggressive Portfolio	-1.52	0.50	5.00	26.50	3.03	3.34	4.68	Jan-02
<i>Aggressive Benchmark</i>	-1.42	0.68	5.38	26.08	4.02	3.98	5.05	
Moderate Portfolio	-1.24	0.92	4.49	20.74	4.05	4.18	4.85	Jan-02
<i>Moderate Benchmark</i>	-1.15	1.05	4.72	20.28	4.94	4.79	5.23	
Conservative Portfolio	-0.68	1.46	3.01	9.42	4.89	4.98	4.41	Jan-02
<i>Conservative Benchmark</i>	-0.55	1.34	2.83	8.32	4.95	5.05	4.49	
Money Market Portfolio	0.00	0.01	0.03	0.10	0.57	2.15	1.80	Jan-02
<i>Money Market Benchmark</i>	0.00	0.00	0.01	-0.01	0.13	1.64	1.56	
Socially Targeted Portfolio	-2.71	-0.70	4.37	22.73			13.30	Oct-09
<i>Socially Targeted Benchmark</i>	-1.68	0.06	5.95	30.49			17.80	
STATIC INDEX PORTFOLIOS								
Total Stock Market Portfolio	-1.80	-0.04	6.25	32.31	4.10	3.42	3.77	Jul-05
<i>Ttl Stock Mkt Benchmark</i>	-1.80	-0.03	6.28	32.42	4.05	3.39	3.76	
Total Bond Market Portfolio	-0.39	2.23	2.52	3.55	6.23	6.35	5.14	Aug-05
<i>Ttl Bond Mkt Benchmark</i>	-0.31	2.24	2.62	3.70	6.23	6.28	5.11	
Ttl International Stock Portfolio	-1.48	0.69	3.66	30.79	-0.58	3.08	5.80	Aug-05
<i>Ttl Int'l Stock Benchmark</i>	-1.26	1.54	4.91	30.17	-2.02	1.22	4.19	
Inflation-Protected Securities Portfolio	0.58	3.32	5.26	7.09	4.49	6.40	5.12	Aug-05
<i>Inflation-Protected Benchmark</i>	0.79	3.61	5.71	7.54	5.05	6.67	5.32	
REIT Portfolio	-3.35	3.47	10.18	33.80	5.98	2.72	4.92	Aug-05
<i>REIT Benchmark</i>	-3.32	3.55	10.24	33.89	5.10	2.13	4.43	

Virginia529SM

College Savings Plan



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