COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, North Chesterfield, VA 23236

Mary G. Morris
Chief Executive Officer

(804) 371-0766

December 14, 2015

Hal E. Greer
Director
Joint Legislative Audit and Review Commission
201 North 9th Street
General Assembly Building, Suite 1100
Richmond, Virginia 23219

Dear Mr. Greer:

It is our pleasure to present the Annual Report (the Report) of the Virginia College Savings Plan (VA529) for the fiscal year ended June 30, 2015, as required by Section 30-332 (A) and (B) of the Code of Virginia.

REPORT CONTENTS

The Report contains the following:

- Transmittal Letter
- Attachment A – Annual Report and Audited Financial Statements for the year ended June 30, 2015
- Attachment B - Draft Actuarial Valuation Report for the Virginia529 prePAID Program for the year ended June 30, 2015
- Attachment C – Asset Allocation and Performance of the Virginia529 prePAID Program for the fiscal year ended June 30, 2015
- Attachment D – Asset Allocation and Performance of the Virginia529 inVEST Program for the fiscal year ended June 30, 2015
- Attachment E - Investment Policies and Guidelines for the Virginia529 prePAID and inVEST Programs

OVERVIEW

VA529 is a body politic and corporate and independent agency of the Commonwealth of Virginia, created in 1994 by the Virginia General Assembly in Chapter 4.9 of Title 23 of the *Code of Virginia*, as amended (§23-38.75 through §23-38.87:1). VA529 does not receive any general fund appropriations; however, VA529's enabling legislation provides that a sum sufficient appropriation be included by the Governor in his budget to cover current obligations of VA529, including prePAID's contractual obligations, in the event of a funding shortfall.

VA529's mission is to continue to be a national leader in 529 programs by providing superior, affordable, innovative, tax-advantaged college savings options to assist families and others in achieving their higher education goals, all as part of our statutory mandate to help make college more affordable and accessible. We accomplish our mission primarily through four I.R.C § 529 qualified tuition programs: Virginia529 prePAID℠ (prePAID), Virginia529 inVEST℠ (inVEST), CollegeAmerica® and CollegeWealth®. All VA529 programs are exempt from federal and state income taxes and remain tax-free as long as used for qualified higher education expenses. In addition, Virginia taxpayers who are participants in VA529 programs may receive up to a $4,000 per year, per account deduction for state income tax purposes.

The Virginia529 prePAID Program is a defined benefit program, which offers contracts, at actuarially determined prices, that provide for the future payment of undergraduate tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher education institution and all mandatory fees required as a condition of enrollment of all students. The contract provisions also allow benefits to be used at in-state private or out-of-state institutions; however, calculations of benefits and payouts differ, both from Virginia public colleges and universities and between in-state private and out-of-state institutions. prePAID has a limited enrollment period each year, and is open to beneficiaries in the ninth grade or younger if the beneficiary or participant is a Virginia resident. Since inception, over 118,722 accounts have been opened, with 66,359 contracts remaining active at year-end. The program had total assets invested from contributions, net earnings and other revenue of approximately $2.4 billion as of June 30, 2015. VA529 is responsible for the management of the program, including the investment of the prePAID portfolio.

The Virginia529 inVEST Program is a defined contribution savings program which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, to be used at any eligible educational institution, by making contributions into the investment portfolio(s) of their choice. As of June 30, 2015, participants could select from among 16 investment portfolios designed and administered by VA529. inVEST accounts are subject to investment risks, including the possible loss of principal. The inVEST program is open year round and has no age or residency restrictions. inVEST began operation in December 1999. As of June 30, 2015, 255,708 accounts had been opened since inception, with 197,115 accounts remaining active at year end. These accounts had a net asset value of approximately $3.1 billion as of June 30, 2015.

CollegeAmerica is a defined contribution savings program offered in partnership with the American Funds, one of the largest mutual fund companies in the country. VA529 is the program sponsor and the American Funds the program manager. CollegeAmerica is available only through financial advisors and offers 40 of the American Funds mutual funds as investment options. CollegeWealth is also a defined contribution savings program offered in partnership with participating banks, BB&T and Union Bank & Trust. CollegeWealth participants invest in FDIC-insured savings products. Funds invested in CollegeAmerica and CollegeWealth are held and managed by the American Funds and our banking partners, respectively. Thus, they are not included in the financial statements and are not highlighted in this Report.

JLARC staff attended VA529 Board and Committee meetings and the Board's retreat during fiscal 2015. JLARC staff also has access to all documents and meeting materials posted on a secure server maintained for our Board and Committee members and receives all documents and materials disseminated during meetings, including items included in this Report. Finally, JLARC staff has full access to VA529 staff.

Specific Report Criteria Pursuant to § 30-332 (A) and (B)

(i) Planned or Actual Material Changes in Asset Allocation

VA529 made no changes in the prePAID asset allocation categories in fiscal 2015 and none are planned. Changes in the VA529 savings programs included the inVEST age-based portfolio evolution on January 1, 2015. The age-based portfolio's asset allocations evolved in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards their final evolution. Also, in March 2015, VA529 approved the addition of three actively-managed target risk portfolios as static investment options for the inVEST Program. These actively-managed portfolios are designed to complement the passively-managed index target risk funds currently offered and provide an alternative for those investors who prefer active management. The new portfolios were opened as of October 1, 2015. With the addition of these portfolios, inVEST now offers nineteen portfolio options for new investors. In September 2014, VA529 approved the inclusion of two new CollegeAmerica investment options as well. A complete description of those changes may be found in the VA529 Annual Report and Audited Financial Statements for the year ended June 30, 2015, which is included as **Attachment A**.

(ii) Investment Performance of All Asset Classes and Subclasses

VA529's Investment Advisory Committee reviews the investment performance of all VA529 programs on a quarterly basis. The complete performance and asset allocation reports are always available to JLARC staff on the secure Board server.

VA529 has assumed a long-term rate of return of 6.25 percent on the prePAID investments. As of June 30, 2015, the total return since inception was about 6.4 percent net of fees and reflected prePAID's 1.2 percent performance during fiscal 2014. The actuarial funded status of prePAID as of June 30, 2015 was 126%. A copy of the Actuarial Valuation Report for the Virginia529 prePAID Program for the year ended June 30, 2015 is included as **Attachment B**.

Attachments C and D hereto contain detailed performance information on the prePAID and inVEST Programs as of June 30, 2015.

(iii) Investment Policies and Programs

VA529's Investment Advisory Committee reviews the Investment Policies and Guidelines for the prePAID and inVEST Programs annually. **Attachment E** hereto contains the Investment Policies and Guidelines for the Virginia529 prePAID and inVEST Programs that were most recently updated in December 2015.

VA529 remains committed to providing the best possible customer service to our program participants and to the citizens of the Commonwealth, and to being responsible stewards of the funds in our care. We appreciate the opportunity to work with JLARC staff throughout the year and present this Report to the General Assembly through JLARC. We welcome any questions or comments.

Respectfully submitted,

Mary G. Morris
Chief Executive Officer

Attachments

pc: Board of the Virginia College Savings Plan

Attachment A

Annual Report and Audited Financial Statements for the year ended June 30, 2015

Virginia529 Annual Report

For the period ended on June 30, 2015

Virginia529℠
College Savings Plan

COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, North Chesterfield, VA 23236

Mary G. Morris
Chief Executive Officer

(804) 371-0766

LETTER OF TRANSMITTAL

October 15, 2015

Board of the Virginia College Savings Plan
9001 Arboretum Parkway
North Chesterfield, Virginia 23236

To the Members of the Board:

It is our pleasure to present the Annual Financial Report (the Report) of the Virginia College Savings Plan (VA529) for the fiscal year ended June 30, 2015, as required by Section 23-38.84 of the *Code of Virginia*. This Report will be presented to the Governor, the Senate Committee on Finance, the House Committees on Appropriations and Finance, and the Joint Legislative Audit and Review Commission. The Report also will be available on our web site at Virginia529.com.

MISSION AND PROGRAMS

VA529's mission is to continue to be a national leader in 529 programs by providing superior, affordable, innovative, tax-advantaged college savings options to assist families and others in achieving their higher education goals, all as part of our statutory mandate to help make college more affordable and accessible. We accomplish our mission primarily through four college savings programs, Virginia529 prePAID℠ (prePAID), Virginia529 inVEST℠ (inVEST), CollegeAmerica® and CollegeWealth®.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

VA529's management assumes full responsibility for the accuracy, completeness and reliability of the information presented. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The financial statements contain a description of the accounting principles used in the preparation of the statements. In accordance with GASB principles per the *Codification of Governmental Accounting and Financial Reporting Standards*, the financial statements include Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

VA529's management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with GAAP. The internal control system includes the organization plan, the appropriate segregation of duties and responsibilities and sound practices in the performance of duties, data security, and personnel with capabilities commensurate with their responsibilities.

VIRGINIA529 prePAID ACTUARIAL VALUATION AND OUTLOOK

VA529's most recent actuarial valuation report for the Virginia529 prePAID program was prepared by Milliman, Inc. as of June 30, 2015 and compares the value of the current and projected assets of prePAID to the value of expected future disbursements and program costs. The actuarial valuation was performed based upon generally accepted actuarial principles. The two most significant assumptions used to prepare prePAID's actuarial valuation report are the long-term rates of investment return and future tuition growth. The report indicated an improvement in prePAID's actuarially determined funded position from the position as of June 30, 2014 primarily due to lower than expected tuition increases and changes to the economic assumptions offset by lower than expected investment returns. We are pleased to report that prePAID was 125.8 percent funded on an actuarial basis as of June 30, 2015.

The Plan continues to remain optimistic that its asset allocation and investment strategies will result in the prePAID portfolio meeting or exceeding performance expectations over the long term. The Plan has assumed a long-term rate of return of 6.25 percent on prePAID investments, lowering the rate from 6.75 percent in June 2015. As of June 30, 2015, the total return since inception was 6.4 percent, net of fees, and reflected the lower than expected 1.2 percent overall performance during fiscal 2015. Virginia529 has adopted a long-term target asset allocation strategy for prePAID as set forth in its Investment Policy and Guidelines. As of June 30, 2015, the prePAID portfolio was within about 0.5 percent of its target allocation in the four major categories.

During the fiscal year ended June 30, 2015, domestic equity markets continued to perform moderately well but with increased volatility resulting from falling energy and commodity prices, slowing and uneven growth overseas, and continued uncertainty as to when the Federal Reserve would commence tightening rates. International equity markets exhibited similar volatility with emerging markets being negatively impacted by currency fluctuations. Domestic fixed income markets were relatively flat and exhibited volatility similar to domestic equity markets as U.S. and global investors bought and sold U.S. Treasuries in reaction to global events. As a result, U.S. Treasury performance was inconsistent as demonstrated by the yield on the ten-year U.S. Treasury which started the year at 2.58 percent, fell in January 2015 to about 1.73 percent but climbed back to end the year about where it started at 2.35 percent. Global market turmoil continued through September 2015 as domestic and international equity markets continued to see more volatility. In July 2015 for example, China's stock market tumbled 8.5

percent in one day – the largest one-day drop since 2007. Global markets continued to sell off through September and the U.S. equity markets experienced significant volatility. As of September 30, 2015, U.S. stocks had suffered their worst quarter since 2011.

In October 2014, the Federal Reserve (Fed) announced that it would conclude its asset purchase program under which it was purchasing agency mortgage-backed securities and longer-term Treasury securities under its third round of quantitative easing. The Fed stated that it would continue to reinvest principal payments. This followed the issuance in September of a normalization principles and plans policy paper in which the Fed tried to explain when, how and under what circumstances it would begin raising short-term interest rates from its target range for the federal funds rate of 0 to 0.25 percent established in 2008 during the market downturn and liquidity crunch. In December 2014, the Fed inserted the word "patient" into its FOMC statement raising hopes that a rate increase would occur in the spring of 2015. By its March 2015 meeting, however, the word patient had been removed. Unfortunately for the Fed, a surging dollar which led to falling exports, persistently low inflation, weak and uneven global growth, steady but tepid job growth, softer GDP growth, other international developments and domestic market volatility continued throughout fiscal 2015. On the jobs front while the unemployment rate fell to 5.3 percent by the end of June, the labor-force participation rate, or share of the population working or looking for a job, marked a 38-year low at 62.6 percent. Thus, the Fed did not increase the target federal funds rate during fiscal 2015 and held pat at its September 2015 meeting citing low inflation, soft labor markets and financial and international market developments.

In summary, by the end of September 2015, global markets are remarkably similar to where they were in the autumn of 2014 when we wrote our 2014 Letter of Transmittal. Worries continue to abound with regard to geopolitical turmoil throughout the world and particularly in the Middle East, economic slowdowns in China and the emerging markets, low interest rates failing to ignite inflation, expectations of Fed rate hikes, U.S. Government debt levels and growing deficit spending, and continued sluggish job creation, tepid wage growth and a lagging recovery. It is difficult to estimate how these and other factors may impact the performance of prePAID during the remainder of fiscal 2016.

The other significant factor in prePAID's ability to meet its future obligations is the future growth in tuition. There is an inverse relationship between state funding and the rate at which tuition increases at public higher education institutions. During the 2014-16 biennium, Virginia's public higher education institutions have continued to experience reductions in state support. Following the 2014 Session budget impasse, subsequent special sessions and the adoption of a revised budget in September 2014, E&G funding for higher education was reduced by $45 million in each year of the biennium or about 2.1 percent according to the State Council of Higher Education for Virginia (SCHEV). During its 2015 Session, the General Assembly provided additional general fund support, but it was not sufficient to restore all of the funding from the prior budget reduction. As a result, according to SCHEV, full time undergraduate tuition and all mandatory fees at public higher education institutions in Virginia increased by an average of 6.0 percent for the 2015-16 academic year. This increase was more than the 5.8 percent increase in 2014-15 and the 4.3 percent increase in 2013-14.

Also according to SCHEV, as a result of years of successive general fund budget reductions, the State's contribution to the cost of higher education is estimated to be 47 percent, which means that on average, in-state undergraduate students will pay more than half of the cost of their education in fiscal 2016. That is 20 percentage points lower than the target of 67 percent identified in the Commonwealth's tuition policy.

Prior to the 2015 Session, the Joint Legislative Audit and Review Commission (JLARC) published the last of its five-part series on public higher education in Virginia. The last report focused on the cost of higher education noting the significant recent increases in tuition and fees. It also presented options and recommendations to address the rising cost of public education in Virginia. During the 2015 Session, several bills were introduced to modify tuition and fee-setting policies at Virginia public colleges. Included in these bills was Senate Bill 806 that proposed to fix the cost of in-state tuition for incoming freshman under certain conditions. Also during the 2015 Session, the Joint Subcommittee on Future Competitiveness of Virginia Higher Education was created to review affordability and access and make recommendations. Changes in tuition and fee models, whether the result of institutions' efforts to balance their funding models or legislative action, pose a threat to the sustainability of the prePAID Program. Virginia529 looks forward to working with this Committee as it completes its work.

Although growing at a slow pace, economic conditions continued to improve in fiscal 2015 nationally and in Virginia. However, Virginia is considered to be one of the most vulnerable states to federal spending reductions because of its dependence on defense spending and the large number of federal employees who live and work in Virginia. According to a JLARC study, between 18 and 30 percent of Virginia's general fund revenue is estimated to result from federal spending. So, while Virginia has benefitted from its relationship with the federal government, pressures on future federal spending may result in reduced spending in Virginia. The ultimate impact and amount of federal spending reductions have yet to be determined.

In assessing prePAID's financial condition and in pricing prePAID contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 6.5 percent for four-year and two-year institutions for fiscal years 2017 and thereafter. Additional budget shortfalls and corresponding reductions in general fund support to Virginia's public higher education institutions may result in mid-year tuition and fee increases and higher tuition and fee increases in future academic years. Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term prePAID obligations. With the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a position to be informed of future tuition and fee increases. However, changes in tuition and fee models at Virginia public higher education institutions that impact prePAID may have an adverse impact on program sustainability.

2015 PROGRAM HIGHLIGHTS

- **Account Growth and Transaction Volume**

During fiscal 2015, the Plan continued to experience positive growth in accounts as shown in the table below. CollegeWealth's 23.6 percent growth rate demonstrates the success of the program with BB&T and Union Bank & Trust. This figure continues to normalize as the program's account base increases following its 2009 re-launch. The inVEST Program's 16.5 percent growth rate depicts continued strong growth and corresponds to an additional 28,905 accounts opened during the fiscal year.

Fiscal 2015 Growth in Accounts[1]	
prePAID	4.9%
inVEST	16.5%
CollegeAmerica	1.2%
CollegeWealth	23.6%

[1]*Gross accounts opened during fiscal year, except for CollegeAmerica (net)*

Transaction volume also continued to increase as participants utilized their college savings accounts. During fiscal year 2015, the Plan processed 31,796 inVEST distribution requests and 26,850 prePAID payments to institutions, representing a 15.99 percent and 0.5 percent increase over the prior fiscal year, respectively.

- **Virginia529 inVEST Program and CollegeAmerica Investment Changes**

The inVEST Program's age-based portfolio's evolved in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards the final evolution. The final evolution for all portfolios is to 100 percent stable value. Stable value comprised over 22 percent of the inVEST program's assets under management as of June 30, 2015. The age-based evolving portfolios continue to be the most popular of the diversified inVEST program investment options.

In March 2015, VA529 approved the addition of three actively-managed target risk portfolios as static investment options for the inVEST Program. These actively-managed portfolios are designed to complement the passively-managed index target risk funds currently offered and provide an alternative for those investors who prefer active management. The new portfolios were opened as of October 1, 2015. With the addition of these portfolios, inVEST now offers nineteen portfolio options for new investors.

In October 2014, the inVEST and CollegeAmerica Programs received Silver ratings from Morningstar. Morningstar, a leading provider of independent investment research, introduced its ratings on 529 plans in 2010 and evaluates college savings plans on five key pillars – Process, Performance, People, Parent, and Price – which its analysts believe lead to plans that are more likely to outperform over the long term on a risk-adjusted basis. Morningstar evaluated 64 of the largest 529 plans in 2014. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. inVEST and CollegeAmerica were two of the four plans that received Silver ratings. Four plans also received a Gold rating, which makes inVEST and CollegeAmerica two of eight plans that received one of the top two ratings.

In September 2014, VA529 approved the inclusion of two new CollegeAmerica investment options, the American Funds' Inflation Linked Bond Fund and the American Funds College 2033 Fund. The American Funds College 2033 Fund is similar to an inVEST age-based portfolio in that both are target date funds designed to provide investors with an easy-to-use investment in which the asset allocation gradually transitions over time to a more income and capital preservation focus as the college enrollment date nears. As of June 30th, the CollegeAmerica program offered 40 American Funds mutual funds.

- **Operational and System Improvements**

During fiscal 2015 VA529 continued to make improvements to better serve our customers. While too numerous to list them all, we offer the following examples.

The Department of Accounts is replacing CARS with a new, more robust accounting system (Cardinal Project). VA529 is a Wave 2 agency and is scheduled to go-live in February 2016. VA529's staff are working with the Cardinal team to successfully implement the interface between VA529's accounting system and Cardinal. As of September 30, 2015, VA529 was on track to achieve a successful transition.

As a result of legislation passed during the 2013 Session, Virginia taxpayers were allowed to direct the Department of Taxation, beginning with tax year 2014, to deposit all or a portion of their Virginia state income tax refund into one or more Virginia529 accounts. This collaborative project between Tax and Virginia529 resulted in a new tax form and was successfully implemented under budget. During fiscal 2015, 631 deposit transactions were processed representing over $363,000 in tax refunds.

VA529 continued to improve our customers' experience by redesigning our statements to provide more information on portfolio balances, asset allocation and returns in an easy-to-read format. We also consolidated the customer statements by unique account owner and beneficiary combinations and provided statements electronically to reduce printing and mailing costs and speed delivery. Paper statements are still available to customers who prefer a hard copy via mail.

In addition, VA529 improved the distribution of prePAID program benefits for those students attending school outside of Virginia by transferring benefits to an inVEST account in advance of when the benefits would have been paid to the college under the prior methodology.

This provided account owners with the flexibility to pay the schools directly and to better manage their VA529 prePAID benefits.

- **2015 General Assembly Session**

The Achieving a Better Life Experience Act of 2014 (ABLE Act) was signed into law by President Obama in December 2014. The ABLE Act created a new Section 529A of the Internal Revenue Code to permit states to establish and maintain tax-exempt accounts that individuals with disabilities can use to pay for "qualified disability expenses". This would include expenses for education, including higher education, a primary residence, transportation, obtaining and maintaining employment, health and wellness, and other personal support expenses. In order to be eligible, a beneficiary must either be determined disabled or blind under the Social Security Disability Insurance or Supplemental Security Income programs, or be certified by a licensed physician to meet standards of disability. The disability must have been diagnosed before the date on which the individual reached the age of 26. The ABLE Act was drafted and developed such that ABLE programs were intended to be administered by state college savings programs like VA529.

In March, Governor McAuliffe signed the Virginia ABLE Act (Chapter 311 of the 2015 Virginia Acts of Assembly), which mandated that VA529 develop an ABLE Program. There are many challenges with creating an ABLE Program many of which stem from the federal ABLE Act. For example, total annual contributions to an ABLE account would be capped at the annual exclusion for gift tax purposes (currently $14,000). Further, unlike 529 college savings plans, an ABLE account beneficiary must be a resident of the state in which the account is established, thus limiting the establishment of a national program. While a state may contract with another state to provide its residents with access to the second state's ABLE program, that structure would be expensive and complex to establish. To further complicate matters, the IRS issued proposed regulations in June 2015, which included onerous reporting requirements on the state program managers. Comments were due at the end of September 2015 and VA529 participated with industry groups and our partners in filing comment letters. As a result, pending final regulations that would resolve these issues, it is difficult to estimate when VA529 will establish and implement an ABLE Program. VA529 has included funds to implement an ABLE Program in its budget adjustments and requests for fiscal 2016 and the next biennium, respectively, in anticipation of favorable regulations.

- **Joint Legislative Audit and Review Commission (JLARC) Oversight.**

During its 2012 Session, the General Assembly passed, and the Governor signed, the Virginia College Savings Plan Oversight Act, which provided for oversight and evaluation on a continuing basis by JLARC. Although the legislation was not the result of a problem or deficiency, JLARC oversight resulted in the continued dedication of VA529 staff and financial resources in fiscal 2015 as the Oversight Act was fully implemented and the first biennial status report was issued.

JLARC staff issued its first biennial status report on VA529 in July 2014 and noted that VA529' s programs had grown and met long-term, performance goals and had met most investment performance benchmarks. The report also repeated the findings of JLARC's actuary, Gabriel Roeder Smith & Company from its initial quadrennial actuarial audit of the prePAID program, which was completed in fiscal 2013 and found that prePAID was actuarially sound. JLARC's report also noted the restructuring of the prePAID contracts in fiscal 2013 to improve affordability and that the restructuring appeared to increase the number of prePAID applications. Finally, the report noted the reductions in program fees and recent legislative changes. The full report may be found on JLARC's website at http://jlarc.virginia.gov/reports.shtml. We look forward to continuing our relationship with JLARC.

ACKNOWLEDGEMENTS

We remain committed to providing the best possible customer service to our program participants and to the citizens of the Commonwealth, and to be responsible stewards of the funds in our care. We express our sincere thanks and appreciation to our outstanding staff, our business partners and the guidance and dedication of our Board and Committee members.

Respectfully submitted,

Mary G. Morris
Chief Executive Officer

Gary Ometer, CPA, CGMA
Chief Financial Officer

-TABLE OF CONTENTS-

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 9, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia College Savings Plan

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities (the Enterprise Fund) and the remaining fund information (the Private-Purpose Trust Fund) of the **Virginia College Savings Plan** (Plan) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the remaining fund information of the Virginia College Savings Plan as of June 30, 2015, and the changes in its financial position and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Relationship to the Commonwealth of Virginia

As discussed in Note 1, the basic financial statements of the Plan are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities, the major enterprise fund, and aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2015, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 68 and No. 71, related to pension accounting and financial reporting for employers. As discussed in Note 5, the Plan also implemented GASB 72, Fair Value Measurement and Application. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 21, the Schedule of VA529's Share of Net Pension Liability on page 73, Schedule of VA529 Contributions on page 73 and Notes to Required Supplementary Information on pages 73 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The accompanying supplementary information, such as Appendix A, Appendix B, and Appendix C and other information such as the letter of transmittal and program information for CollegeAmerica and CollegeWealth, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Appendix A, Appendix B, and Appendix C are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Appendix A, Appendix B, and Appendix C are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The letter of transmittal and program information for CollegeAmerica and CollegeWealth has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Plan's internal control over financial reporting and compliance.

Staci A. Henshaw

DEPUTY AUDITOR OF PUBLIC ACCOUNTS

AVC/alh

Management's Discussion & Analysis

Virginia529 College Savings Plan

VIRGINIA COLLEGE SAVINGS PLAN'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

The Virginia College Savings Plan's (VA529) Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues and provides an overview of financial activity. This discussion includes an analysis of the VA529's financial condition and results of operations for the fiscal year ended June 30, 2015. This presentation includes summarized data and should be read in conjunction with the accompanying financial statements and notes.

VA529 operates the Commonwealth's Internal Revenue Code (IRC) Section 529 qualified tuition plan, which offers four programs, Virginia529 prePAIDSM (prePAID), Virginia529 inVESTSM (inVEST), CollegeAmerica® and CollegeWealth®. prePAID is considered a defined benefit program which offers contracts, at actuarially determined prices, that provide the future payment of undergraduate tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher educational institution and all mandatory fees required as a condition of enrollment of all students and differing payouts at private or out-of-state institutions. Annually, VA529's actuary determines the actuarial soundness of prePAID. Key factors used in the actuarial analysis include anticipated tuition increases (both short and long-term) as well as anticipated long-term investment performance. inVEST is a defined contribution savings program, which allows participants to make contributions into their selected investment portfolio(s). inVEST accounts are subject to market investment risks, including the possible loss of principal.

CollegeAmerica and CollegeWealth are also defined contribution savings programs. CollegeAmerica, a broker-sold program, offers 40 different American Funds mutual fund products as investment options. CollegeAmerica participants bear all market risk for their investment, including the potential loss of principal. The American Funds acts as program manager for CollegeAmerica and provides all back office and operational services for the program. CollegeWealth participants invest in FDIC-insured savings products offered through two participating banks, BB&T and Union Bank & Trust.

Overview of Financial Statements

This discussion and analysis is an introduction to VA529's basic financial statements, which include VA529's business-type activity or enterprise fund, the fiduciary or private purpose trust fund and notes to the financial statements.

Business Type Activities – Enterprise Fund

All prePAID activities and VA529's operating activities are accounted for in an enterprise fund, which is typically used to account for governmental operations that are financed and operated in a manner similar to a private sector business. Enterprise funds typically report activities that charge fees for supplies or services to the general public. This activity is reported on the full accrual basis of accounting. This means that all revenue and expenses are reflected in the financial statements even if the related cash has not been received or paid as of June 30th.

The Statement of Net Position presents information on all prePAID assets and liabilities, with the difference between the two reported as total net position. Over time, increases and decreases in net position along with the information contained in the annual actuarial soundness report indicate prePAID's financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year, including both actual as well as actuarially determined contract payments from participants and distributions for higher education expenses.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, financing, and investing activities.

Fiduciary Fund

inVEST is reported as a private purpose trust fund. A private purpose trust fund accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations or other governments, and uses the full accrual basis of accounting.

inVEST activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position presents information on all inVEST assets and liabilities, with the difference between the two reported as total net position. The Statement of Changes in Fiduciary Net Position presents the revenues earned and expenses incurred during the year.

CollegeAmerica and CollegeWealth are both defined contribution savings programs and are presented as Other Information.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Fiscal 2015 Financial Highlights

VA529 collects, holds, invests and distributes monies held in trust for program participants. VA529 invests its funds pursuant to statute and Investment Policies and Guidelines under the direction of its Board and Investment Advisory Committee in a mix of equity, fixed income and alternative investments. During the fiscal year ended June 30, 2015, domestic equity markets continued to perform moderately well, but with increased volatility resulting from falling energy and commodity prices, slowing and uneven growth overseas, and continued uncertainty as to when the Federal Reserve would commence tightening rates. International equity markets exhibited similar volatility with emerging markets being negatively impacted by currency fluctuations. The United States domestic equity market, as measured by the Standard & Poor's 500 Index, ended the year up 7.4 percent from June 30, 2014 while international equity markets as measured by the MSCI EAFE Index, were down -3.8 percent, with emerging markets as measured by the MSCI EM Index, down -4.8 percent for the year. The fixed income markets provided inconsistent performance throughout the year as interest rates remained fairly steady with the yield on the ten-year U.S. Treasury falling at the beginning of calendar 2015 but climbing back to end the year about where it started. The Barclays Capital US Aggregate Bond Index returned just 1.9 percent for the year ended June 30, 2015. Certain fixed income classes such as senior secured bank loans performed slightly better than others as demonstrated by the Credit Suisse Leveraged Loan Index which returned 2.2 percent for the year ended June 30, 2015.

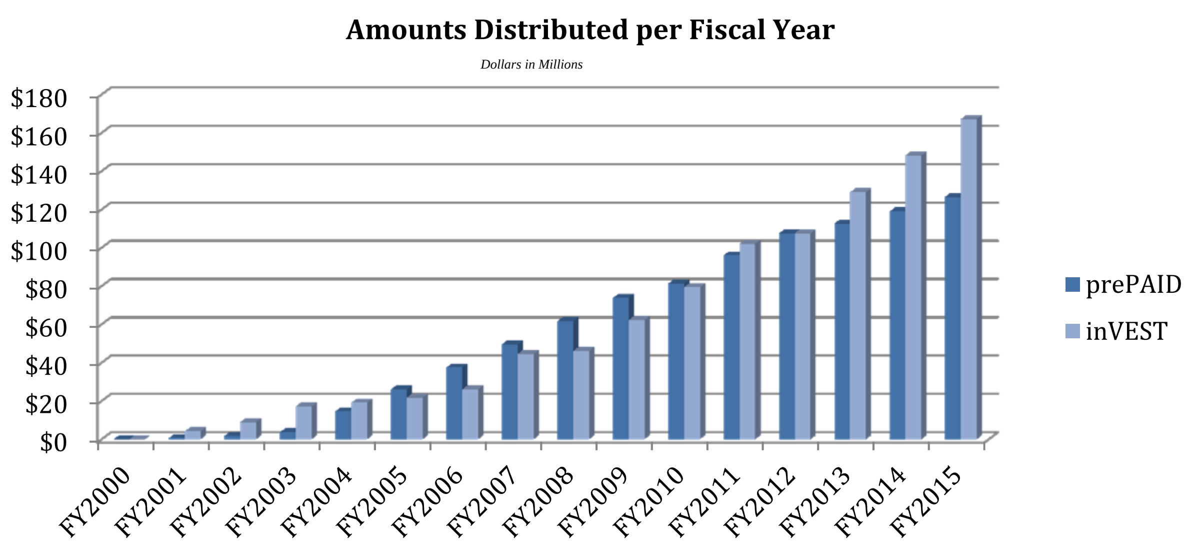
In aggregate, market movements had an overall net positive effect, albeit mixed, on fixed income and equity security prices in the prePAID, inVEST and CollegeAmerica portfolios for the fiscal year ended June 30, 2015.

Other Highlights

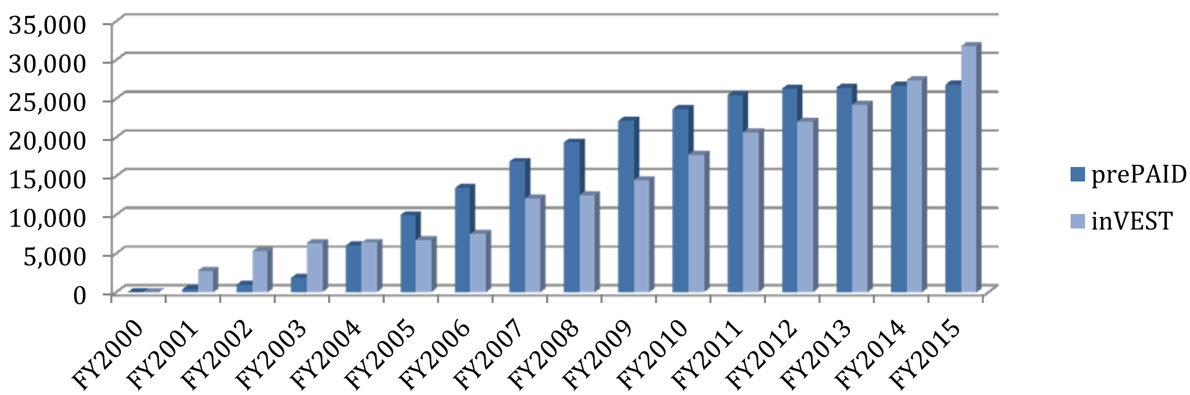
- The Enterprise Fund's total cash, cash equivalents, and investments held in trust for program participants increased by $14.5 million, or about 0.6 percent from fiscal year-end 2014.

- prePAID's actual return on investments for the fiscal year ended June 30, 2015 was 1.2 percent on a time-weighted and dollar-weighted basis reflecting the equity and fixed income market performance during the fiscal year.
- The Enterprise Fund's net position increased by $23.1 million to an actuarially determined surplus of $546.4 million from an actuarial surplus of $523.3 million in the prior year, which was primarily due to lower than expected tuition increases and changes in the economic assumptions offset by lower than expected investment returns.
- prePAID's actuarially determined obligations for future payments decreased by $23.7 million, or approximately -1.1 percent, which was primarily due to the passage of time, unit redemptions and new unit sales, differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions. 3,305 new contracts were opened during the 2014 – 2015 enrollment period.
- inVEST's net position held in trust for program participants increased by $261.7 million or about 9.3 percent due to growth in accounts and favorable market conditions.
- Both prePAID and inVEST applicants continued utilization of on-line applications with more than 97.1 and 92.8 percent of applications being filed on-line, respectively.
- VA529 continued to experience positive growth in accounts, particularly in inVEST and CollegeWealth with 16.5 percent and 23.6 percent gross account growth, respectively. CollegeAmerica also experienced positive net account growth in 2015 at 1.2 percent. More information on CollegeAmerica and CollegeWealth is provided in Other Information.
- Distributions as measured by dollars and number of transactions continued to increase for both prePAID and inVEST as participants utilized their college savings accounts. Transactional activity for both prePAID and inVEST is depicted in the graphs below.

The two graphs below represent inVEST and prePAID distributions since fiscal year 2000.



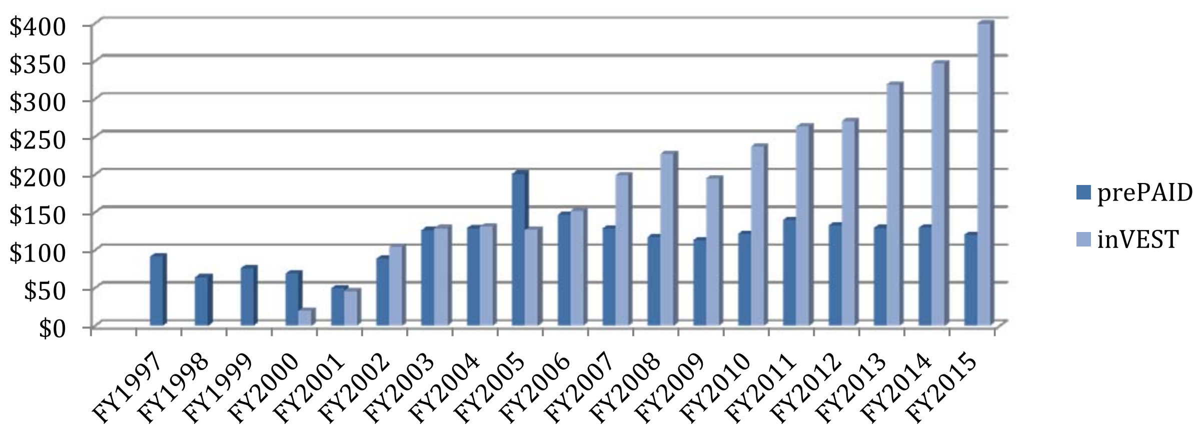
Number of Distributions on Behalf of Beneficiaries per Fiscal Year



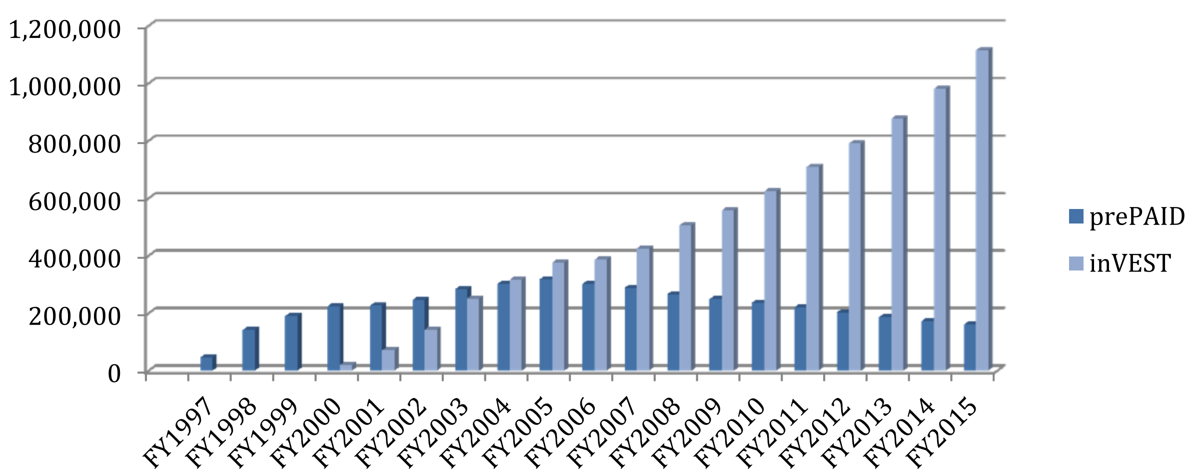
The two graphs below represent prePAID contract payments and inVEST contributions received since fiscal year 1997 – inVEST being introduced in fiscal 2000.

Amounts Received per Fiscal Year

Dollars in Millions

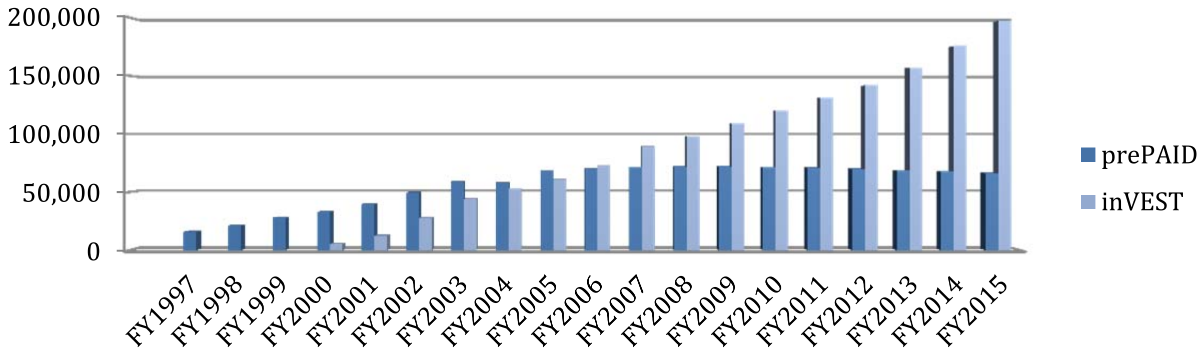


Number of Payments/Contributions Received per Fiscal Year



The graph below represents inVEST and prePAID accounts under management since fiscal year 1997 – inVEST being introduced in fiscal 2000.

Growth in Accounts Under Management



Analysis of Enterprise Fund Financial Activities

The Enterprise Fund includes the activities of prePAID as well as VA529's general operating activities. The Enterprise Fund ended the year with net position of $546.4 million.

Table 1 is a summary comparison of the Enterprise Fund's Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2015 as compared to the prior year.

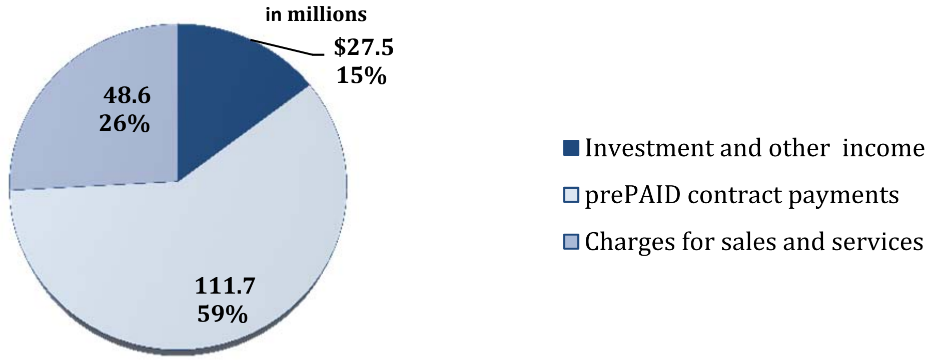
Table 1 – Enterprise Fund – Changes in Net Position (in millions)

YEARS ENDED JUNE 30,	2015	2014	CHANGE
Operating revenues			
Charges for Sales and Services	$ 48.6	$ 47.1	$ 1.6
Interest and Dividends	113.7	151.7	(37.9)
Net increase in fair value of investments	(86.2)	102.1	(188.3)
prePAID contract payments	111.7	106.9	4.8
Other	-	-	-
Net operating revenues	187.9	407.7	(219.9)
Operating expense			
Tuition Benefits Expense	135.1	84.1	51.0
Other operating expenses	19.5	19.4	0.1
Net operating expenses	154.6	103.5	51.1
Operating income (loss)	33.3	304.2	(270.9)
Transfer to the Commonwealth	(0.3)	(0.2)	(0.1)
Non Operating Interest Expense	(0.2)	(0.2)	-
Change in net position	32.8	303.9	(271.1)
Beginning Net position (as restated)	513.6	219.5	294.1
Ending Net position	$ 546.4	$ 523.4	$ 23.1

Amounts may not sum due to rounding

As stated above, capital markets performance was mixed during the fiscal year with global fixed income and international equity markets posting negative returns and U.S. domestic equity markets providing moderate gains compared to recent years. The prePAID Portfolio's performance reflected this with a rate of return for fiscal 2015 of about 1.2 percent. For the fiscal year ended June 30, 2015, as a result of the investment performance and prePAID program payouts, there was a net decrease in the fair value of investments of approximately $86.2 million, versus the increase in the prior fiscal year of $102.1 million. The fair market value of investment securities changes on a daily basis depending upon market conditions. This number will fluctuate from year to year, depending upon market conditions on June 30th, or the last business day of the fiscal year. Investment income represents about 15 percent of enterprise fund revenue, as shown in Chart 1.

Chart 1
2015 Enterprise Fund Revenue



VA529 prePAID contract payment revenue includes actual and actuarially estimated contract payments, and represents approximately 59 percent of enterprise fund revenue. Actual contract payments received from participants increased by $2.8 million over prior year receipts. Beginning in FY2015, prePAID rollovers and transfers to inVEST are now accounted for as a program expense, instead of a reduction in revenue. If using the same method as used in previous years for fiscal 2015, the variance in actual contract payment revenue would be a decrease of $15.2 million over prior year receipts. This change in accounting also affects prePAID contract payment revenue. In addition, actuarially determined prePAID contract payment revenue increased by $2.0 million. Receipts for charges for sales and services totaled $48.6 million in fiscal year 2015. This is a $1.5 million increase over the prior year. The increase is attributable to the growth in assets in the CollegeAmerica and CollegeWealth programs.

Table 1 also reflects tuition benefits expense, which is comprised of two components; actuarially determined and actual tuition benefits expenses. The net change in tuition benefits expense from fiscal year 2014 is $50.9 million. The actuarially determined tuition benefit expense is accrued for estimated expenses, as determined by VA529's actuary, and represents the net change in tuition benefits payable over the prior fiscal year end. This actuarially determined amount increased from the previous fiscal year end accrual by $25.0 million.

Actual tuition benefits expense represents actual distributions made during the fiscal year. This amount increased over the prior year by $26.0 million, or 19.6 percent. $7.9 million of the increase in actual distributions is attributable to increases in tuition and mandatory fees at the higher education institutions. $18.1 million of this increase is due to a change in the accounting of prePAID rollovers and transfers to inVEST. As discussed above, prePAID rollovers and transfers to inVEST are now accounted for as an expense of the prePAID Program.

Table 2 demonstrates the numbers of students served and the amounts paid from prePAID directly to Virginia public universities and community colleges during fiscal year 2015. Virginia's universities and colleges received approximately $106.9 million in prePAID tuition and mandatory fee payments for 11,260 students in fiscal year 2015.

Table 2 prePAID Payments to Virginia Public Universities and Community Colleges Fiscal Year 2015

Public Universities	Students with prePAID Contracts	prePAID Payments to Universities
Virginia Tech	1,872	$21,250,586
University of Virginia	1,456	18,354,540
Virginia Commonwealth University	1,273	13,090,843
James Madison University	1,139	10,300,335
College of William & Mary	664	9,912,566
George Mason University	898	8,170,733
Christopher Newport University	482	5,335,122
Longwood University	426	4,255,704
Radford University	468	3,901,883
Old Dominion University	504	3,577,471
University of Mary Washington	319	3,038,699
Virginia Military Institute	64	895,563
University of Virginia's College at Wise	35	305,939
Virginia State University	19	120,302
Norfolk State University	14	92,479
Total Universities	9,633	$102,602,766

Public Community Colleges*	Students with prePAID Contracts	prePAID Payments to Community Colleges
Northern Virginia Community College	615	$1,725,851
Tidewater Community College	166	516,163
J Sargeant Reynolds Community College	175	405,739
John Tyler Community College	148	328,674
Germanna Community College	98	245,771
Virginia Western Community College	63	163,045
Thomas Nelson Community College	55	142,197
Piedmont Virginia Community College	53	139,406
Lord Fairfax Community College	53	122,212
Richard Bland College	29	112,683
New River Community College	46	107,232
Blue Ridge Community College	31	100,328
Central Virginia Community College	16	45,724
Rappahannock Community College	15	38,022
Patrick Henry Community College	10	27,350
Wytheville Community College	8	22,518
Danville Community College	10	20,947
Southside Virginia Community College	8	15,205
Dabney S Lancaster Community College	7	14,519
Eastern Shore Community College	4	11,516
Paul D Camp Community College	4	9,442
Southwest Virginia Community College	5	9,246
Mountain Empire Community College	2	7,923
Virginia Highlands Community College	6	7,313
Total Community Colleges*	1,627	$4,339,024

As shown in Chart 2, tuition benefit payments represent 89 percent of actual expenses of the Enterprise Fund. Of the $19.5 million expended for administration and operations expenses, 91 percent were for personal and contractual services.

Chart 2
2015 Enterprise Fund Expenses
in millions

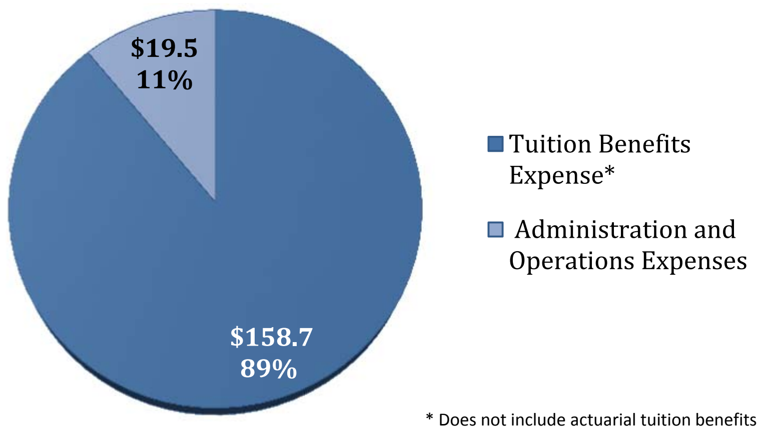


Table 3 provides a comparison of administration and operations expenses between fiscal years 2015 and 2014.

Table 3 – Enterprise Fund Plan Administration and Operations Expenses (in thousands)

YEARS ENDED JUNE 30,	2015	2014	CHANGE
Personal services	$8,936	$ 8,770	$ 166
Actuarial pension expense	682	-	682
Fiscal and contractual services	8,801	7,351	1,450
Supplies and materials	43	34	9
Depreciation	527	522	5
Rent, insurance, and other related charges	144	133	11
Expendable equipment	351	427	(76)
SOAR Virginia	-	2,000	(2,000)
Other	29	146	(117)
Administration and Operations Expenses	$19,514	$19,383	$ 131

Actuarial pension expense is newly reported in fiscal 2015 pursuant to GASB Statement No. 68. This figure represents the portion of VA529's change in net pension liability during the measurement period attributable to expenses. The remainder of the change in net pension liability is reflected as deferred inflows and outflows. The actual pension expense incurred during fiscal 2015 is included as a deferred outflow as well as a reduction in personal services. See Note 11 – Retirement and Pension Plan for additional information on accounting for pension expenses. If using the same method as used in previous years for fiscal 2015, the variance in personal services expense would be an increase of $977 thousand, or 11.1 percent, over the prior year's amount. That increase is attributable to newly added positions as well as VA529 employees receiving salary increases and incentive performance bonuses as provided in the Plan's Compensation Plan approved by the General Assembly.

Fiscal and contractual services increased by 19.7 percent. This increase is primarily attributable to an increase in promotional media costs as well as an increase in fiscal services expenses. There was also a decrease in expenses for SOAR Virginia as VA529 did not contribute monies to the SOAR Virginia Fund in fiscal 2015 since it had a sufficient balance to fund scholarships through fiscal 2016. The decrease in other expenses represents a decrease in promotional and scholarship award payments from fiscal 2014.

Table 4 – Enterprise Fund
Summary of Net Position

As of JUNE 30,	2015	2014	CHANGE
Assets and deferred outflows:			
Current assets	$ 152.9	$ 129.5	$ 23.4
Investments	2,359.5	2,367.7	(8.2)
Other noncurrent assets	168.6	174.9	(6.3)
Total assets	2,681.0	2,672.1	8.9
Total deferred outflows	1.1	-	1.1
Assets and deferred outflows	2,682.1	2,672.1	10.0
Liabilities and deferred inflows:			
Current liabilities	242.0	226.5	15.5
Noncurrent liabilities	1,892.1	1,922.3	(30.2)
Total liabilities	2,134.1	2,148.8	(14.7)
Total deferred inflows	1.6	-	1.6
Liablities and deferred inflows	2,135.7	2,148.8	(13.1)
Net Position			
Net investment in capital assets	3.4	3.5	(0.1)
Unrestricted	542.9	519.8	23.1
Change in net position	$ 546.3	$ 523.3	$ 23.0

Amounts may not sum due to rounding

Assets

Total current assets increased by approximately $23.4 million from the previous year and was attributable to (i) a change in mortgage-backed securities investment vehicles during fiscal 2015 from a mutual fund to a separate account where cash is distinguished from other investments, and (ii) the election by other prePAID program investment managers utilizing separate account vehicles to hold more cash in their portfolios subject to their applicable constraints specified in investment guidelines.

Long-term investments remained steady, decreasing by less than 1 percent. Other noncurrent assets decreased by $6.3 million, which was due to the decrease in the noncurrent portion of the tuition contributions receivable. This represents the decrease in the actuarially determined amount expected to be collected from contract holders of record in future years.

Liabilities

Total liabilities decreased by $14.7 million. While current liabilities increased by $15.5 million, total tuition benefits payable, reflected in both current and noncurrent liabilities above, decreased by $23.7 million, or approximately -1.1 percent. The total decrease represents the change in the actuarial present value of the future tuition obligations. Changes in the present value of the future tuition benefit obligation can be attributed to the passage of time, unit redemptions and new unit sales, differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions.

Actuarial Soundness

VA529's statute requires that it annually determine the actuarial soundness of prePAID. The purpose of the actuarial valuation is to assess the future value of VA529's assets and liabilities, which are discounted to reflect their present value.

During fiscal year 2015, prePAID's actuarial position, as calculated by VA529's actuary and reported in the 2015 Actuarial Valuation Report, improved from an actuarial surplus of $523.3 million to a surplus of $546.4 million. This improvement is mostly attributable to lower than expected tuition increases and changes in the economic assumptions offset by lower than expected investment returns. Actuarial assumptions are discussed in Note 12 in the Notes to the Financial Statements.

The overall effect of the changes on the actuarial reserve is summarized in Table 5. Table 5 reflects the actuarial gains and losses and the Actuarial Reserve as of June 30, 2015 as calculated by VA529's actuary using preliminary financial statements developed and provided by VA529 as reflected in the draft Actuarial Valuation Report as of October 31, 2015. The final report is expected to be completed no later than mid-December 2015. Any adjustments to the final Actuarial Reserve and the estimated valuation will be reflected and disclosed in subsequent year's financial statements. A copy of the 2015 Actuarial Valuation Report may be obtained from VA529.

Table 5 – prePAID
Statement of Changes in Actuarial Reserve (dollars in millions)

Actuarial reserve at June 30, 2014	$ 523.3
Restatement of beginning position due to GASB 68 Implementation	(9.5)
Interest on the reserve at 6.75%	34.7
Investment gain/(loss)	(134.1)
Tuition gain/(loss)	21.5
Lower than expected actual account balances	8.0
Sales of new contracts	9.8
Administrative fee revenue from VA529 programs	34.2
Change in investment return assumption	(54.7)
Change in tuition growth assumptions	71.9
Change in reasonable rate and other assumptions	29.0
Other experience gains	12.3
Actuarial Reserve as of June 30, 2015	$ 546.4

VA529 prePAID's overall funded status, as calculated by the actuary, as of June 30, 2015 was 126 percent. Chart 3 provides prePAID's funded status since 1997.

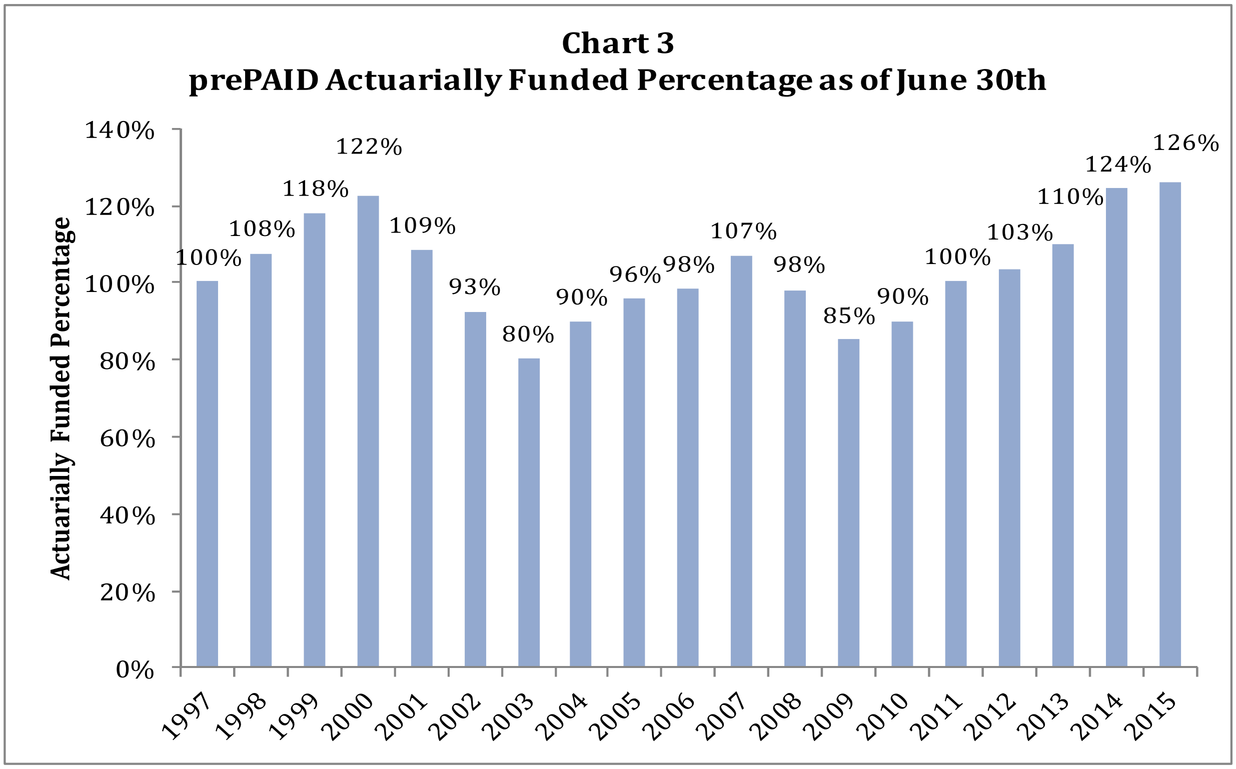


Table 6 represents the condensed Statement of Cash Flows for the Enterprise Fund for the fiscal years ended June 30, 2015 and 2014. VA529's year-end cash balance in the Enterprise Fund increased by $22.7 million. The increase is attributed to a change in mortgage backed securities investment vehicles from a mutual fund to a separate account where cash is distinguished from other investments, and the election by other prePAID program investment managers utilizing separate account vehicles to hold more cash in their portfolios subject to their applicable constraints specified in investment guidelines.

Table 6 – Enterprise Fund
Statement of Cash Flows (dollars in millions)

As of June 30,	2015	2014
Cash provided (used) by:		
Operating activities	($12.1)	$10.6
Noncapital financing activity	($0.3)	($0.2)
Capital and related financing activities	($0.7)	($0.7)
Investing activities	$35.8	($24.3)
Net increase (decrease) in cash	$22.7	($14.6)
Cash – beginning of year	$60.6	$75.2
Cash – end of year	$83.3	$60.6

The change in the amount reflected as investing activities for fiscal year 2015 is primarily the result of an increase in sales of investments during the fiscal year.

In December 2014, the Board revised its Investment Policies and Guidelines for prePAID and inVEST. The revisions were primarily related to (i) updating applicable benchmarks, (ii) conforming the policies and guidelines to reflect VA529's status as a body politic and corporate, and thus as a qualified institutional buyer and an accredited investor, (iii) adding collective trusts as acceptable pooled investment vehicles along with mutual funds, and (iv) adding a separate section for stable value fixed income investments. The overall asset allocation targets for prePAID, most recently revised in June 2009, did not change.

In fiscal 2014, the Investment Advisory Committee selected Brookfield Investment Management and approved the guidelines to manage an active mortgage-backed securities mandate for prePAID to be funded through the liquidation of a passive mortgage-backed securities index fund managed by Vanguard. This transition and funding was completed in September 2014.

During fiscal 2015, the Vanguard Intermediate Corporate Bond Fund was liquidated and the funds invested in the BlackRock Intermediate Core Bond Index Fund. This change was approved in a prior fiscal year by the Investment Advisory Committee but was delayed pending modification to the Investment Policy and Guidelines as described above allowing for the use of collective trusts. Also during fiscal 2015, the Investment Advisory Committee approved additional allocations to Adams Street Partners and Private Advisors, private equity fund of funds managers for prePAID. A complete list of prePAID managers as of June 30, 2015 can be found in Appendix B.

Chart 4
prePAID Asset Allocation as of June 30, 2015

Analysis of Fiduciary Fund (inVEST) Financial Activities

Table 7 reflects the changes in inVEST's net position for fiscal 2015. Additions to the fiduciary net position held in trust include contributions from participants as well as net investment income. Contributions represent amounts received from new and existing account holders. Beginning in FY2015, inVEST rollovers and transfers to prePAID are now accounted for as a program expense, instead of a reduction in revenue. If using the same method as used in previous years for FY2015, the variance in actual additions would be a decrease of $215.4 million over prior year receipts. Contributions from inVEST participants increased from the previous year by approximately $47.2 million and there were nearly 29,000 new inVEST accounts opened during the fiscal year. Net income on inVEST investments decreased by $268.0 million over the prior year due to market conditions compared to the prior year. As anticipated, overall disbursements to inVEST beneficiaries and institutions increased over the prior year by approximately 15.7 percent as more participants withdrew funds for higher education expenses.

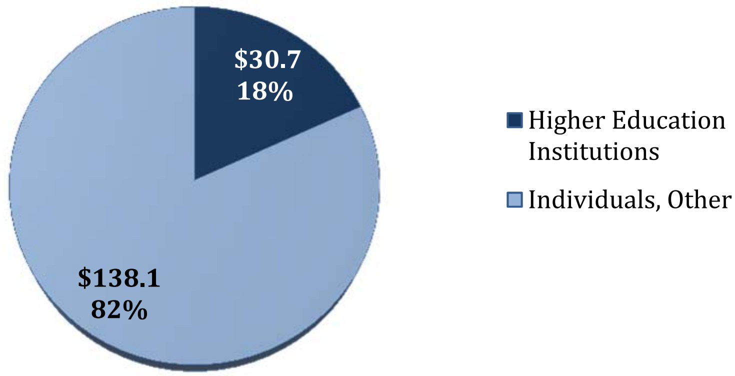
Table 7 – inVEST
Change in Fiduciary Net Position (dollars in millions)

Fiscal year ended June 30	2015	2014	Change
Additions	$ 455.2	$ 675.9	$(220.7)
Deductions	193.4	167.1	26.3
Net Increase (decrease)	261.8	508.8	(247.0)
Net position held in trust, beginning	2,810.7	2,301.9	508.8
Net position held in trust, ending	$ 3,072.5	$2,810.7	$ 261.8

A majority of the $168.8 million inVEST distributions during the fiscal year were paid directly to individuals. Under inVEST, participants have the ability to direct VA529 to pay the institution, or to pay higher education expenses directly and subsequently reimburse themselves from their inVEST account. Chart 5 below contains a breakdown of these distributions.

In October 2014, the inVEST Program received a Silver rating from Morningstar. Morningstar is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar introduced its ratings on 529 plans in 2010 and evaluates college savings plans on five key pillars – Process, Performance, People, Parent, and Price – which its analysts believe lead to plans that are more likely to outperform over the long term on a risk-adjusted basis. Morningstar evaluated 64 of the largest 529 plans in 2014. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. inVEST was one of four plans to receive a Silver rating. Four plans also received a Gold rating, which makes inVEST one of eight plans that received one of the top two ratings.

Chart 5
2015 inVEST Distributions
in millions



On January 1, 2015, the inVEST age-based portfolios evolved in accordance with their scheduled glide path, which emphasizes more income and preservation of capital as the portfolios proceed towards their final evolution. The Southside portfolio entered the in-college phase of the glide path, which consists of two years of 100 percent fixed income (65 percent stable value, 35 percent other fixed income) prior to transition to 100 percent stable value on January 1, 2017.

During the fiscal year the Board approved an addition of three new actively-managed static target risk portfolios to complement the current passively-managed target risk portfolios. These portfolios will mirror the allocations of the current 80 percent equity/ 20 percent fixed income, 50 percent equity/50 percent fixed income, and 25 percent equity/75 percent fixed income age-based portfolios, respectively. The asset allocations of these portfolios will not evolve. These portfolios will be available in fiscal 2016.

CollegeAmerica and CollegeWealth

Assets under management in CollegeAmerica increased during the fiscal year by approximately 4.8 percent from $47.6 billion to $49.8 billion. There were an additional 24,487 unique CollegeAmerica accounts at fiscal year-end compared to the prior fiscal year-end.

In September 2014 the Board approved the addition of two new CollegeAmerica investment options, the American Funds' Inflation Linked Bond Fund and the American Funds College 2033 Fund. These funds ended the fiscal year with assets of $2.3 million and $18.7 million, respectively. Additionally, the American Funds College 2015 Fund was closed and its assets were transferred to the American Funds College Enrollment Fund during the fiscal year. These two funds are components of the American Funds College Target Date Series®, which was added to the CollegeAmerica lineup in September 2012. Funds in this series allow investors to select a single investment that provides diversification and a glide path matched to the beneficiary's intended college enrollment date. New funds are opened and fully evolved funds are rolled into the College Enrollment Fund approximately every three years to maintain the glide path.

Assets under management in CollegeWealth increased by 30.4 percent in fiscal year 2015 to more than $109.8 million at year end. The assets represented amounts held in savings instruments at the two participating banks (BB&T and Union Bank & Trust) and were thus not subject to fair market value adjustments at year-end.

CollegeAmerica and CollegeWealth are presented as Other Information to VA529. Additional information on these programs can be found in this section of the report.

Economic Factors and Outlook

VA529 continues to remain optimistic that its asset allocation and investment strategies will result in the prePAID portfolio meeting or exceeding performance expectations over the long term. VA529 has assumed a long-term rate of return of 6.25 percent on the prePAID investments having reduced the rate from 6.75 percent during fiscal 2015 to reflect reductions in expected long-term global capital market returns. As of June 30, 2015, the total return since inception was about 6.4 percent net of fees and reflected prePAID's 1.2 percent performance during fiscal 2015. Global and domestic equity and fixed income markets experienced significant volatility from June 30, 2015 into fiscal 2016 negatively impacting prePAID portfolio performance. Portfolio performance through the balance of fiscal 2016 will depend on many factors.

In assessing prePAID's financial condition and in pricing prePAID contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 6.5 percent for four-year and two-year institutions for fiscal years 2017 and thereafter. This long-term tuition and fee increase projection was reduced from 7.5 percent for the June 30, 2015 prePAID valuation and 2015-2016 enrollment period pricing. Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term prePAID obligations. With the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a position to be informed of future tuition and fee increases. However, changes in tuition and fee models at Virginia public higher education institutions that impact prePAID may have an adverse impact on program sustainability.

The performance of participants' inVEST and CollegeAmerica portfolios will depend on many of the same investment factors as those impacting prePAID. In inVEST, CollegeAmerica, and CollegeWealth, the participants rather than VA529 bear the risk of portfolio declines as a result of the market or other factors. As a result, no further information as to economic factors and outlook is provided.

Financial Statements

VIRGINIA529
STATEMENT OF NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2015

	Administration and Operations	prePAID	Total Enterprise
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 1E and 3)	$ 1,768,080	$ 81,582,346	$ 83,350,426
Interest receivable	-	4,523,056	4,523,056
prePAID contract payments receivable (Note 1G and 10)	-	49,851,704	49,851,704
Prepaid and other assets	172,274	-	172,274
Accounts receivable (Note 1H)	11,334,481	3,670,952	15,005,433
Total current assets	13,274,835	139,628,058	152,902,893
Noncurrent assets:			
Investments (Note 1E, 3, 4 and 5)	-	2,359,527,524	2,359,527,524
prePAID contract payments receivable (Note 1G and 10)	-	159,417,121	159,417,121
Depreciable capital assets, net (Note 1J and 9)	9,143,077	-	9,143,077
Total noncurrent assets	9,143,077	2,518,944,645	2,528,087,722
Total assets	22,417,912	2,658,572,703	2,680,990,615
Deferred Outflows of Resources:			
Pension contributions made after measurement date (Note 11)	810,765	-	810,765
Other pension related - change in proportion (Note 11)	256,000	-	256,000
Total deferred outflows	1,066,765	-	1,066,765
Total Assets and Deferred Outflows of Resources	23,484,677	2,658,572,703	2,682,057,380
Liabilties and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	909,890	-	909,890
Program distributions payable	-	154,197	154,197
Due to program participants (Note 1K)	-	1,058,383	1,058,383
Tuition benefits payable (Note 8 and 10)	-	239,233,954	239,233,954
Compensated absences (Note 1L and 8)	301,265	-	301,265
Obligations under capital lease (Note 8)	365,053	-	365,053
Total current liabilities	1,576,208	240,446,534	242,022,742
Noncurrent liabilities:			
Tuition benefits payable (Note 8 and 10)	-	1,877,534,871	1,877,534,871
Compensated absences (Note 1L and 8)	338,748	-	338,748
Obligations under capital lease (Note 8)	5,343,034	-	5,343,034
Net pension liability (Note 11)	8,855,000		8,855,000
Total noncurrent liabilities	14,536,782	1,877,534,871	1,892,071,653
Total liabilities	16,112,990	2,117,981,405	2,134,094,395
Deferred inflows of resources:			
Pension Related (Note 11)	1,581,000	-	1,581,000
Total deferred inflows	1,581,000	-	1,581,000
Total Liabilities and Deferred Inflows of Resources	17,693,990	2,117,981,405	2,135,675,395
NET POSITION			
Net investment in capital assets	3,434,990	-	3,434,990
Unrestricted	2,355,697	540,591,297	542,946,994
Total net position	$ 5,790,687	$ 540,591,297	$ 546,381,984

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2015

	Administration and Operations	prePAID	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1D)	$ 48,625,009	$ -	$ 48,625,009
Interest, dividends, rents, and other investment income	-	113,736,517	113,736,517
Net increase in fair value of investments	-	(86,230,192)	(86,230,192)
prePAID contract payments (Note 1G)	-	120,305,064	120,305,064
Actuarial prePAID contract payments (Note 10)	-	(8,560,530)	(8,560,530)
Other	25	11	36
Total operating revenues	48,625,034	139,250,870	187,875,904
Operating expenses:			
Personal services (Note 11)	8,936,328	-	8,936,328
Actuarial pension expense (Note 11)	682,000	-	682,000
Fiscal and Contractual services	8,800,556	-	8,800,556
Supplies and materials	43,294	-	43,294
Depreciation	527,098	-	527,098
Rent, insurance, and other related charges	143,925	-	143,925
Tuition benefits expense	-	158,724,026	158,724,026
Actuarial tuition benefits expense (Note 10)	-	(23,660,530)	(23,660,530)
Expendable equipment	351,386	-	351,386
SOAR Virginia (Note 13)	-	-	-
Other	29,341	-	29,341
Total operating expenses	19,513,928	135,063,496	154,577,424
Operating gain	29,111,107	4,187,374	33,298,481
Non-operating interest expense	(182,457)	-	(182,457)
Transfers:			
Transfers to the General Fund of the Commonwealth	(336,556)	-	(336,556)
Operating transfer in (out) (Note 1)	(29,372,110)	29,372,110	-
Change in net position	(780,016)	33,559,484	32,779,468
Net position - July 1, 2014 (as restated)	6,570,703	507,031,813	513,602,516
Net position - June 30, 2015	$ 5,790,687	$ 540,591,297	$ 546,381,984

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2015

Cash flows from operating activities:		
Receipts for sales and services	$	47,869,152
Contributions Received		118,379,163
Internal Activity - Payments to Other Funds		(404,225)
Payments to Suppliers for Goods & Services		(1,577,034)
Payments to Employees		(8,995,575)
Other Operating Revenue		(592,499)
Payments for Contractual Services		(8,291,950)
Distributions		(158,393,234)
Other Operating Expenses		(134,320)
Net cash provided by (used for) operating activities	$	(12,140,521)
Cash flows from noncapital financing activities:		
Transfer to the General Fund of the Commonwealth		(336,556)
Net cash provided by (used for) noncapital financing activities	$	(336,556)
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	$	(111,744)
Payment of Principal and Interest on Capital Leases		(546,838)
Net cash provided by (used for) capital and related financing activities	$	(658,582)
Cash flows from investing activities:		
Purchase of investments	$	(1,605,458,492)
Proceeds from sales or maturities of investments		1,527,587,667
Interest income on cash, cash equivalents, and investments		113,736,517
Net cash provided by (used for) investing activities	$	35,865,692
Net increase in cash and cash equivalents		22,730,033
Cash and cash equivalents - July 1, 2014		60,620,393
Cash and cash equivalents - June 30, 2015	$	83,350,426
Reconciliation of cash and cash equivalents:		
Per the Statement of Net Position:		
Cash and cash equivalents	$	83,350,426
Cash and cash equivalents per the Statement of Cash Flows	$	83,350,426

Reconciliation of operating income to net cash provided by operating activities:		
Operating gain	$	33,298,481
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		527,098
Interest, dividends, rents and other investment income		(113,736,517)
Net decrease in fair value of investments		86,230,192
Changes in assets, liabilities, and deferred inflows and outflows:		
(Increase) decrease in receivables		(3,274,295)
(Increase) decrease in tuition contributions receivable		8,560,530
(Increase) Decrease in assets		(104,979)
Increase (decrease) in deferred outflows		(523,765)
Increase (decrease) in accounts payable		(335,601)
Increase (decrease) in amounts due to program participants		843,366
Increase (decrease) in current tuition benefits payable		14,889,887
Increase (decrease) in current compensated absences		140,840
Increase (decrease) current obligations under capital lease		672
Increase (decrease) in noncurrent tuition benefits payable		(38,550,417)
Increase (decrease) in noncurrent compensated absences		(135,962)
Increase (decrease) non current obligations under capital lease		(365,051)
Increase (decrease) in net pension liability		(1,186,000)
Increase (decrease) in deferred inflows		1,581,000
Net cash provided by (used for) operating activities	$	(12,140,520)
Noncash investing, capital, and financing activities:		
The following transaction occurred prior to the statement of net position date:		
Change in fair value of investments	$	(86,230,192)

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
June 30, 2015

Assets:	
Cash and cash equivalents (Note 1E and 3)	$ 36,433,939
Receivables:	
Interest and dividends	2,174,287
Accounts Receivable	1,577
Investments:	
Bonds	88,740,664
Mutual funds - Non Index	634,469,515
Mutual funds - Index	1,589,109,732
Stable Value	659,747,194
Equities	68,122,008
Total investments	3,040,189,113
Total Assets	3,078,798,917
Liabilities:	
Accounts payable	979,558
Due to program participants (Note 1K)	3,785,341
Program distributions payable	1,507,708
Total liabilities	6,272,607
Net position held in trust for program participants	$ 3,072,526,310

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
For the Year Ended June 30, 2015

ADDITIONS	
Contributions:	
From participants	$ 400,354,650
Total contributions	400,354,650
Investment income:	
Net increase in fair value of investments	(105,347,927)
Interest, dividends, and other investment income	164,558,834
Other	441
Total investment income	59,211,348
Less investment expense	(4,384,775)
Net investment income	54,826,573
Total additions	455,181,223
DEDUCTIONS	
Educational expense benefits	168,797,848
Shares redeemed	23,151,147
Other Expenses	1,492,016
Total deductions	193,441,011
Changes in net position	261,740,212
Net position:	
July 1, 2014	2,810,786,098
June 30, 2015	$ 3,072,526,310

The notes to financial statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The Virginia College Savings Plan (VA529), a body politic and corporate and an independent agency of the Commonwealth of Virginia, was created in 1994 by the Virginia General Assembly and its enabling legislation is codified at §23-38.75 through §23-38.87:1 of the *Code of Virginia*, as amended. VA529 operates the Commonwealth's Internal Revenue Code (IRC) §529 qualified tuition plan, which offers four programs, Virginia529 prePAID (prePAID), Virginia529 inVEST (inVEST), CollegeAmerica and CollegeWealth.

prePAID is a defined benefit program, which offers contracts, at actuarially determined amounts, that provide for the future payment of undergraduate tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher educational institution and all mandatory fees required as a condition of enrollment of all students. The contract provisions also allow benefits to be used at in-state private or out-of-state institutions with payouts based on earnings and the amounts charged by Virginia's public higher education institutions. Calculations and payouts differ between in-state private and out-of-state institutions. prePAID has a limited enrollment period each year, and is open to children in the ninth grade or younger if the child or participant is a Virginia resident. Since inception, over 118,700 accounts have been opened, with 66,359 contracts remaining active at year-end. The program had total assets invested from contributions, net earnings and other revenue of approximately $2.7 billion as of June 30, 2015. The program invests contract payments to meet future obligations. Operating costs are paid from program earnings and other revenue. VA529 does not receive any general fund appropriations. VA529's enabling legislation provides that all moneys remaining in its enterprise fund at the end of a biennium shall not revert to the Commonwealth's general fund. VA529 annually assigns net operating revenue to prePAID to support its funded status. Accordingly, net operating revenue of $29,372,110 was transferred to prePAID for FY2015. The program's assets and income are exempt from federal, state, and local income taxation, except for taxes on unrelated business income. VA529's enabling legislation also provides that a sum sufficient appropriation be included by the Governor in his budget to cover current obligations of VA529, including prePAID's contractual obligations, in the event of a funding shortfall.

inVEST is a defined contribution savings program, which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, at any qualified higher education institution by making contributions into the investment portfolio(s) of their choice. Participants are allowed to select from among 16 investment portfolios. Two additional portfolios remain open in the inVEST program but are closed to new participants. inVEST accounts are subject to investment risks, including the possible loss of principal. The inVEST program is open year round and has no age or residency restrictions. inVEST began operation in December 1999. As of June 30, 2015, 255,708 accounts had been opened, with 197,115 accounts remaining active at year end. These accounts had a net asset value of approximately $3.1 billion as of June 30, 2015. Investment management fees and inVEST operating expenses are paid on a pro-rata basis by each inVEST account owner and vary according to the portfolio selected. inVEST accounts provide investors with the same federal and state tax benefits available to participants in the prePAID program.

CollegeAmerica, a broker-sold IRC §529 college savings option, is a defined contribution savings program and is administered by the American Funds pursuant to a contract using 40 of the American Funds mutual funds. CollegeWealth is also a defined contribution savings program under which participants invest in FDIC-insured savings products offered through participating banks. CollegeAmerica and CollegeWealth are presented as Other Information. These programs are presented as Other Information as the majority of associated investment and record keeping is maintained by the respective partners, not VA529.

An eleven-member Board administers VA529, consisting of four ex-officio members and seven non-legislative citizens, four to be appointed by the Governor, one to be appointed by the Senate Committee on Rules, and two to be appointed by the Speaker of the House of Delegates. The ex-officio members are the Director of the State Council on Higher Education for Virginia, the Chancellor of the Virginia Community College System, the State Treasurer, and the State Comptroller. The non-legislative citizen members shall have significant experience in finance, accounting, law or investment management. In order to assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets; and in fulfilling its responsibilities relating to VA529's financial reporting processes and internal and financial controls; the Board has appointed an Investment Advisory Committee (IAC) and Audit and Actuarial Committee (A&AC), respectively. The IAC and A&AC are permanent advisory committees of the Board pursuant to §23-38.79:1 of the *Code of Virginia*, as amended. The Board has adopted charters that describe the purpose of the committees as well as their duties and responsibilities, composition and conduct of business.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. VA529 is an integral part of the reporting entity of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The following is a summary of significant accounting policies employed by the VA529.

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

The accompanying financial statements report the financial position, changes in financial position and cash flows of VA529 as of and for the fiscal year ended June 30, 2015. For financial reporting purposes, VA529 includes all funds and entities over which VA529 is financially accountable and exercises oversight authority.

C. College Savings Systems

College Savings Systems (CSS) is the software development and technical services division of VA529, which was formed in 2004. VA529 has an agreement with Ellucian (formerly SunGard Higher Education) to maintain the College Savings Program (CSP) module of the Banner software suite. CSS provides record keeping software and technical services to other savings and prepaid qualified tuition plans including Virginia. As of June 30, 2015, CSS also provided services to Colorado, Maryland, Texas, and Washington.

VA529's contracts with the aforementioned states have two components; maintenance fees and fees for additional services. The maintenance fees are annual charges assessed to support the Banner CSP module and continued development thereof, and benefits all users/clients. The programming fees are assessed to the states when providing specific software programming changes, at their request, to enhance or change application, contract, transaction or distribution processing; customer web access; or make other system enhancements. The programming fees vary year-to-year based on user/client needs.

CSS fee revenue is included in the enterprise fund as operating revenue. In accordance with the 2015 Appropriation Act, revenue from operations performed for programs outside of Virginia in fiscal 2015, exceeded all direct and indirect costs of providing the services.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

VA529 reports the activity of the prePAID program as an enterprise fund, which is a type of proprietary fund. Enterprise funds typically account for transactions related to resources received and used for financing self-supporting entities that offer products and services on a user-charge basis to external users. All operating expenses and all administrative fee revenue collected to support VA529 operations, including administrative revenue and expenses of inVEST, CollegeAmerica and CollegeWealth, are reflected in the enterprise fund.

VA529 reports the activity of the inVEST program as a private-purpose trust fund, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments.

The financial statements of the proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating. The principal Enterprise Fund revenues of VA529 are prePAID contract payments for program participants and investment income. VA529 Enterprise Fund expenses include tuition benefits expenses.

VA529's operating component is presented in a separate column, providing transparency in reporting operating position and activity. Operating revenues include administrative and other fees received from CSS as well as the prePAID, inVEST, CollegeAmerica, and CollegeWealth programs. Operating expenses include contractual and personal services.

All proprietary funds reported herein apply all applicable GASB principles per the *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

E. Cash Equivalents and Investments

Money market investments of VA529, which are deemed short-term, highly liquid investments, are reported at amortized cost. Long-term investments of VA529 are reported at fair value based upon quoted market prices, except for stable value investments, which are reported at contract value. Cash equivalents are investments with an original maturity of three months or less.

VA529 also participated in the Commonwealth's General Account pool, which is managed by the State Treasurer. These pooled investments are valued on an amortized cost basis. VA529 receives no additional distribution of unrealized gains or losses in the fair values of the pool's investments.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. prePAID Contract Payments

prePAID contract purchasers can elect to pay their contract in full via a lump sum payment or over time. Customized financing options are available for purchasers electing to pay over time, allowing for payments to be spread over a period determined by the contract purchaser. Contracts must be paid in full prior to drawing benefits and accordingly the maximum number of years available for those purchasers electing to pay over time is approximately equal to the number of years between the beneficiary's current age and their expected college entrance date. prePAID contract payments receivable represent the actuarially determined present value of future payments due from contract holders.

Approximately 54.76 percent of contract holders of outstanding (active) contracts as of June 30, 2015 had elected to pay over time.

H. Accounts Receivable

Accounts receivable reflected in VA529's operating column of the enterprise fund reflect amounts due to VA529 at June 30th for administrative and other services provided. These amounts include second calendar quarter administrative fees collected on behalf of VA529 for the CollegeAmerica and the CollegeWealth programs, as well as CSS service fees.

The American Funds pays VA529 an annual fee equal to ten basis points (.10 percent) of the average daily net asset value of the underlying funds held in CollegeAmerica up to $30 billion. The fee is reduced to seven basis points (.07 percent) for amounts in excess of $30 billion up to $50 billion with further reductions above $50 billion. This fee is calculated and accrued daily and paid to VA529 on a quarterly basis.

CollegeWealth banking partners, Branch Banking & Trust (BB&T) and Union Bank & Trust, pay VA529 an annual fee equal to ten basis points (.10 percent) of the average daily assets held in 529 Bank Products issued by the Banks under the Program. These fees are calculated, accrued and paid to VA529 on a quarterly basis.

I. Administrative Expenses and Budget

VA529 is an independent state agency that does not receive a general fund appropriation from the Commonwealth of Virginia. However, VA529's operating expenditures, funded with non-general fund revenues, are included in the Commonwealth's Appropriation Acts and accordingly are subject to approval by the General Assembly and the Governor. The Board annually reviews and approves an operating budget. Operating expenses are primarily funded from administrative fee revenue. VA529 prepares and submits a biennial budget to the Commonwealth in compliance with biennial budgetary requirements (cash basis). Also, in accordance with its fiduciary responsibility, the Board reviews a comparison of actual versus budgeted expenses each quarter.

J. Capital Assets

Tangible assets are recorded at cost at the time of acquisition and are reported net of accumulated depreciation. VA529 capitalizes all property, plant, and equipment that have a cost or value greater than $5,000 and an expected useful life greater than two years. Depreciation is computed on a straight-line basis over the estimated useful life of the property, ranging from five to forty years. Intangible assets with a value of $100,000 or greater are capitalized. These assets are depreciated over their useful lives.

Intangible assets are nonfinancial in nature, lack physical substance and have an initial useful life extending beyond a single reporting period. These assets may be acquired by purchase or license, through non-exchange transactions or internally generated. These assets are also capital assets and adhere to the same policies of other property, plant and equipment. VA529 has recorded one type of intangible asset, computer software. These assets were acquired through retail purchases and/or internally generated, and are reported in Note 9, Capital Assets.

K. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2015 to participants for distributions to other qualified tuition programs, or for cancelled or overpaid prepaid contracts or savings accounts. In the Fiduciary Statement of Net Position, due to program participants also includes contributions received from participants that have yet to settle. These funds are classified as a liability until the settlement process is complete.

L. Accrued Leave Policy

Employees accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. Rates may vary for regular part-time employees depending on normal work hours. The maximum accumulation is dependent upon years of service, but in no case may it exceed 54 days at the end of the leave year. All employees leaving the agency are paid for accrued vacation leave up to a maximum limit, not to exceed 36 days for 15-19 years of service and 42 days for 20 or more years of service, at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2015, was computed using salary rates effective at that date and represents vacation, compensatory, overtime, recognition, and sick leave earned or disability credits held by employees up to the allowable ceilings, including the liability for VA529's share of Social Security and Medicare taxes on leave balances for which employees will be compensated.

Employees of VA529 have elected to participate in the Virginia Sickness and Disability Program (VSDP). The Virginia Retirement System (VRS) administers the program to provide income protection for absences due to sickness or disability. For employees hired after July 1, 2009, there is a one year waiting period for VSDP and coverage is not provided from the first day on the job.

After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of State service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65, or until death. Employees enrolled in this program are not eligible for disability retirement benefits under the VRS.

One employee, hired prior to January 1, 1999, opted to remain in the traditional sick leave program in which participating employees accrue five hours of leave for each pay period, regardless of the length of service. The employee is not covered under VSDP and remains eligible for disability retirement. Non-VSDP sick leave is payable upon termination of employment and is limited to 25 percent of the value accumulated or $5,000, whichever is less, under the Commonwealth of Virginia's sick leave pay-out policy for employees with five or more years of service.

All State agencies are required to contribute to the cost of providing disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from VRS to the new program. The contribution requirement was 1.78 percent of payroll for State employees. Further information about this program can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

M. prePAID – Investment in Real Estate

On February 15, 2008, VA529 established Aventura Holdings LLC, a limited liability company, for the purpose of acquiring and owning real estate. VA529 is the sole member of Aventura. On March 20, 2008, VA529's Board approved adding Aventura as an investment vehicle under prePAID and the purchase by Aventura Holdings of a 48,500 square foot office building in Chesterfield County, Virginia. Aventura was funded with $8.8 million and acquired the office building in April 2008.

The investment in Aventura is reflected in prePAID's assets at $7.2 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2015.

VA529 leases the building from Aventura. The Lease was renewed by VA529 for another five years beginning July 1, 2013. The Lease is carried as a capital lease in the enterprise fund financial statements, as VA529 intends to renew the Lease every five years and occupy the building for a time period greater than 75% of the asset's useful life. Accordingly, the financial statements reflect the lease obligation as a liability and the office building as an asset in enterprise fund's financial statements. See the Long-Term Liabilities Note 8 below for a description of the Lease Agreement. Aventura has also established a renewal and replacement reserve funded from 27% of the annual rental payments received from VA529 to cover capital improvements to the building.

2. Beginning Net Position Restatement (Enterprise Fund)

The Enterprise Fund's 2015 beginning net position of $513.6 million differs from the previous fiscal year's ending balance of $523.3 million as reported in VA529's fiscal 2014 financial statements. The difference primarily resulted from a required beginning balance adjustment to recognize the VA529's proportionate share of the Commonwealth's unfunded pension liability as VA529 implemented GASB Statement No. 68, *Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

3. Cash, Cash Equivalents, and Investments

The Board of VA529 has established Statements of Investment Policy and Guidelines for VA529's investment programs in accordance with §23-38.80 of the *Code of Virginia*, as amended. This section of the *Code* requires the Board to discharge its duties in a manner which will provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of VA529 and conforming to all statutes governing the investment of VA529 funds. The Board shall exercise the judgment of care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital when investing funds. In order to meet the return requirements, VA529's portfolio shall be invested in a broadly diversified investment portfolio including, but not limited to, domestic and foreign stocks, bonds, mutual funds and cash equivalent investments, which are defined as investments with an original maturity of three months or less. The Board's allocation target for the prePAID portfolio, at market value, is 32.5 percent equities, 25.0 percent core fixed income, 27.5 percent non-core fixed income, and 15 percent alternatives. The Board's allocation targets for the inVEST program vary according to the investment objective of each portfolio.

To assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets, the Board has appointed an IAC. The IAC provides the Board with objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Board's Statement of Investment Policy and Guidelines and the IAC's Charter. The Board has also selected a group of 27 external managers and/or funds. See complete lists of Investment Managers in Appendices A and B. In addition, prePAID contractual payments are considered Commonwealth revenue and as a result must pass through the State Treasury. Prior to being moved to VA529's custodian, these monies along with other minor balances may be invested with the State Treasurer as part of the Commonwealth's General Account. VA529 receives no interest on balances held at the State Treasury and accordingly minimizes amounts held at Treasury.

During fiscal 2014, legislation was passed that excludes inVEST contributions as Commonwealth revenue beginning July 1, 2014. Accordingly, beginning in fiscal 2015 these contributions were deposited directly with VA529's financial institution, Wells Fargo Bank N.A.

The Board has authorized its partner, the American Funds, to offer a subset of their mutual funds to investors in CollegeAmerica. At fiscal year-end, 40 mutual funds were available through the CollegeAmerica program. The Board has oversight and review authority for the investment activity and operations of the CollegeAmerica program. The American Funds is required to seek renewed approval of the use of these mutual funds on an annual basis.

Private Equity Investment Commitments

In fiscal year 2015, VA529 extended investment commitments under limited partnership agreements for private equity investments in prePAID. At June 30, 2015, VA529's investment commitments amounted to almost $149 million.

Custodial Credit Risk

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, VA529's deposits may not be returned to it. VA529 does not hold deposits for CollegeAmerica or CollegeWealth. All deposits of the prePAID and inVEST programs are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400, of the *Code of Virginia*.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, VA529 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2015, all investments of the prePAID and inVEST programs, except those investments in open-end mutual funds, certain collective trusts, private equity or hedge funds, were held in VA529's name by VA529's custodian, BNY Mellon Asset Servicing. Approximately 60 percent of total prePAID investments (reported as enterprise fund assets) and 73 percent of total inVEST investments (reported as a private-purpose trust fund) are invested in these vehicles. All investments of the CollegeAmerica program are invested in mutual funds. Investments in open-end mutual funds, collective trusts, private equity and hedge funds are not directly exposed to custodial credit risk because their existence is not evidenced by individual securities.

Interest Rate Risk – Fixed Income Securities

As of June 30, 2015, VA529 had fixed income investment securities held in prePAID and inVEST with the following maturities and effective duration. Effective duration is a measure of interest rate and price sensitivity that takes into account options, such as early call provisions, embedded in the securities. It is widely used in the management of fixed income portfolios as it quantifies the risk of interest rate changes.

prePAID		Investment Maturities (in Years)				Duration
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Effective Duration (years)**
Money Market Funds	$78,949,275	$78,949,275	-	-	-	-
Non-Agency Mortgage-Backed Securities	32,914,915	-	-	$585,307	$32,329,608	3.81
Asset-Backed Securities	20,517,239	-	$513,436	3,694,983	16,308,820	3.95
Mortgage-Backed Securities - Agency	11,919,661	-	-	9,408,553	2,511,108	5.49
Corporate Bonds	442,821,904	4,874,445	226,720,059	204,560,447	6,666,953	4.51
Convertible Securities	105,607,941	8,026,142.00	76,638,570	11,731,463	9,211,766.00	-
Bond Funds	497,100,710	-	178,646,950.00	318,453,760.00	-	6.03
Treasury and Agency Securities	1,415,224	95,485.00	-	-	1,319,739.00	5.61
Stable Value[1]	118,526,528	-	118,526,528.00	-	-	3.48
Total	**$1,309,773,397**	**$91,945,347**	**$601,045,543**	**$548,434,513**	**$68,347,994**	-

inVEST		Investment Maturities (in Years)				Duration
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Effective Duration (years)**
Money Market Funds	$34,209,658	$34,209,658	-	-	-	-
Corporate Bonds	88,740,664	1,028,029	$32,137,713	$52,790,697	$2,784,225	4.50
Bond Funds	514,967,860	-	320,680,586	194,287,274	-	6.11
Stable Value[1]	659,747,194	-	659,747,194	-	-	3.25
Total	**$1,297,665,376**	**$35,237,687**	**$1,012,565,493**	**$247,077,971**	**$2,784,225**	-

[1]Reported at contract value

VA529's Statements of Investment Policy and Guidelines do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within +/-20 percent of each portfolio's designated benchmark.

Credit Risk of Fixed Income Securities

VA529's Statements of Investment Policy and Guidelines require its fixed income securities managers to invest in holdings which, on average, are comprised of high quality securities and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the three major rating agencies. This requirement does not apply to VA529's managers who are instructed to manage a specific investment strategy (e.g., high yield fixed income), whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. VA529's fixed income investment securities held in prePAID and inVEST as of June 30, 2015 were rated by Standard & Poor's (S&P) and/or Moody's and the ratings are presented in the charts entitled credit quality by investment type.

Concentration of Credit Risk

At June 30, 2015, VA529 had no investment securities held in separately managed accounts in prePAID and inVEST in any one issuer that represented 5 percent or more of total investments.

Mutual Fund Risks

At June 30, 2015, VA529 participated in a number of open-end domestic and foreign equity and fixed income mutual funds and collective trusts in prePAID and inVEST. These funds are subject to various investment risks, including the possibility that the value of the fund's portfolio holdings may fluctuate in response to events specific to the companies in which the fund invests, as well as economic, political or social events in the United States and abroad. Certain mutual funds may be subject to additional risks due to investments in a more limited group of sectors and industries than the broad market. Those funds with holdings issued by entities based outside the United States are subject to foreign securities risks, including currency fluctuations.

The value of and the income generated by fixed income securities held by certain mutual funds in which VA529 participates, may be affected by changing interest rates and credit risk assessments. Lower quality or longer maturity bonds may be subject to greater price volatility than higher quality or shorter maturity bonds.

Prospectuses for each of the mutual funds in which VA529 participates may be requested from VA529, 9001 Arboretum Parkway, North Chesterfield, VA 23236, or at Virginia529.com. A prospectus may also be requested directly from each of the underlying fund managers. Prospectuses for each CollegeAmerica mutual fund offering may be obtained directly from the American Funds or from a financial adviser. Please see Supplementary and Other Information for a listing of prePAID, inVEST and CollegeAmerica mutual funds.

Currency Risk

Currency risk is the risk that changes in currency exchange rates will adversely affect the fair value, in U.S. dollars (USD), of non-USD denominated securities. At June 30, 2015, VA529 had indirect exposure to this risk through its investments in certain mutual funds and other pooled vehicles. More information relating to currency risk in VA529's mutual fund investments can be found in each fund's prospectus.

VA529 has direct exposure to currency risk through investments held in the convertible bonds account managed by Advent Capital Management, LLC. Advent invests in both domestic and international securities and uses currency forward contracts to hedge risks associated with currency fluctuations. The table below shows exposures to non-USD denominated currencies by asset class. A similar exhibit showing non-USD denominated currency exposure associated with the forward contracts is included in Note 5, Investment in Derivative Instruments and Stable Value.

prePAID Currency Exposures by Asset Class			
Currency	**Convertible Bonds**	**Cash & Cash Equivilants**	**Total**
British Pound Sterling	$3,278,018	$544,924	$3,822,942
Canadian Dollar	2,817,205	237	2,817,442
Euro	21,698,545	1,546,696	23,245,241
Hong Kong Dollar	3,551,815	8,912	3,560,727
Japanese Yen	6,001,512	7,567	6,009,079
Singapore Dollar	1,235,657	201,711	1,437,368
Swedish Krona	-	4	4
Swiss Franc	2,188,486	3,306	2,191,792
Total	**$40,771,238**	**$2,313,357**	**$43,084,595**

Note: Amounts shown in U.S. dollars using June 30, 2015 foreign exchange rates.

Counterparty Risk

Counterparty risk is the risk of loss arising from the failure of one party to a transaction to fulfill its contractual obligation to the other. VA529 has exposure to counterparty risk through its investments. Higher levels of this risk are attributable to VA529's investments in hedge funds, as these types of investments are subject to the potential usage of over-the-counter derivative transactions. Other potential examples of risk for over-the-counter transactions may include transaction costs/inefficiencies/errors, fraud or reputation risk. As of June 30, 2015 approximately 8 percent of prePAID investments were invested in these vehicles.

Rating Agency	inVEST Credit Quality by Investment Type			
	Corporate Bonds	Money Market Funds	Bond Funds	Stable Value
S&P's Quality Rating				
AAA	-	$ 34,209,658	-	-
BBB+	-	-	-	-
BBB	$ 200,098	-	-	-
BBB-	3,069,633	-	-	-
BB+	9,247,904	-	-	-
BB	17,191,265	-	-	-
BB-	15,099,231	-	-	-
B+	14,026,440	-	-	-
B	12,250,025	-	-	-
B-	8,434,842	-	-	-
Less than B-	7,374,741	-	-	-
Moody's Quality Rating				
Ba2	131,937	-	-	-
Ba3	752,670	-	-	-
B1	293,153	-	-	-
B3	175,219	-	-	-
Caa1	194,000	-	-	-
Caa2	-	-	-	-
Unrated[1]	299,506	-	$ 514,967,860	$ 659,747,194

[1]Securities have not been rated by either Standard & Poor's or Moody's

Rating Agency	prePAID Credit Quality by Investment Type								
	Non-Agency Mortgage Backed Securities	Asset-Backed Securities	Mortgage Backed Securities - Agency	Corporate Bonds	Convertibles	Money Market Funds	Bond Funds	Treasury and Agency Securities	Stable Value
Standard & Poor's									
AAA	-	$ 5,225,884	-	$ 409	-	$78,949,275	-	-	-
AA+	$ 3,141,316	1,223,904	$ 11,908,412	-	-	-	-	$ 1,319,739	-
AA	-	1,352,902	-	-	-	-	-	-	-
AA-	992,750	-	-	-	-	-	-	-	-
A+	4,369,226	750,297	-	-	$ 4,923,750	-	-	-	-
A	-	-	-	-	2,298,029	-	-	-	-
A-	425,828	-	-	-	2,689,879	-	-	-	-
BBB+	1,411,076	-	-	-	5,893,023	-	-	-	-
BBB	818,683	1,772,063	-	652,491	12,329,909	-	-	-	-
BBB-	1,141,286	985,465	-	13,191,731	8,043,229	-	-	-	-
BB+	728,946	140,216	-	37,690,432	4,958,040	-	-	-	-
BB	2,208,150	834,385	-	58,149,307	3,100,224	-	-	-	-
BB-	-	-	-	66,636,368	2,840,430	-	-	-	-
B+	-	-	-	79,704,866	730,588	-	-	-	-
B	-	712,606	-	82,033,305	1,676,263	-	-	-	-
B-	1,364,201	-	-	34,931,920	-	-	-	-	-
Less than B-	1,556,349	698,104	-	26,984,536	-	-	-	-	-
Moody's									
Aaa	12,231,432	-	-	-	-	-	-	-	-
Aa1	-	32,609	-	-	-	-	-	-	-
Aa3	520,333	-	-	-	-	-	-	-	-
A2	-	878,413	-	-	(14,819)	-	-	-	-
Baa3	-	-	-	-	4,340,000	-	-	-	-
Ba1	-	-	-	-	1,074,228	-	-	-	-
Ba2	-	-	-	3,437,406	-	-	-	-	-
Ba3	-	-	-	1,833,235	-	-	-	-	-
B1	-	-	-	1,179,305	-	-	-	-	-
B2	-	-	-	-	894,077	-	-	-	-
Less than B2	372,684	-	-	815,875	-	-	-	-	-
Unrated[1]	1,632,655	5,910,391	11,249	35,580,718	49,831,091	-	$ 497,100,710	95,485	$ 118,526,528

[1]Securities have not been rated by either Moody's or Standard & Poor's

4. Investment Derivative Instruments and Stable Value

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires that VA529 disclose its exposure to investment derivative instruments and certain investments described as synthetic guaranteed investment contracts.

A) Investment Derivatives:

Pursuant to the Statements of Investment Policy and Guidelines established for VA529's investment programs, investments in derivative securities are prohibited except where specifically permitted in the investment manager agreement for a separate account or prospectus for a fund. The Board may permit managers in certain asset classes to use derivatives consistent with the overall investment guidelines and objectives of that asset class. As of June 30, 2015, three separate account managers were permitted to use derivatives as shown in the table below.

Program	Manager	Asset Class
prePAID	Prudential Investment Management, Inc.	High Yield Fixed Income
inVEST	Prudential Investment Management, Inc.	High Yield Fixed Income
prePAID	Brookfield Investment Management, Inc.	Mortgage-Backed Securities
prePAID	Advent Capital Management, LLC	Convertible Bonds

(i) Derivatives held in Prudential Investment Management Accounts

Pursuant to its investment management agreement, Prudential Investment Management may invest in derivatives for hedging, duration and cash management. The portfolio's exposure to derivatives, as measured on a net market value basis, is limited to 10 percent of the market value of the high yield account. At June 30, 2015, neither the inVEST nor prePAID Prudential accounts held any derivatives.

(ii) Derivatives held in Brookfield Investment Management Account

Pursuant to its investment management agreement, Brookfield Investment Management may invest in derivatives for hedging, and duration management. The portfolio's notional exposure to derivatives, as measured on a net market value basis, is limited to 10 percent of the market value of the account. U.S. Treasury futures used to hedge duration are excluded from the 10 percent limit. At June 30, 2015, the only derivatives held in the account were U.S. Treasury futures. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivatives – U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2015		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise Fund	Revenue	$95,485	Investment	$95,485	$32,391,406

(iii) Derivatives held in Advent Capital Management Account

Pursuant to its investment management agreement, Advent Capital Management, LLC may invest in derivatives for hedging purposes or for the use of efficient portfolio management. Synthetic positions are not allowed and the use of derivatives should not be considered as an alpha generator. Advent primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table contains a breakdown of these forward contracts by currency.

prePAID Currency Forwards

Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
British Pound Sterling	$3,795,392	-	($3,812,347)	($3,812,347)
Canadian Dollar	2,765,704	-	(2,725,366)	(2,725,366)
Euro	23,279,822	$2,797,068	(26,108,560)	(23,311,492)
Hong Kong Dollar	3,662,342	-	(3,663,084)	(3,663,084)
Japanese Yen	6,207,393	-	(6,149,406)	(6,149,406)
Singapore Dollar	1,462,400	-	(1,455,169)	(1,455,169)
Swiss Franc	2,270,344	-	(2,267,800)	(2,267,800)
U.S. Dollar	(43,443,397)	46,247,587	(2,804,190)	43,443,397
Total	**-**	**$49,044,655**	**($48,985,922)**	**$58,734**

Note: Amounts shown in U.S. dollars using June 30, 2015 foreign exchange rates.

B) Stable Value:

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest) which enables the entire investment to be carried at its book value. VA529 utilizes stable value investments in both the prePAID and inVEST programs. VA529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2015, VA529 had the following stable value investments outstanding in the respective programs as shown in the table below.

Program	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Crediting Rate
prePAID	American General Life	$36,546,213	2/21/2014	Open ended	1.49%
	State Street Bank	24,048,183	5/1/2002	Open ended	2.75%
	Voya Retirement & Annuity	57,932,132	12/3/2002	Open ended	2.46%
inVEST	American General Life	$131,667,099	1/16/2014	Open ended	1.36%
	Prudential Retirement Ins. & Annuity	132,092,121	1/30/2014	Open ended	2.07%
	State Street Bank	132,077,172	5/1/2002	Open ended	1.88%
	Voya Retirement & Annuity	132,324,359	12/3/2002	Open ended	2.25%
	Voya Retirement & Annuity	131,586,443	10/5/2012	Open ended	1.30%

At June 30, 2015, the fair value of the underlying investments for both prePAID and inVEST exceeded the book value (notional amount) of the wrap contracts. The book value of the wrap contracts provides a guaranteed minimum value that program participants would receive upon liquidation, and therefore it would have a separate fair value only in the circumstance that the fair value of the associated underlying investment pool fell below the book value of the wrap contracts. In that case the fair value of the wrap contracts would be the amount required to bring the total value of the stable value investments up to the book value of the wrap contracts. Therefore, there is no separate fair value associated with the wrap contracts as of June 30, 2015.

In the prePAID program, the fair value of the stable value investments at June 30, 2015, was $120,897,896.

prePAID - Stable Value Components	Fair Value
Underlying Investments	$120,897,896
Wrap Contracts	-
Total	$120,897,896

In the inVEST program, the fair value of the stable value investments at June 30, 2015, was $666,732,772.

inVEST - Stable Value Components	Fair Value
Underlying Investments	$666,732,772
Wrap Contracts	-
Total	$666,732,772

5. Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs of valuation techniques used to determine fair value. The hierarchy gives highest priority to valuations maximizing observable inputs and lowest priority to those utilizing unobservable inputs. The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable for the asset or liability

Level 3: Unobservable inputs

GASB Statement No. 72 also permits certain investments that do not have a readily determinable fair value to be reported at the investment's Net Asset Value (NAV). These investments are excluded from the fair value hierarchy above and accordingly are reported in a separate table. The following exhibits represent VA529's investments and related disclosures in accordance with GASB Statement No. 72 by program.

The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015. Virginia529 implemented GASB Statement No. 72 one year early. Implementation of this statement does not impact amounts reported on financial statements, rather it provides additional details and disclosures regarding those amounts.

prePAID investments measured at fair value as of June 30th, 2015:

prePAID Investments By Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents				
Cash with the Treasurer of VA	$ 1,245,450	$ 1,245,450	-	-
Money Market Funds	78,949,275	78,949,275	-	-
Foreign Currencies	2,313,357	2,313,357	-	-
Total Cash & Cash Equivalents	82,508,082	82,508,082	-	-
Debt Securities				
US Treasury & Agency Securities	1,415,224	1,415,224	-	-
Corporate Bonds	442,821,904	-	$ 442,821,904	-
Convertible Bonds	105,607,941	-	105,607,941	-
Bond Funds	64,499,242	64,499,242	-	-
Asset Backed Securities	20,517,239	-	20,517,239	-
Mortgage Backed - Agency	11,919,661	-	11,919,661	-
Mortgage Backed - Non Agency	32,914,915	-	32,914,915	-
Total Debt Securities	679,696,125	65,914,466	613,781,659	-
Equity Securities				
Equities	237,411,363	237,411,363	-	-
Equity Real Estate	7,199,996	-	-	$ 7,199,996
Index Funds - Equity	105,402,567	105,402,567	-	-
International & Emerging Markets Funds	427,458,493	427,458,493	-	-
Total Equity Securities	$ 777,472,419	$ 770,272,423	-	$ 7,199,996
Total Investments by Fair Value Level	$ 1,539,676,626	$ 918,694,971	$ 613,781,659	$ 7,199,996

Description of prePAID investments measured at fair value:

1. Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy utilize dealer quotes for similar securities traded in active markets. VA529's investment in real estate as the sole member of Aventura Holdings, LLC. is classified as a level 3 investment. The property value is determined annually at fiscal year-end through the engagement of a professional building appraiser. The appraisal takes into account the comparable sales, cost and income approach in determining value.

2. Stable Value investments are held at contract value and are accordingly excluded from this exhibit.

prePAID investments reported at NAV:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Funds				
Harmonic - Hedge Fund	$ 90,369,157	-	Monthly	14 Days
Aurora - Hedge Fund of Funds	98,832,306	-	Quarterly	95 Days
Equity Real Estate				
UBS Realty Investors	75,905,774	-	Quarterly	60 Days
Private Equity Funds of Funds				
Private Advisors	29,418,527	$ 19,059,722		
Adams Street Partners	48,049,530	102,191,300		
Aether Investment Partners	2,503,761	14,213,027		
Commonfund	6,151,928	13,200,000		
Common Trust Funds & Other				
Wellington Management	168,963,773	-	Monthly	10 Days
State Street Global Advisors	117,939,083	-	Daily	2 Days
Ferox Capital	72,523,204	-	Daily	2 Days
BlackRock	73,175,409	-	Daily	2 Days
Total Investments Measured at the NAV	783,832,451			
Total Investments at Fair Value and NAV	$ 2,323,509,078			

Description of investments measured at NAV:

1. Hedge Funds: This investment type includes two hedge funds. The Harmonic Alpha Plus Macro Fund's investment strategy is global macro, consisting of a range of strategies in global fixed income, equity, commodity and currency markets. The Aurora Offshore Fund Ltd. II is a multi-strategy hedge fund of funds. Underlying investment strategies include, but are not limited to, long/short equities, opportunistic, long/short credit, portfolio hedge, macro and event-driven strategies. The fund is not restricted from participating in any market, strategy or investment. The fair value of investments in this type has been determined using the NAV per share of the investments.

2. Equity Real Estate: This investment type includes one limited partnership. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. The fair values of investments in this type have been determined using the NAV per share of VA529's ownership of the partnership.

3. Private Equity Funds of Funds: This investment type includes four private equity funds of funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial 4 to 5 years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 10th year. Investments with Adams Street Partners are diversified geographically through use of the firms U.S. Fund, Non-U.S. Developed Markets Fund, Emerging Markets Fund. VA529 is also diversified by vintage year with respect to these investments with twelve total investments across four vintage years. VA529's investment in Commonfund's Natural Resources IX fund seeks to gain exposure to private investments in oil and natural gas production, development and gathering, oilfield services as well as other opportunities (power, energy infrastructure, mining and clean energy). VA529's investment in Aether Investment Partners' Real Assets III, LP Fund seeks to gain exposure to private investments in oil and natural gas, metals and

minerals, agriculture and timber. VA529's investment in Private Advisors seeks to gain exposure to small company growth equity and buyout, distressed/turnaround, and opportunistic fund managers located in North America through its investments in the Small Company Buyout Fund IV and Small Company Private Equity Fund VI. The fair values of investments in this type have been determined using the March 31, 2015 NAV of VA529's ownership of the partnership, adjusted for cash flows (capital calls) through June 30, 2015.

4. Common Trust Funds & Other: This investment type includes three common trust funds. State Street Global Advisors' U.S. Treasury Inflation Protected Securities Index Non-Lending Common Trust Fund, invests in securities or other pooled vehicles in order to track performance of the Barclays Capital U.S. Treasury Inflations Protected Securities Index. Wellington Management Co.'s Emerging Market Debt Common Trust Fund invests in securities, derivatives, private placements or other pooled vehicles in order to generate excess returns over the J.P. Morgan Emerging Markets Bond Index Plus. Additionally, this investment type includes Ferox Capital's Salar Fund PLC, a UCITS IV compliant Dublin, Ireland based Public Limited Company. The Salar Fund's investment strategy is long-only global convertible bonds. The fair value of investments in this type have been determined using the NAV per share of the investments. BlackRock Intermediate Term Credit Bond Index Non-Lendable Fund "B" is an index fund that seeks investment results that correspond generally to the price and yield of a particular index. Through investment in debt securities the fund seeks to approximate as closely as practicable the total rate of return of the intermediate-term division of the Barclays Intermediate Credit Bond Index, which consists of credit bonds with maturities between one and ten years.

<u>inVEST investments measured at fair value as of June 30th, 2015:</u>

		Fair Value Measurements Using:		
Investments By Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents				
Cash with Wells Fargo	$ 2,224,281	$ 2,224,281	-	-
Money Market Funds	59,781,371	59,781,371	-	-
Total Cash & Cash Equivalents	62,005,652	62,005,652	-	-
Debt Securities				
Corporate Bonds	88,740,664	-	$ 88,740,664	-
Emerging Markets - Debt	173,015,724	173,015,724	-	-
Index Funds - Debt	411,268,301	411,268,301	-	-
Total Debt Securities	673,024,689	584,284,025	88,740,664	-
Equity Securities				
Equities	68,122,008	68,122,008	-	-
Equity Real Estate	150,002,453	150,002,453	-	-
Index Funds - Equity	1,138,795,531	1,138,795,531	-	-
International & Emerging Markets Funds	324,925,527	324,925,527	-	-
Total Equity Securities	1,681,845,519	1,681,845,519	-	-
Total Investments by Fair Value Level	$ 2,416,875,860	$ 2,328,135,195	$ 88,740,664	$ -

Description of inVEST investments measured at fair value:

1. Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy utilize dealer quotes for similar securities traded in active markets.
2. Stable Value investments are held at contract value and are thus excluded from this exhibit.

6. Securities Lending Transactions

A portion of the balance sheet line item Cash and Cash Equivalents represents cash held in the General Account of the Commonwealth and thus represents VA529's allocated share of securities received for securities lending transactions conducted therein. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. VA529 receives no interest on balances held at the State Treasury. Accordingly, VA529 did not share in any gain or loss on securities lending transactions during fiscal 2015.

7. Commitments

VA529 is committed under operating leases for business equipment and building space rental. The equipment lease is for a three-year term. The space rental is for one year, automatically renewing each year. In both cases, VA529 expects that in the normal course of business, these leases will be renewed or replaced by similar leases. Rental expense for the fiscal year ended 2015 was $252,543.

As of June 30, 2015, VA529 had the following total future minimum rental payments due under the above leases.

Fiscal Year	Amount
2016	$ 264,803
2017	163,004
2018	166,334
2019	119,405
Total future minimum rental payments	$ 713,546

8. Long-Term Liabilities

Long-term liabilities include tuition benefits payable, capital lease payments, and compensated absences.

A. Tuition Benefits Payable

This liability represents the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for prePAID.

B. Capital Lease

On July 1, 2013, VA529 entered into the first 5-year extension of its Lease Agreement with Aventura Holdings, LLC under which it leases a 48,500 square foot office building through June 30, 2018. The Lease provides for two additional 5-year renewal options. Pursuant to the Lease, VA529 will make base rent payments as reflected below on an annual basis in advance, and will make additional rent payments on a quarterly basis in advance in an amount sufficient to pay building operating costs for the next quarter. Aventura has entered into an agreement with a property management company for the purpose of providing facilities maintenance, grounds keeping, custodial services, etc. The additional rent payments will cover operating costs incurred by Aventura under the property management agreement. At the end of each quarter, VA529 and Aventura reconcile expenses before funding operating expenses for the subsequent quarter.

Base Rent Periods (1)	Annual Base Rent
FY15	$ 546,838
FY16	560,508
FY17	574,521
FY18	588,884
FY19	603,606

(1) 2015 rent at $11.00 psf with a 2.5% annual escalator.

Future Minimum Lease Payments (2)	Amount
FY 2020 - FY 2024	$ 3,252,072
FY 2025 - FY 2029	3,679,421
FY 2030 - FY 2034	4,162,927
FY 2035 - FY 2039	4,709,970
FY 2040 - FY 2044	5,328,898
FY 2045 - FY 2048	4,763,054

(2) Future minimum lease payments calculated with a 2.5% annual escalator and are subject to change upon renegotiation of the lease. See Note 1M – prePAID Investment in Real Estate.

Aventura has also established a renewal and replacement reserve funded from 27% of the annual rental payments received from VA529 to cover capital improvements to the building. The reserve funding schedule is set forth below.

Base Reserve Periods	Annual Reserve Funding
July 1, 2014 – June 30, 2015	$ 149,138
July 1, 2015 – June 30, 2016	152,866
July 1, 2016 – June 30, 2017	156,688
July 1, 2017 – June 30, 2018	160,605

C. Compensated Absences

Compensated Absences represent the long-term liability for accrued annual, sick or disability credits, compensatory, overtime, on-call, recognition and other leave for all leave-eligible employees employed on June 25, 2015. Long-term leave liability is further apportioned as current or noncurrent based on whether they are estimated to be due within one year or due greater than one year, respectively.

D. Pension Liability

Employees of VA529 are employees of the Commonwealth of Virginia. The employees participate in one of two defined benefit pension plans or a hybrid retirement plan administered by the Virginia Retirement System. The Commonwealth's actuarially determined Net Pension Liability is calculated as of the previous fiscal year end. VA529's proportion of this liability is based on its actuarially determined employer contributions to the pension plan. See Note 11 – Retirement and Pension Plan for additional information on this liability.

Changes in long-term liabilities are shown below:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$635,136	$428,716	$423,838	$640,014	$301,266
Tuition Benefits	2,140,429,355	135,063,496	158,724,026	2,116,768,825	239,233,954
Net Pension Liability	10,380,861	-	1,525,861	8,855,000	-
Capital lease obligation	6,072,470	-	364,380	5,708,090	365,053
Total	$ 2,157,517,822	$ 135,492,212	$ 161,038,105	$ 2,131,971,929	$ 239,900,273

9. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2015.

Enterprise Fund	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Depreciable capital assets:				
Equipment	$ 1,882,147	$ 111,744	$ -	$ 1,993,891
Software	1,038,466	-	-	1,038,466
Building*	8,800,000	-	-	8,800,000
Total Depreciable capital assets:	11,720,613	111,744	-	11,832,357
Less accumulated depreciation for:				
Equipment	1,173,385	185,056	-	1,358,441
Software	287,468	103,847	-	391,315
Building	701,328	238,196	-	939,524
Total accumulated depreciation	2,162,181	527,099	-	2,689,280
Net depreciable capital assets	9,558,432	(415,355)	-	9,143,077
Total net capital assets	$ 9,558,432	$ (415,355)	$ -	$ 9,143,077

*Asset purchased under a capital lease.

10. Summary of Actuarial Assumptions and Methods

VA529's statute requires that it annually determine the actuarial soundness of prePAID. VA529 has assumed that actuarially sound, when applied to prePAID, means that VA529 has sufficient assets (including the value of future installment payments due under current prePAID contracts) to cover the actuarially estimated value of the tuition obligations under those contracts, including any administrative costs associated with those contracts.

The two most significant assumptions used to prepare prePAID's actuarial valuation report and contract pricing are the rates of investment return and future tuition growth. In addition, there are other assumptions the actuary employs in the actuarial valuation and contract pricing. In the summer of 2015, VA529's Board approved reductions in the rates of investment return and future tuition growth from 6.75 to 6.25 percent, and from 7.5 to 6.5 percent, respectively. The change in the investment return assumption had a negative impact, while the reduction in the tuition growth assumption had a positive impact on the funded position. The following assumptions, reflecting the changes approved by the Board, were used in the actuarial valuation for June 30, 2015:

Investment Rate of Return: 6.25 percent per annum.

Projected Tuition Increase: The assumed tuition increase rates used in the current and prior year's valuations are outlined in the table below.

	Universities		Community Colleges	
	Current assumption	Prior assumption	Current assumption	Prior assumption
Fall 2016 and thereafter	6.5%	7.5%	6.5%	7.5%

Cancellations, Rollovers and Transfers: It is assumed that 0.5 percent of contracts will be cancelled, etc. each year for beneficiaries ages 0 through 17. It is assumed that 5.0 percent of contracts will be cancelled, etc. each year for beneficiaries ages 18 and higher.

Attendance and Bias: It is assumed that of the remaining contracts that will be redeemed to pay for tuition, 76 percent of beneficiaries will attend a public university in Virginia, 7.6 percent will attend a private university in Virginia, 11.4 percent will attend a university in another state, and 5 percent will request a cancellation, transfer, or rollover to a savings plan. Weighted average tuition for four-year public universities and two-year community colleges in Virginia was adjusted with 8 percent and 1 percent loads, respectively, to add a bias for attendance at more expensive schools. The highest tuition for a public university in Virginia was assumed to be 50 percent higher than weighted average tuition. Out-of-state students are assumed to receive a benefit equal to the payments made on the contract plus interest at the composite reasonable rate of return.

Utilization: It is assumed that participants will begin utilizing their contract at actuarially determined rates, and then redeem up to two semesters of tuition per year until the contract is depleted. While some participants redeem contracts and utilize benefits in the year of expected matriculation, many delay redeeming units until later years.

Expenses: The expenses included in the present value of future obligations are those relating to Annual Maintenance Expense per Contract of $55.58 and Annual Distribution Cost per Contract in Payment Status of $24.61. These expenses were developed by VA529 staff and are assumed to increase annually at the rate of inflation plus 0.5 percent.

The actuarial prePAID contract payments and the actuarial tuition benefits expense line items represent the annual accrual of contract payments receivable and the obligation for distribution expenses determined by the actuarial valuation. At June 30, 2015, the accrual of the actuarially determined prePAID contract payments receivable and the accrual of the tuition benefits payable both decreased over the prior year. The decrease in the receivable resulted in negative actuarial prePAID contract payments reported as a reduction in operating revenue. The decrease in the payable resulted in negative actuarial prePAID tuition benefit expenses reported as a reduction in operating expenses.

Actuarial Valuation Results

	2015	2014	Change
prePAID contract payments receivable	$209,268,825	$217,829,355	$(8,560,530)
Tuition benefits payable	$2,116,768,825	$2,140,429,355	$(23,660,530)

11. Retirement and Pension Plan

Employees of VA529 are employees of the Commonwealth of Virginia. The employees participate in one of two defined benefit pension plans or a hybrid retirement plan administered by the Virginia Retirement System (VRS or the System).

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by the plan are reported at fair value.

General Information about the Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. The State Employee Retirement Plan is a single employer plan treated as a cost-sharing employer plan for financial purposes. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution

pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2.

		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1 **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.

		Defined Contribution Component: Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5 percent of their compensation toward their retirement. Prior to July 1, 2012, the 5 percent member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5 percent member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2015 was 12.33 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 3013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02 percent of the actuarial rate for the year ended June 30, 2015. Contributions from VA529 to the VRS State Employee Retirement Plan were $810,765 and $543,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, VA529 reported a liability of $8,855,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. VA529's proportion of the Net Pension Liability was based on its actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, VA529's proportion of the VRS State Employee Retirement Plan was 0.15817 percent as compared to 0.15291 percent at June 30, 2013.

For the year ended June 30, 2015, VA529 recognized pension expense of $682,000 for the VRS State Employee Retirement. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, VA529 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	-	$1,581,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	$256,000	-
Employer contributions subsequent to the measurement date	810,765	-
Total	$1,066,765	$1,581,000

$810,765 reported as deferred outflows of resources related to pensions resulting from VA529's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2015		
2016	$	306,000
2017		306,000
2018		317,000
2019		396,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2014, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan
Total Pension Liability	$ 21,766,933
Plan Fiduciary Net Position	16,168,535
Employers' Net Pension Liability (Asset)	$ 5,598,398
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Market Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33 percent but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44 percent, including expected inflation of 2.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by VA529 for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of VA529's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents VA529's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.0 percent, as well as what VA529's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
VA529's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$12,972,000	$8,855,000	$5,403,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS Comprehensive Annual Financial Reports (CAFRs). The VRS CAFRs may be downloaded from the VRS website at www.varetire.org/publications/index.asp, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

As of June 30, 2015 VA529 reported payables to the VRS State Employee Retirement Plan in the amount of $47,670. This amount is largely comprised of payments due to VRS that were not made until after the fiscal year end as a result of timing of payroll payment dates. Additional information regarding the Plan's pension liability can be found in the Supplementary Information section of this report.

12. Risk Management

VA529 is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. VA529 participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, faithful performance of duty bond, automobile, and airplanes. VA529 pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VA529's information technology disaster recovery site is provided through a co-location agreement. The co-location has a fully equipped network environment as well as multiple direct-access Internet feeds necessary to facilitate recovery of mission critical VA529 systems. VA529 also has a co-location agreement in place to provide alternate office space for periods of one business day to four weeks in the event that VA529 no longer has access to its primary office facilities.

13. SOAR Virginia

VA529's Board approved the creation and funding of SOAR Virginia® as a pilot program in fiscal 2010. SOAR Virginia is an early commitment scholarship program created to inspire and assist high school students to reach their post-secondary education goals. To participate, eligible students pledge to meet program requirements. In return, participating students receive a range of assistance and accumulate scholarship support up to $2,000 to apply toward their post-secondary education expenses. SOAR Virginia is a unique program created by VA529 to further its mission to make college more affordable and accessible to all Virginians and is offered in partnership with local Virginia college access providers.

The Board approved initial funding of $2 million per fiscal year beginning in 2011 and continuing through 2014 into an inVEST account in the name of VA529 for the development of the pilot program. As of June 30, 2015, $8 million had been deposited in the SOAR account. Amounts deposited, plus earnings thereon, remain in the account until distributed. Amounts are allocated to students once awarded pursuant to program rules. VA529 will not commit support in excess of amounts on-hand in the SOAR Virginia account. As of June 30, 2015, the SOAR Virginia account had a balance of $8.33 million. During fiscal year 2015 $102,855 was distributed to institutions on behalf of SOAR participants. Details as to the number of students enrolled in the pilot program and amounts committed as of June 30, 2015 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
1,713	$1,498,194	$1,596,000	$3,094,194

(1) Number of students that have completed a SOAR application and pledge, and have been admitted to and are currently enrolled in the program

14. Scholarship Program And Promotional Accounts

The VA529 scholarship program consists of prePAID and inVEST third party scholarship accounts (excluding SOAR Virginia) established to provide a range of benefits to future beneficiaries. The purpose of the program is to enable individuals, organizations, community groups, corporations, and trusts to make qualified charitable contributions, which are used to purchase prePAID and inVEST accounts for beneficiaries. VA529's scholarship program's mission is to work with community partners to make the dream of college a reality for deserving youth in Virginia.

In addition to scholarship accounts, VA529 awards prePAID or inVEST promotional accounts that do not specifically qualify as scholarships as defined by federal law. Like scholarship accounts, these accounts are funded by VA529, individuals, organizations, school groups, or other entities.

Active scholarship (excluding SOAR) and promotional accounts at June 30, 2015:

	Scholarship		Promotional	
Program	**Accounts**	**Value**	**Accounts**	**Value**
inVEST	268	$927,960	208	$1,007,185
prePAID	23	$415,358	12	$111,722
prePAID value represents the cancellation value of accounts at June 30, 2015 inVEST value represents the aggregate market value of the investments in the portfolios at June 30, 2015				

15. Unrelated Business Income Tax

As a qualified tuition program under IRC §529, VA529 is subject to tax on unrelated business income. VA529 invests in certain agreements and funds that may produce unrelated business income. As such, VA529 may pay taxes on unrelated business income. During fiscal year 2015 VA529 paid no taxes as there was no reportable unrelated business income during the prior fiscal year. VA529 will determine and pay its unrelated business income tax liability, if any, for fiscal 2015 after it receives all Schedule K-1s at the end of calendar 2015.

Required Supplementary Information

VA529 Pension Liability
Required Supplementary Information

Schedule of VA529's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Year Ended June 30, 2015 *

	2015
VA529's Proportion of the Net Pension Liability (Asset)	0.15817%
VA529's Proportionate Share of the Net Pension Liability (Asset)	$8,855,000
VA529's Covered-Employee Payroll	$8,595,440
VA529's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	103.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data are available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end

Schedule of VA529 Contributions for the year ended June 30, 2015

Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
$810,765	$810,765	$0	$9,569,826	8.47%

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms – There have been no significant changes to the Virginia Retirement System (VRS or System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

VA529 Pension Liability
Required Supplementary Information

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

See Note 11 – Retirement and Pension Plan for additional accounting disclosures of pension expenses and liabilities.

Supplementary Information

Virginia529 College Savings Plan℠

APPENDIX A

Mutual Funds by Program

Virginia529 prePAID[SM]

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
BlackRock, Inc.	T-Fund (Cash and Equivalents)
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
The Vanguard Group, Inc.	Institutional Index Fund

Virginia529 inVEST[SM]

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Morgan Stanley Investment Management, Inc.	Institutional Global Real Estate Fund
Parnassus Investments	Core Equity Fund
Stone Harbor Investment Partners LP	Emerging Market Debt Fund
The Vanguard Group, Inc.	Institutional Index Fund
The Vanguard Group, Inc.	Small Cap Index Fund
The Vanguard Group, Inc.	LifeStrategy Growth Fund
The Vanguard Group, Inc.	LifeStrategy Moderate Growth Fund
The Vanguard Group, Inc.	LifeStrategy Income Fund
The Vanguard Group, Inc.	Total Stock Market Index Fund
The Vanguard Group, Inc.	Total Bond Market Index Fund
The Vanguard Group, Inc.	Total International Stock Index Fund
The Vanguard Group, Inc.	Inflation-Protected Securities Fund
The Vanguard Group, Inc.	REIT Index Fund

APPENDIX B

Separate Account, Commingled Fund & Alternative Managers by Program

Virginia529 prePAID℠

Investment Manager	Investment Strategy
Adams Street Partners	Private Equity Fund of Funds
Advent Capital Management, LLC	Convertible Fixed Income
Aether Investment Partners, LLC	Private Equity Fund of Funds
Aurora Investment Management, LLC	Market Neutral Hedge Fund of Funds
Commonfund	Private Equity Fund of Funds
BlackRock, Inc.	Intermediate Corporate Bonds
Brookfield Investment Management, Inc.	Mortgage-Backed Securities
Donald Smith & Co.	Small Cap Value Domestic Equity
Ferox Capital, LLP	Convertible Fixed Income
Harmonic Capital Partners	Global Macro Hedge Fund
Invesco Advisers, Inc.	Stable Value Fixed Income
Private Advisors, LLC	Private Equity Fund of Funds
Prudential Investment Management, Inc.	High Yield Fixed Income
Shenkman Capital Management, Inc.	Senior Secured Bank Loans
State Street Global Advisors	Indexed US Inflation Protected Securities
Stone Harbor Investment Partners LP	Emerging Market Debt Blend
Thompson, Siegel & Walmsley, LLC	SMID Cap Value Domestic Equity
UBS Realty Investors, LLC	Private Real Estate
Wellington Management Co., LLP	Emerging Market Debt
Westfield Capital Management Co., LP	Mid Cap Growth Domestic Equity

Virginia529 inVEST℠

Investment Manager	Investment Strategy
Invesco Advisers, Inc.	Stable Value Fixed Income
Prudential Investment Management, Inc.	High Yield Fixed Income
Rothschild Asset Management, Inc.	SMID Cap Value Domestic Equity

Appendix C
Investment Details by Program as of June 30, 2015
Virginia529 prePAID^{SM}

Investment Manager	Asset Class	Mutual Fund(s) (if applicable)	Aggregate Fair Value[3]	% of Total Fund[1]
Equities				
Aberdeen Asset Management, Inc.	Emerging Market	Emerging Market Equity	$ 175,990,006	7.3%
Capital Research & Management Co.	International Core	American Funds EuroPacific Growth	124,876,631	5.2%
Donald Smith & Co.	Small Cap Value	N/A	62,015,416	2.6%
Templeton Institutional Funds, Inc.	International Value	Templeton Foreign Equity Series	126,591,856	5.2%
The Vanguard Group, Inc.	Large Cap Domestic Blend	Institutional Index	105,402,567	4.4%
Thompson, Siegel & Walmsley, LLC	Small/Mid Cap Value	N/A	77,983,284	3.2%
Westfield Capital Management Co., LP	Mid Cap Growth	N/A	114,693,634	4.8%
Total Equities			*787,553,394*	*32.7%*
Core Fixed Income				
BlackRock, Inc.[2]	Cash Equivalents	T-Fund	527,717	0.0%
BlackRock, Inc.	Intermediate Corporate Bonds	N/A	73,175,409	3.0%
Brookfield Investment Management, Inc.	Mortgage-Backed Securities	N/A	73,641,008	3.1%
Invesco Advisers, Inc.[3]	Stable Value	N/A	123,884,258	5.1%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	218,337,862	9.1%
State Street Global Advisors	Inflation Protected Securities	N/A	117,939,083	4.9%
Treasurer of Virginia	Cash Equivalents	N/A	1,245,450	0.1%
VA529 Transition Account	N/A	N/A	709,666	0.0%
Total Core Fixed Income			*609,460,453*	*25.3%*
Non-Core Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	110,244,668	4.6%
Ferox Capital, LLP	Convertible Bonds	N/A	72,523,204	3.0%
Prudential Investment Management, Inc.	High Yield Bonds	N/A	239,584,140	9.9%
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	64,499,242	2.7%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	168,963,773	7.0%
Total Non-Core Fixed Income			*655,815,027*	*27.2%*
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	48,049,530	2.0%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	2,503,761	0.1%
Aurora Investment Management, LLC	Hedge Fund of Funds	N/A	98,832,306	4.1%
Aventura Holdings, LLC	Private Real Estate	N/A	7,684,211	0.3%
Commonfund	Private Equity Fund of Funds	N/A	6,151,927	0.3%
Harmonic Capital Partners	Hedge Fund	N/A	90,369,157	3.7%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	29,418,527	1.2%
UBS Realty Investors, LLC	Private Real Estate	N/A	75,905,774	3.1%
Total Alternative Investments			*358,915,193*	*14.9%*
Grand Total			*$ 2,411,744,067*	*100.0%*

[1]May not total 100% due to rounding. [2]BlackRock, Inc. operating cash in the amount of $30,291,539 is not included in the total above. [3]Stable value assets shown at contract value.

Investment Details by Program as of June 30, 2015

Virginia529 inVEST℠

Investment Manager	Asset Class	Mutual Fund (if applicable)	Aggregate Fair Value[1]
Age-Based Portfolios			
Aberdeen Asset Management, Inc.	Emerging Markets Equity	Emerging Market Equity Fund	$ 108,032,520
Capital Research & Management Co.	International Core Equity	American Funds EuroPacific Growth	109,266,677
Templeton Institutional Funds, Inc.	International Value Equity	Templeton Foreign Equity Series	107,626,330
Invesco Advisers, Inc.	Stable Value	N/A	688,843,276
Morgan Stanley Investment Management, Inc.	Global REITs	Institutional Global Real Estate Fund	110,956,552
Prudential Investment Management, Inc.	High Yield Bonds	N/A	91,556,215
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	69,497,354
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	173,015,724
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	293,610,862
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	206,877,239
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	47,262,639
Total Age-Based Evolving Portfolios			*2,006,545,388*
Static Portfolios			
Parnassus Investments	Socially Responsible Large Cap Core Equity	Core Equity Fund	25,571,713
The Vanguard Group, Inc.	80% Equities 20% Fixed Income	LifeStrategy Growth Fund	393,364,392
The Vanguard Group, Inc.	60% Equities 40% Fixed Income	LifeStrategy Moderate Growth Fund	178,948,334
The Vanguard Group, Inc.	20% Equities 80% Fixed Income	LifeStrategy Income Fund	56,526,523
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	21,271,550
The Vanguard Group, Inc.	Real Estate Investment Trust	REIT Index Fund	39,045,901
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	27,069,724
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	69,316,164
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	255,816,404
Total Static Portfolios			*1,066,930,705*
Grand Total			*$ 3,073,476,093*

Cash held with the Treasurer of Virginia as well as with BNY Mellon (custodian) in the amount of $3,146,959 is not included in the total above.

[1]Stable value assets shown at contract value

Other Information

CollegeAmerica®

CollegeAmerica, a broker-sold IRC §529 college savings option, was launched on February 15, 2002. CollegeAmerica is a defined contribution savings program administered by Capital Research and Management Company, American Funds Distributors, Inc., and American Funds Service Company, Inc. (together, the American Funds) pursuant to a contract. The American Funds acts as program manager and provides all back office and operational services for the program. As a result of this structure, VA529's staff has minimal day-to-day administrative responsibility, other than program oversight and review. VA529 has contracted these services with American Funds through February 15, 2040.

As of June 30, 2015, 40 American Funds mutual funds were approved by VA529 and available through the program. A complete list is shown in the tables on the following pages. In September 2014 the Board approved the addition of the American Funds' Inflation Linked Bond Fund. This fund was available to investors in January 2015 and ended the fiscal year with approximately $2.3 million in assets. Additionally, the American Funds College 2033 Fund was added during the fiscal year to maintain the glide path of the age-based track that was Board approved in September 2014. CollegeAmerica is available year round and has no age or residency restrictions. Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2015, approximately 2.14 million unique active accounts were open with net assets in excess of $49.8 billion. American Funds defines unique active accounts as unique open account numbers at period end. Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected.

A separate audited report for each of the 40 funds offered in the CollegeAmerica program is published annually by the American Funds. Each of the funds has a different year ending date, so these audited reports are published throughout the year. An individual fund audit report includes that fund's results for all share classes offered in the fund, including the IRC §529 share classes created for the CollegeAmerica program. The individual fund reports are available in their entirety from the American Funds. A summary of the 529 Share Class Net Assets as of Fund Fiscal Year End and at June 30, 2015 for each fund are presented in the following charts.

CollegeAmerica
529 Share Class Net Assets as of Fund Fiscal Year End (dollars and shares in thousands)

Fund	Shares	Net Assets	Fiscal Year End
Growth funds			
AMCAP Fund®	66,114	$ 1,876,146	02/28/15
EuroPacific Growth Fund®	35,737	1,756,970	03/31/15
The Growth Fund of America®	171,023	7,861,151	08/31/14
The New Economy Fund®	13,894	552,976	11/30/14
New Perspective Fund®	53,693	2,018,071	09/30/14
New World Fund®	18,260	1,068,561	10/31/14
SMALLCAP World Fund®	28,531	1,359,042	09/30/14
Growth-and-income funds			
American Mutual Fund®	25,921	978,156	10/31/14
Capital World Growth and Income Fund®	87,665	4,180,054	11/30/14
Developing World Growth and Income Fund℠	1,832	19,875	11/30/14
Fundamental Investors℠	45,487	2,364,730	12/31/14
International Growth and Income Fund℠	4,872	177,795	06/30/14
The Investment Company of America®	79,339	2,934,439	12/31/14
Washington Mutual Investors Fund℠	61,600	2,531,207	04/30/15
Equity-income funds			
Capital Income Builder®	52,276	3,175,136	10/31/14
The Income Fund of America®	97,421	2,083,819	07/31/14
Balanced funds			
American Balanced Fund®	164,415	4,063,711	12/31/14
American Funds Global Balanced Fund℠	9,340	293,778	10/31/14
Bond funds			
American High-Income Trust℠	49,743	551,595	09/30/14
American Funds Inflation Linked Bond Fund	N/A	N/A	11/30/14
The Bond Fund of America℠	112,612	1,442,380	12/31/14
Capital World Bond Fund®	28,351	580,305	09/30/14
Intermediate Bond Fund of America®	39,548	536,394	08/31/14
Short-Term Bond Fund of America℠	43,660	436,208	08/31/14
U.S. Government Securities Fund℠	15,782	220,682	08/31/14
American Funds Mortgage Fund℠	2,130	21,731	08/31/14
Money market fund			
American Funds Money Market Fund®	1,147,867	1,147,867	09/30/14
American Funds College Target Date Series funds			
American Funds College 2015 Fund℠	29,595	301,964	10/31/14
American Funds College 2018 Fund℠	48,571	538,661	10/31/14
American Funds College 2021 Fund℠	45,520	527,283	10/31/14
American Funds College 2024 Fund℠	37,272	450,605	10/31/14
American Funds College 2027 Fund℠	26,833	335,753	10/31/14
American Funds College 2030 Fund℠	27,554	355,994	10/31/14
American Funds College 2033 Fund℠	N/A	N/A	10/31/14
American Funds College Enrollment Fund℠	8,258	82,322	10/31/14
American Funds Portfolio Series℠ funds			
American Funds Global Growth Portfolio℠	9,778	144,221	10/31/14
American Funds Growth Portfolio℠	17,700	270,796	10/31/14
American Funds Growth and Income Portfolio℠	24,840	342,377	10/31/14
American Funds Balanced Portfolio℠	17,836	237,232	10/31/14
American Funds Income Portfolio℠	9,381	112,219	10/31/14
American Funds Preservation Portfolio℠	7,674	76,359	10/31/14

Data compiled from American Funds audited fund statements

CollegeAmerica
529 Share Class Net Assets as of June 30, 2015 (dollars and shares in thousands)

Fund	Shares	Net Assets
Growth funds		
AMCAP Fund®	68,870	$ 1,900,579
EuroPacific Growth Fund®	36,075	1,791,013
The Growth Fund of America®	186,612	8,200,270
The New Economy Fund®	15,543	607,157
New Perspective Fund®	56,829	2,143,689
New World Fund®	18,937	1,027,167
SMALLCAP World Fund®	31,155	1,538,590
Growth-and-income funds		
American Mutual Fund®	27,573	1,000,554
Capital World Growth and Income Fund®	88,152	4,115,670
Developing World Growth and Income FundSM	2,780	28,156
Fundamental InvestorsSM	46,210	2,430,522
International Growth and Income FundSM	5,632	179,889
The Investment Company of America®	79,865	2,934,068
Washington Mutual Investors FundSM	61,546	2,465,880
Equity-income funds		
Capital Income Builder®	53,481	3,135,881
The Income Fund of America®	99,860	2,109,279
Balanced funds		
American Balanced Fund®	167,245	4,101,694
American Funds Global Balanced FundSM	10,201	306,129
Bond funds		
American High-Income TrustSM	48,622	517,341
American Funds Inflation Linked Bond Fund	235	2,255
The Bond Fund of AmericaSM	112,420	1,425,487
Capital World Bond Fund®	27,667	532,025
Intermediate Bond Fund of America®	39,909	539,972
Short-Term Bond Fund of AmericaSM	44,687	446,488
U.S. Government Securities FundSM	15,080	211,453
American Funds Mortgage FundSM	2,453	24,920
Money market fund		
American Funds Money Market Fund®	1,228,408	1,228,408
American Funds College Target Date Series funds		
American Funds College 2018 FundSM	63,949	698,500
American Funds College 2021 FundSM	61,404	695,466
American Funds College 2024 FundSM	51,384	603,772
American Funds College 2027 FundSM	37,573	460,194
American Funds College 2030 FundSM	41,636	530,770
American Funds College 2033 FundSM	1,867	18,706
American Funds College Enrollment FundSM	44,099	438,078
American Funds Portfolio SeriesSM funds		
American Funds Global Growth PortfolioSM	12,230	182,177
American Funds Growth PortfolioSM	24,237	381,868
American Funds Growth and Income PortfolioSM	30,180	406,724
American Funds Balanced PortfolioSM	21,453	286,293
American Funds Income PortfolioSM	10,945	127,794
American Funds Preservation PortfolioSM	9,033	89,702
Total Assets		**$ 49,864,580**

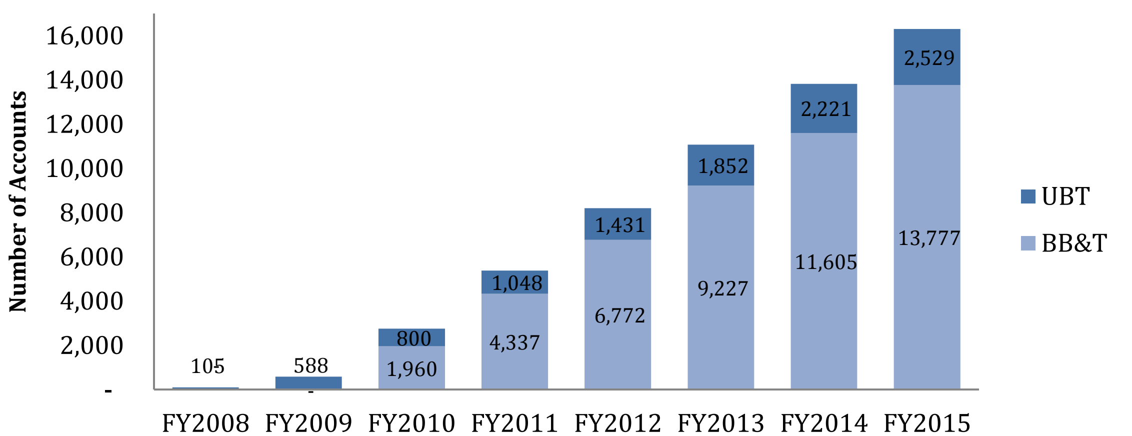
Data compiled from American Funds reports. Figures may not foot due to rounding

CollegeWealth®

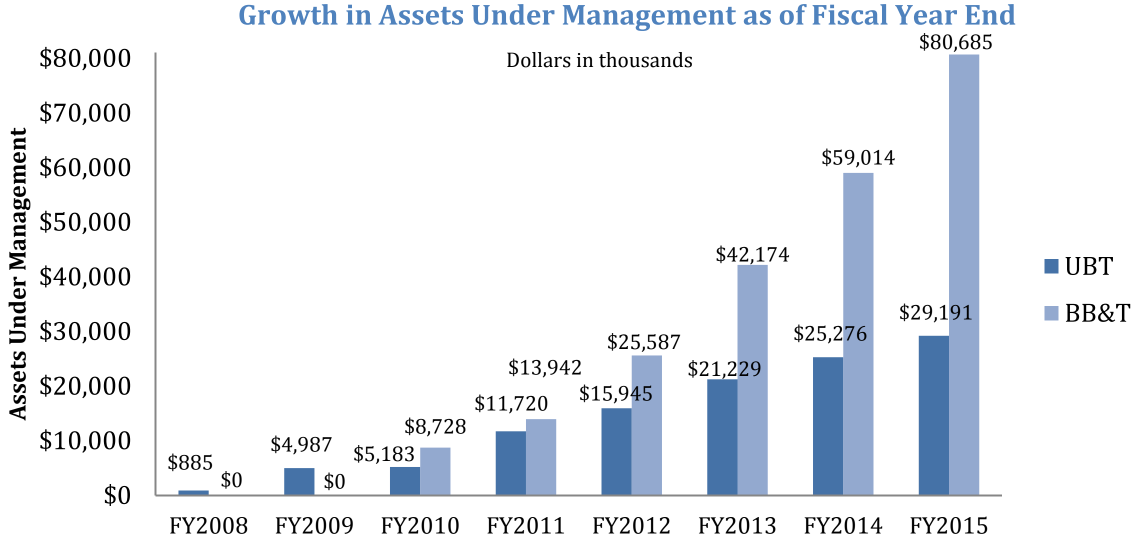
CollegeWealth is VA529's FDIC-insured defined contribution 529 college savings program, provided in partnership with two participating financial institutions; BB&T and Union Bank & Trust. Each CollegeWealth college savings account with a value up to $250,000 (when combined with any other holdings of an individual at any one bank) is insured by the FDIC. CollegeWealth began in the autumn of 2007 with Union Bank & Trust (UBT) as VA529's first banking partner. In the autumn of 2009, VA529 added Branch Banking and Trust (BB&T) Corporation as a banking partner in an effort to significantly expand the availability of CollegeWealth within and outside of the Commonwealth. The partnership made CollegeWealth available throughout Virginia and across the country. As of June 30, 2015 there were 16,306 unique active accounts with net assets in excess of $109.8 million. Unique active accounts represent all active accounts at period end. The net assets represented amounts held in savings instruments at the participating banks and were thus not subject to fair market value adjustments at year end.

Since its inception, the CollegeWealth program has continued to grow. The charts below provide details on the growth in the number of accounts and assets for the program.

Growth in Accounts Under Management as of Fiscal Year End



Growth in Assets Under Management as of Fiscal Year End



VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia

BOARD MEMBERS
As of June 30, 2015

Mr. Shawn P. McLaughlin, Chairman

Dr. Edward H. Bersoff

Mr. Peter A. Blake

Dr. Glenn Dubois

Ms. Manju Ganeriwala

Mr. William S. Jaisen

Mr. Philip R. Langham

Mr. Timothy J. Sullivan

Mr. Peter M. Vogt

Mr. David A. Von Moll

Mr. John D. Whitlock

CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris

Attachment B

Draft Actuarial Valuation Report

Virginia529 prePAID Program

for the year ended June 30, 2015

PRELIMINARY DRAFT

ACTUARIAL VALUATION
OF THE
VIRGINIA529 prePAID
AS OF JUNE 30, 2015

By:

ALAN H. PERRY, FSA, CFA
RICHARD L. GORDON, FSA, EA
JILL M. STANULIS, EA

1550 Liberty Ridge Drive
Suite 200
Wayne, PA 19087-5572

Tel +1 610 687.5644
Fax +1 610.687.4236

www.milliman.com

October 31, 2015

Board of the Virginia College Savings Plan
Commonwealth of Virginia
Virginia College Savings Plan
9001 Arboretum Parkway
N. Chesterfield, VA 23236

Ladies & Gentlemen:

This report presents the preliminary draft results of the actuarial valuation of the Virginia529 prePAID (prePAID) as of June 30, 2015.

Purpose

The main purposes of this report are:

- to calculate the actuarial present value of the obligations under the prepaid tuition contracts purchased through June 30, 2015 and compare the value of those obligations with the assets in prePAID as of that date;

- to review the experience and changes in the actuarial assumptions during the last year and indicate their effects on the results; and

- to set forth the basis for the actuarial assumptions and methods utilized in those calculations.

The results contained in this report are based on contract data and preliminary financial statements provided by the Virginia College Savings Plan. We have relied on this data in preparing this report.

Background

In 1994, the Virginia General Assembly established the Virginia Higher Education Tuition Trust Fund (subsequently renamed the Virginia College Savings Plan) to enhance the accessibility and affordability of higher education for all citizens of the Commonwealth. The prePAID fund consists of payments received pursuant to prepaid tuition contracts, bequests, endowments or grants from the United States government, its agencies and instrumentalities, and any other available sources of funds, public or private. Any moneys remaining in prePAID at the end of a biennium shall remain in prePAID. Interest and income earned from the investment of such funds shall remain in prePAID.

In 1998, the Virginia General Assembly passed legislation that requires the Governor to include in each year's state budget an amount to cover the Plan's obligations, which include prePAID, in the event "the Plan is unable to meet its current obligations." The Governor has included the provision in subsequent budget submissions to meet the prePAID obligations, and the General Assembly has included the provision in subsequent Appropriation Acts, including Chapter 665 of the 2015 Virginia Acts of Assembly (2015 Appropriation Act).

Program Design

The Virginia529 prePAID is one of four Section 529 options offered by the Virginia College Savings Plan. Under prePAID, participants purchase tuition contracts that provide coverage of tuition and mandatory fees at a public university and/or community college in Virginia. At redemption, the contract pays the current tuition and mandatory fees at the Virginia public university or community college that the beneficiary attends. The benefits vary if the beneficiary does not attend a Virginia public university or community college. With the establishment of the Virginia529 inVEST Program and other savings programs, contract holders have the option of rolling over the value of their prePAID contract into a savings account. The value of the prePAID contract for such rollovers is the accumulated contributions at the reasonable rate of interest set by the prePAID. This option to roll over the contract has effectively added a minimum benefit to the Program.

Statutory Requirements

The Code of Virginia, Title 23, Chapter 4.9 provides limited guidance for establishing the actuarial basis to evaluate prePAID. The Code requires an annual audit of prePAID and states in part that if the annual accounting and audit "reveal that there are insufficient funds to ensure the actuarial soundness of prePAID, the Board shall be authorized to adjust the terms of subsequent prepaid tuition contracts or arrange refunds for current purchasers to ensure actuarial soundness."

"Actuarial soundness" is not a precise concept and there is no generally accepted understanding of the meaning of this phrase within the actuarial profession, especially with respect to prepaid tuition plans. For purposes of this report, we have assumed that the phrase "actuarially sound," when applied to the Virginia529 prePAID, means that the Fund has sufficient assets (including the value of future installment payments due under current contracts) to cover the actuarially estimated value of the tuition obligations under those contracts (including any administrative costs associated with those contracts).

We have also interpreted these Sections to require that the actuarial liabilities be evaluated using sound actuarial principles that are generally consistent with the practices and principles widely used for retirement programs. Reference to other programs is necessary because of the innovative nature of a prepaid tuition program. No generally accepted standard of practice has evolved within the actuarial profession specifically addressing prepaid tuition programs. We chose the standards applicable to retirement programs because these programs generally provide for payments at some future date where that payment has a high probability of payment at, or close to, some specific age.

Valuation Basis

The assumptions selected for this report are intended to be "best estimates".

The method for determining the “best estimate” liability for the Program reflects the possible variability of inflation, tuition, and investment returns and the correlation between each of these variables. The methodology is described in the section below, Variability of Results and Valuation Basis.

prePAID Investment Policy

On June 25, 2009, the Board of the Virginia College Savings Plan adopted a new target asset allocation strategy for the Virginia529 prePAID.

The investment strategy is important because it sets forth acceptable investment allocations among asset classes. The asset allocation affects the magnitude and variability of expected investment returns and therefore the financial structure of the plan. For the valuation, we have assumed that prePAID investments will be allocated as shown below, based on the investment policy target allocations:

Asset Category	
Equities	32.5%
Core Fixed Income	25.0%
Non-Core Fixed Income	27.5%
Alternative Investments	15.0%

Actuarial Assumptions

The actuarial assumptions used to prepare this report are summarized in Appendix C. The two most significant of those assumptions are the rates of investment return and tuition growth in the future. The Virginia College Savings Plan selected both of these assumptions. They are:

* the investment return assumption of 6.25% per year, net of investment related expenses (this is lower than the assumption used to prepare the prior year’s report of 6.75%); and,

* the annual tuition growth rate assumptions summarized in the table below.

	Universities	Community Colleges
Fall 2016 and thereafter	6.5%	6.5%

The tuition growth assumptions are lower than the prior year's report of 7.5% per year for both community college and university.

Summary of Results

The actuarial value of the obligations of the Virginia529 prePAID as of June 30, 2015 is summarized below and compared with the total assets of prePAID.

	Present Value of Obligations For Future Payments	Value of Total prePAID Assets	Actuarial Reserve/ (Deficit)
		(Amounts in Millions)	
Virginia529 prePAID:			
Tuition Obligations	$2,090.5	n/a	n/a
Administrative Expenses	26.3	n/a	n/a
Grand Total	$2,116.8	$2,663.2	$546.4

As indicated above, the Virginia529 prePAID has assets that exceed the "best estimate" of the obligations by roughly $546.4 million or 25.8%. Unfavorable future experience would adversely affect this position. It would be desirable to maintain and accumulate additional actuarial reserve over time to protect and strengthen this position.

The present value of future obligations for Administrative Expenses reflects the expected costs of maintaining each contract in place (as of June 30, 2015) until all tuition benefits have been paid and the expenses associated with making those payments. It does not include the future expenses of prePAID associated with general overhead and marketing attributable to future contracts. The $26.3 million administrative expense obligation is equivalent to about $396 per contract.

Actuarial Gain/Loss Analysis

During the 2015 fiscal year, the actuarial reserve position of prePAID improved from a surplus of $523.3 million to a surplus of $546.4 million or 25.8% of obligations. Actuarial gains add to the reserve while actuarial losses decrease the reserve. This year's increase to the reserve is mostly attributable to lower than expected tuition increases and changes in the economic assumptions offset by lower than expected investment returns. Each of the factors affecting the change in the actuarial reserve/(deficit) is discussed below.

There was a restatement of the beginning of year assets since last year's valuation that reduced the surplus by $9.5 million. This restatement was a result of implementing GASB Statement No. 68.

The actuarial surplus was expected to grow during the year by about $34.7 million due to the passage of time. (The obligations are calculated as present values which grow with interest with the passage of time.)

The rate of return on prePAID investments (net of investment management fees) for the fiscal year was 1.16% on a time-weighted basis and 1.22% on a dollar-weighted basis. For the previous valuation, a 6.75% rate of return was assumed. This produced a net actuarial loss of approximately $134.1 million.

The enrollment-weighted average university tuition and mandatory fee amount for the 2015-2016 school year increased by 5.7%, a smaller increase than the 7.5% rate assumed in the prior valuation. Enrollment-weighted tuition and mandatory fees at community colleges increased by about 5.5%, a smaller increase than the 7.5% rate assumed in the prior valuation. These smaller increases resulted in an actuarial gain of $21.5 million.

Payouts for some of the contract holders are based on the account balance brought forward at the reasonable rate or the account balance brought forward at the actual rate of return on the portfolio. See Appendices C and F for an explanation of the assumptions and the payouts. During the past year the actual rate of return on the portfolio was 1.16% (4.39% less than the 6.75% assumption). The lower than expected actual account balances resulted in an actuarial gain of approximately $8.0 million.

The Plan sold 3,305 new contracts during the year. Each contract was priced so as to contribute to the actuarial reserve. We estimate that the reserve was increased by approximately $9.8 million from these new contracts.

prePAID received $47.7 million in administrative fee revenue from all the Plan programs, including CollegeAmerica. Total agency operating expenses were $19.9 million, of which $6.4 million was expected to be provided by the prePAID program. The balance of the fee revenue, $34.2 million, is an increase to the reserve.

The investment return assumption was lowered from 6.75% to 6.25%. This decreased the reserve by $54.7 million.

The tuition assumption for both Universities and Community Colleges were lowered from 7.5% per year to 6.5% per year. This increased the reserve by $71.9 million.

The assumption for the reasonable rate was changed from 4.0% in all years to 0.08% for 2015-2016 and then 3.75% thereafter. The volatility and correlation assumptions for the investment returns and tuition increases were updated. The combined impact of these changes was a $29.0 million increase to the reserve.

Other experience gains added about $12.3 million to the reserve. These could be from rollovers, cancellations, forfeitures, or more beneficiaries attending colleges with lower tuition levels than assumed in last year's valuation or other variations from the actuarial assumptions.

In summary, the effect of experience and assumption changes on the actuarial reserve/ (deficit) can be summarized as follows:

(Amounts in Millions)

Actuarial Reserve / (Deficit) as of June 30, 2014	$ 523.3
Restatement of beginning net position due to GASB 68 implementation	(9.5)
Interest on the reserve at 6.75%	34.7
Investment gain / (loss)	(134.1)
Tuition gain / (loss)	21.5
Lower than expected actual account balances	8.0
Sales of new contracts	9.8
Administrative fee revenue from Virginia529	34.2
Change in investment return assumption	(54.7)
Change in tuition growth assumptions	71.9
Change in reasonable rate and other assumptions	29.0
Other experience gains	12.3
Actuarial Reserve / (Deficit) as of June 30, 2015	$ 546.4

Valuation Basis

The present values of the obligations shown above were based on assumptions which represent an estimate of anticipated experience under the Fund that are reasonably related to past educational cost and investment data. Differences between those projections and actual amounts will depend on the extent to which future experience conforms to the assumptions made for this analysis.

A prime source of variation will be normal fluctuations that occur in the rate of increase in tuition, investment returns, and expense inflation. One way of estimating the range of possible outcomes is to stochastically model the financial operation of prePAID using "Monte Carlo" techniques. This approach involves preparing 1,000 projections of financial results under randomly derived scenarios of tuition growth, investment returns, and expense inflation. Each of these scenarios is based on statistical factors such as standard deviation and correlation that were established by reviewing historical results adjusted where appropriate to reflect current conditions. By tabulating the results under all of these projections we estimated the probability that current assets, along with all anticipated contract payments plus investment returns, will be sufficient to cover the obligations of the Virginia529 prePAID.

We have summarized in the table below the results of this process. It is important to understand that these results are only illustrative of the range of results that are possible and are dependent on the assumptions utilized. The assumptions are presented in Appendix C.

(Amounts in Millions)

Percentage of "Best Estimate" Reserve	Total prePAID Fund Value at June 30, 2015	Probability of prePAID Funds Exceeding Obligation
80%	$1,693.4	6%
90%	1,905.1	24%
100%	2,116.8	50%
110%	2,328.4	75%
120%	2,540.1	89%
126%	2,663.2	94%*
130%	2,751.8	96%
140%	2,963.5	99%
150%	3,175.2	99%

*actual Fund position.

The present value of obligations for future payments shown previously is the amount of assets necessary to have a 50% probability of meeting all program obligations, including administrative costs, associated with current contracts. The actual prePAID fund balance at June 30, 2015 of $2,663.2 million is 125.8% of the actuarially determined "Best Estimate" Reserve amount of $2,116.8 million. As indicated in the above table, this prePAID fund balance is estimated to have a 94% probability of being adequate to satisfy all prePAID obligations using current assumptions.

Cash Flow Projection

The table in Appendix E shows a cash flow projection based on a set of deterministic assumptions that produce the same Present Value of Obligations for Future Payments as the "best estimate" actuarial assumptions used in the Monte Carlo simulations. The deterministic cash flow projection assumes that University and Community College tuition increase 6.5% per year, and prePAID assets earn 5.93% each year. The starting Market Value of Invested Assets as of July 1, 2015 is $2,453.9 million. At the end of the 2040 Fiscal Year all tuition obligations associated with contracts already purchased are expected to have been paid resulting in a final cumulative surplus of $2,305.7 million. Since the actuarial assumptions are intended to represent "best estimates" of future expenses, there is a 50% chance that actual results will be better than this projection and a 50% chance that actual results will be worse.

Variability of Results

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: future experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and increases or decreases expected as part of the natural operation of the methodology used for these measurements. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Data Reliance

In performing this analysis, we relied on data and other information (some oral and some in writing) provided by the staff of the Virginia College Savings Plan. This information includes, but is not limited to, contractual provisions, contract holder data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Actuarial Assumptions

All costs, liabilities, and other factors for prePAID have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of prePAID and reasonable expectations). Further, the actuarial assumptions in the aggregate are reasonable and are related to the experience of prePAID and to reasonable expectations. The following actuarial assumptions were set by the Virginia College Savings Plan:

1) the investment return assumption of 6.25% per year, and;

2) the tuition growth assumption for universities of 6.5% per year and the tuition growth assumption for community colleges of 6.5% per year.

Certification

Based on the foregoing assumptions, the Virginia529 prePAID has sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date (including any administrative costs associated with those contracts). This determination has been based on reasonable actuarial assumptions that represent the Virginia College Savings Plan's best estimate of anticipated experience under prePAID taking into account past experience and future expectations.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

Third Party Distribution

This report was prepared exclusively for the Virginia College Savings Plan for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Virginia College Savings Plan's operations, and uses the Virginia College Savings Plan's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

Qualifications

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We look forward to reviewing the results of our analyses with you at your earliest convenience.

Respectfully submitted,

Alan H. Perry, FSA, CFA
Member American Academy of Actuaries

Richard L. Gordon, FSA, EA
Member American Academy of Actuaries

Jill M. Stanulis, EA
Member American Academy of Actuaries

AHP:JMS:RLG:VPP11
g:\corr15\vpp\prePAID 2015 Valuation Draft.docx

Virginia529 prePAID

I. Statement of Assets as of June 30, 2015

	Investments	Market Value
1)	Equities	$ 1,045,597,632
2)	Fixed Income including Accrued Interest	1,230,824,122
3)	REIT Fund and Real Estate	83,105,770
4)	Cash & Cash Equivalents	83,350,426
5)	Prepaid Assets	172,274
6)	Property & Equipment	9,143,079
7)	Accounts Receivable	15,003,124
8)	Other Receivables	4,523,056
9)	Accounts Payable	(1,073,988)
10)	Other Payables	(1,058,383)
11)	Deferred Inflow	(1,581,000)
12)	Deferred Outflow	1,066,765
13)	Accrued Liabilities	(15,203,101)
	Total Market Value of Investments	$ 2,453,869,776
	Present Value of Installment Contract Receivables	209,268,825
	Value of Total Fund Assets	$ 2,663,138,601

II. Reconciliation of Investments

1)	Market Value of Investments at June 30, 2014	$ 2,445,922,117
2)	Restatement of beginning net position	(9,498,000)
3)	Contract Purchase Payments	119,408,414
4)	Application Fees	122,901
5)	Administrative Fee Revenue	47,734,304
6)	Interest and Dividends	69,218,095
7)	Realized and Unrealized Gains/(Losses)	(34,395,874)
8)	Tuition Benefits Paid	(126,830,598)
9)	Refunds Paid	(13,018,489)
10)	Net Rollovers	(19,659,357)
11)	Administrative Expenses	(19,913,243)
12)	Investment Management Fees	(7,908,571)
13)	Net Transfers to the Commonwealth	(336,556)
14)	Net Effect of Changes in Accruals of Assets and Liabilities	3,024,633
15)	Market Value of Investments at June 30, 2015	$ 2,453,869,776

Time-weighted rate of return	1.16%
Dollar-weighted rate of return	1.22%

Virginia529 prePAID

Contract Data as of June 30, 2015 – Contracts Purchasing Tier I Units Only - Number of Contracts*

	Total Years of Community College Purchased Total Years of University Purchased											
Matriculation Year	0 0.5	0 1	0 1.5	0 2	0 2.5	0 3	0 3.5	0 4	0 4.5	0 5	**Total by Payout Year**	**Percent of Total**
2000-2001	0	1	0	3	0	1	0	27	0	1	33	0.1%
2001-2002	0	3	0	2	0	0	0	42	0	2	49	0.1%
2002-2003	0	10	0	5	0	0	0	53	0	6	74	0.1%
2003-2004	0	4	0	11	0	1	0	83	0	3	102	0.2%
2004-2005	0	17	0	17	0	2	0	115	0	9	160	0.3%
2005-2006	0	26	0	33	0	4	0	210	0	14	287	0.5%
2006-2007	0	34	0	39	0	18	0	298	0	31	420	0.7%
2007-2008	0	38	0	60	0	11	0	371	0	33	513	0.8%
2008-2009	0	56	0	67	0	23	0	513	0	50	709	1.2%
2009-2010	0	68	0	82	0	28	0	658	0	60	896	1.5%
2010-2011	0	95	0	119	0	34	0	766	0	84	1,098	1.8%
2011-2012	0	115	0	144	0	35	0	1,190	0	117	1,601	2.6%
2012-2013	0	214	0	283	0	78	0	2,826	0	134	3,535	5.8%
2013-2014	0	258	1	393	0	153	1	2,872	0	124	3,802	6.3%
2014-2015	1	447	4	600	2	160	1	2,933	0	139	4,287	7.1%
2015-2016	1	570	7	675	2	125	3	2,921	0	122	4,426	7.3%
2016-2017	13	590	4	591	3	166	1	2,830	0	128	4,326	7.2%
2017-2018	57	635	9	580	6	169	3	2,630	1	141	4,231	7.0%
2018-2019	79	632	28	605	6	119	4	2,601	1	160	4,235	7.0%
2019-2020	104	569	23	553	11	130	3	2,320	1	140	3,854	6.4%
2020-2021	94	493	20	455	8	117	3	1,954	0	112	3,256	5.4%
2021-2022	107	549	24	486	17	128	3	1,941	2	128	3,385	5.6%
2022-2023	125	476	25	483	13	92	2	1,409	1	54	2,680	4.4%
2023-2024	109	453	22	351	13	84	4	1,261	0	64	2,361	3.9%
2024-2025	144	371	25	319	12	69	2	1,019	3	72	2,036	3.4%
2025-2026	117	340	21	288	9	38	2	869	0	46	1,730	2.9%
2026-2027	143	299	10	230	2	34	1	661	1	27	1,408	2.3%
2027-2028	113	302	21	245	9	42	3	593	2	33	1,363	2.3%
2028-2029	111	241	13	176	7	26	3	472	0	18	1,067	1.8%
2029-2030	88	205	10	118	2	11	1	353	0	14	802	1.3%
2030-2031	110	138	18	114	7	15	1	258	0	9	670	1.1%
2031-2032	127	118	13	90	5	5	2	189	1	11	561	0.9%
2032-2033	82	74	7	57	3	10	2	145	0	11	391	0.6%
2033-2034	15	18	2	14	0	3	1	49	0	5	107	0.2%
Total	1740	8,459	307	8,288	137	1,931	46	37,432	13	2,102	60,455	
Percent of Total	2.9%	14.0%	0.5%	13.7%	0.2%	3.2%	0.1%	61.9%	0.0%	3.5%		

* Table only includes contracts with at least one semester of tuition remaining.

Virginia529 prePAID

Contract Data as of June 30, 2015 – Contracts Purchasing Tier II Units Only - Number of Contracts*

	Total Years of Community College Purchased / Total Years of University Purchased															
Matriculation Year	0.5 / 0	1 / 0	1.5 / 0	2 / 0	2.5 / 0	3 / 0	3.5 / 0	4 / 0	4.5 / 0	5 / 0	5.5 / 0	6 / 0	8 / 0	10 / 0	**Total by Payout Year**	**Percent of Total**
2000-2001	0	1	0	4	0	0	0	0	0	0	0	0	0	0	5	0.2%
2001-2002	0	0	0	15	0	0	0	0	0	0	0	0	0	0	15	0.5%
2002-2003	0	2	0	10	0	0	0	0	0	0	0	0	0	0	12	0.4%
2003-2004	0	1	0	6	0	1	0	0	0	0	0	0	0	0	8	0.3%
2004-2005	0	2	0	18	0	2	0	0	0	0	0	0	0	0	22	0.7%
2005-2006	0	4	0	33	0	1	0	0	0	0	0	0	0	0	38	1.2%
2006-2007	0	1	0	24	0	3	0	0	0	0	0	0	0	0	28	0.9%
2007-2008	0	3	0	38	0	6	0	0	0	0	0	0	0	0	47	1.5%
2008-2009	0	3	0	35	0	3	0	0	0	0	0	0	0	0	41	1.3%
2009-2010	0	2	0	46	0	5	0	0	0	0	0	0	0	0	53	1.7%
2010-2011	0	14	0	63	0	5	0	0	0	0	0	0	0	0	82	2.6%
2011-2012	0	11	0	71	0	12	0	0	0	0	0	0	0	0	94	3.0%
2012-2013	1	25	0	90	0	18	0	0	0	0	0	0	0	0	134	4.3%
2013-2014	0	27	0	106	0	19	0	0	0	0	0	0	0	0	152	4.9%
2014-2015	0	46	0	155	0	28	0	0	0	0	0	0	0	0	229	7.4%
2015-2016	0	44	0	165	0	18	0	0	0	0	0	0	0	0	227	7.3%
2016-2017	2	51	0	142	0	12	0	2	0	0	0	0	0	0	209	6.7%
2017-2018	3	44	0	123	0	16	0	1	0	0	1	0	0	2	190	6.1%
2018-2019	10	35	1	106	1	16	0	1	0	1	0	0	0	2	173	5.6%
2019-2020	8	42	0	95	0	18	0	2	0	0	1	0	0	1	167	5.4%
2020-2021	5	42	1	94	1	11	0	0	0	0	0	0	0	1	155	5.0%
2021-2022	7	43	3	92	1	10	0	1	0	0	0	0	0	0	157	5.1%
2022-2023	9	38	0	86	1	3	0	3	0	0	0	0	0	0	140	4.5%
2023-2024	11	39	1	67	2	8	0	2	0	0	0	0	0	1	131	4.2%
2024-2025	3	37	0	47	1	5	0	1	0	0	0	0	1	0	95	3.1%
2025-2026	9	29	1	40	0	2	0	0	0	1	0	0	0	2	84	2.7%
2026-2027	7	11	0	40	0	10	0	2	1	0	0	1	0	0	72	2.3%
2027-2028	8	17	0	34	0	5	0	1	0	2	0	0	0	2	69	2.2%
2028-2029	10	20	1	35	1	2	0	2	0	0	0	0	1	0	72	2.3%
2029-2030	6	12	0	38	0	3	0	1	1	0	0	0	0	0	61	2.0%
2030-2031	19	11	0	20	1	1	1	4	0	0	0	0	0	0	57	1.8%
2031-2032	13	8	2	15	0	2	0	0	0	0	0	0	0	0	40	1.3%
2032-2033	8	8	0	11	0	1	0	0	0	2	0	0	0	0	30	1.0%
2033-2034	6	6	0	4	0	1	0	0	0	0	0	0	0	0	17	0.5%
Total	145	679	10	1,968	9	247	1	23	2	6	2	1	2	11	3,106	
Percent of Total	4.7%	21.9%	0.3%	63.4%	0.3%	8.0%	0.0%	0.7%	0.1%	0.2%	0.1%	0.0%	0.1%	0.4%		

* Table only includes contracts with at least one semester of tuition remaining.

Appendix B
(Page 2 of 4)

Virginia529 prePAID

Contract Data as of June 30, 2015 – Contracts Purchasing Tier I and Tier II Units - Number of Contracts*

Total Years of Community College Purchased
Total Years of University Purchased

Matriculation	0.5	0.5	0.5	0.5	0.5	0.5	1	1	1	1	1	1	1	1	1.5	1.5	1.5	1.5	1.5	2	2	2	2	2	2	2	2.5	2.5	3	3	3	3	3	4	5	10	Total by Payout	Percent of
Year	0.5	1	1.5	2	2.5	3.5	0.5	1	1.5	2	2.5	3	4	5	0.5	1	1.5	2	2.5	0.5	1	1.5	2	3	4	5	1.5	2.5	1	2	3	4	5	1	5	5	Year	Total
2000-2001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0.0%
2001-2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0.1%
2002-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	5	0.2%
2003-2004	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	4	1	0	0	0	0	0	0	0	0	0	0	0	0	6	0.2%
2004-2005	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	8	0	1	0	0	0	0	0	0	0	0	0	0	0	11	0.4%
2005-2006	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	2	0	13	0	1	0	0	0	0	0	0	0	1	0	0	0	18	0.6%
2006-2007	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0	23	1	0	1	0	0	0	0	0	0	0	0	0	0	29	1.0%
2007-2008	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	23	1	0	0	0	0	1	0	0	0	0	0	0	0	27	1.0%
2008-2009	0	0	0	0	0	0	0	5	0	1	0	3	0	0	0	0	0	0	0	0	5	0	39	0	0	0	0	0	1	0	0	0	3	0	0	0	57	2.0%
2009-2010	0	0	0	0	0	0	0	5	0	0	0	1	0	0	0	0	0	0	0	0	2	0	46	2	0	1	0	0	1	0	0	0	1	0	0	0	59	2.1%
2010-2011	0	0	0	0	0	0	0	5	0	2	0	5	0	0	0	0	0	0	0	0	2	0	62	4	0	1	0	0	0	0	0	0	3	0	0	0	84	3.0%
2011-2012	0	0	0	0	0	0	0	7	0	7	0	3	0	0	0	0	0	0	0	0	5	0	98	0	2	0	0	0	1	1	0	0	3	0	0	0	127	4.5%
2012-2013	0	0	0	0	0	0	0	12	0	6	0	10	1	0	0	0	0	0	0	0	4	0	118	2	0	0	0	0	1	0	1	0	1	0	0	0	156	5.6%
2013-2014	0	0	0	0	0	0	0	12	0	10	0	17	2	0	0	0	0	0	0	0	3	0	146	3	1	1	0	0	0	2	1	0	2	0	0	0	200	7.1%
2014-2015	0	0	0	0	0	0	0	14	0	7	0	17	0	1	1	0	0	0	0	0	14	0	175	3	0	0	0	0	0	0	0	0	1	0	0	0	233	8.3%
2015-2016	0	0	0	0	0	0	1	14	0	5	0	7	0	0	0	0	0	0	0	0	20	0	144	1	1	0	0	0	3	0	1	0	3	0	0	0	200	7.1%
2016-2017	0	0	0	1	0	0	0	10	0	6	0	7	0	1	0	0	0	0	0	0	17	0	151	0	3	0	0	0	1	0	0	0	2	0	0	0	199	7.1%
2017-2018	1	1	1	0	0	0	1	22	0	5	0	7	0	0	0	2	0	0	0	0	9	0	143	5	1	0	0	0	1	0	0	0	1	0	0	0	200	7.1%
2018-2019	0	1	0	0	0	0	0	14	0	3	0	7	2	0	1	0	0	0	0	0	7	1	135	2	0	0	0	0	3	0	1	0	1	0	1	0	179	6.4%
2019-2020	1	0	2	0	0	0	0	23	0	3	0	8	1	1	0	0	0	0	0	1	9	1	132	3	0	0	0	0	1	0	0	0	2	0	0	0	188	6.7%
2020-2021	2	0	1	0	0	0	0	10	0	4	0	4	1	0	0	0	1	0	0	0	13	0	100	4	0	0	0	0	2	0	0	0	0	0	0	0	142	5.1%
2021-2022	1	1	0	0	1	0	0	11	0	0	2	5	2	0	0	0	0	0	0	0	6	0	94	1	0	1	0	0	3	0	1	0	4	0	0	0	133	4.8%
2022-2023	0	0	0	0	0	0	0	6	0	4	1	5	1	0	0	0	0	0	0	0	7	1	70	4	0	0	0	1	3	1	0	0	0	1	1	0	106	3.8%
2023-2024	0	0	0	0	0	0	1	4	0	3	0	7	1	0	0	1	0	0	1	2	8	0	64	3	1	0	0	0	0	0	0	0	2	0	0	0	98	3.5%
2024-2025	0	0	0	0	0	0	1	2	1	2	0	4	0	1	0	0	0	1	0	0	7	0	55	0	0	1	0	0	0	0	0	0	0	0	0	0	75	2.7%
2025-2026	0	0	0	0	0	1	1	2	2	7	0	3	1	0	0	0	0	0	0	0	4	0	40	4	0	0	0	1	0	0	0	0	1	0	0	0	67	2.4%
2026-2027	1	0	1	0	0	0	0	3	0	1	0	3	2	0	0	0	0	0	0	0	5	0	27	0	0	0	0	0	0	0	0	0	1	0	0	0	44	1.6%
2027-2028	1	1	0	0	0	0	1	3	0	2	0	2	1	0	0	0	0	0	0	0	4	0	27	1	0	1	0	0	0	1	0	0	0	0	0	0	45	1.6%
2028-2029	3	0	0	0	0	0	0	4	0	2	0	3	1	0	0	0	0	0	0	0	4	0	17	0	0	0	1	0	0	0	0	0	0	0	0	0	35	1.3%
2029-2030	0	0	0	0	0	0	1	3	0	2	0	1	0	0	0	0	0	0	0	0	1	0	14	0	0	0	0	0	0	0	0	0	0	0	0	0	22	0.8%
2030-2031	0	0	1	0	0	0	0	3	0	2	0	0	0	0	0	0	0	0	0	0	4	0	9	0	1	0	0	0	0	0	0	0	0	0	0	1	21	0.8%
2031-2032	2	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	13	0.5%
2032-2033	1	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	1	0	5	0	1	0	0	0	0	0	0	0	0	0	0	0	10	0.4%
2033-2034	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0.2%
Total	15	4	8	2	1	1	9	198	4	85	3	132	17	4	2	3	1	1	1	3	168	3	1,996	45	13	7	1	2	22	5	5	1	32	1	2	1	2,798	
Percent of Total	0.5%	0.1%	0.3%	0.1%	0.0%	0.0%	0.3%	7.1%	0.1%	3.0%	0.1%	4.7%	0.6%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	6.0%	0.1%	71.3%	1.6%	0.5%	0.3%	0.0%	0.1%	0.8%	0.2%	0.2%	0.0%	1.1%	0.0%	0.1%	0.0%		

* Table only includes contracts with at least one semester of tuition remaining.

Appendix B
(Page 3 of 4)

This work product was prepared solely for the Virginia College Savings Plan for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Virginia529 prePAID

Participant Data as of June 30, 2015 – Remaining Years of Tuition

Expected Payout Year	University Years	Community College Years
2015-2016	20,320	1,271
2016-2017	17,646	1,054
2017-2018	16,493	877
2018-2019	15,784	814
2019-2020	13,933	705
2020-2021	13,023	679
2021-2022	12,275	633
2022-2023	10,755	551
2023-2024	9,386	484
2024-2025	8,101	417
2025-2026	6,748	353
2026-2027	5,624	294
2027-2028	4,737	255
2028-2029	3,931	223
2029-2030	3,153	192
2030-2031	2,534	165
2031-2032	1,994	130
2032-2033	1,510	100
2033-2034	1,042	73
2034-2035	657	44
2035-2036	382	25
2036-2037	175	14
2037-2038	68	7
2038-2039	25	3
2039-2040	5	1
Total	170,301	9,364

Virginia529 prePAID

Summary of Actuarial Assumptions

Investment / Economic Assumptions for Simulation Model:

The standard deviation and correlation assumptions are based on actual historical returns and tuition growth. Expected return assumptions are based on Milliman's investment assumptions, but are adjusted so that the expected annualized return on the portfolio is 6.25%, which is the assumption set by the Board.

	Inflation	Reason-able Rate	Global Equity	Non-Core Fixed Income	Core Fixed Income	Alternative Investments	University Tuition	CC Tuition
Expected Arithmetic Mean Annual Return	2.50%	3.75%	9.00%	5.50%	3.69%	8.50%	6.57%	6.61%
Standard Deviation	2.00%	2.00%	17.30%	10.40%	4.85%	14.90%	4.45%	6.85%
Correlation:								
Inflation	1.00	0.59	0.24	0.08	0.26	0.24	0.18	-0.04
Reasonable Rate		1.00	0.23	0.18	0.47	0.00	0.00	-0.24
Global Equity			1.00	0.58	0.09	0.56	0.07	-0.14
Non-Core Fixed Income				1.00	0.57	0.35	0.35	-0.02
Core Fixed Income					1.00	-0.22	0.30	0.23
Alternative Investments						1.00	-0.17	-0.30
University Tuition							1.00	0.60
CC Tuition								1.00

Based on the economic assumptions above, the expected long-term annualized compound rate of return on investments is 6.25%. The expected long-term annualized compound rate of tuition growth is 6.5% per year for university and community college tuition. The Reasonable Rate for 2015-2016 was set equal to 0.08% for all simulations.

Matriculation and Bias:

Starting in the year of matriculation, it is assumed that 76% of beneficiaries will attend a public university in Virginia, 7.6% will attend a private university in Virginia, 11.4% will attend a university in another state, and 5.0% will request a cancellation, transfer, or rollover to a savings plan. Weighted average tuition for four-year public universities in Virginia was adjusted with an 8.0% load to add a bias for matriculation at more expensive schools. Weighted average tuition for two-year community colleges in Virginia was adjusted with a 1.0% load to add a bias for matriculation at more expensive schools. The highest tuition for a public university in Virginia was assumed to be 50% higher than weighted average tuition. Out-of-state students and contracts requesting a rollover are assumed to receive a benefit equal to the payments made on the contract plus interest at the composite reasonable rate of return.

Summary of Actuarial Assumptions
(continued)

Combination Contracts:

For combination contracts a portion of the remaining university and community college years are assumed to be paid each year. For combination contracts currently in payout with only university years or community college years remaining, the applicable remaining years are assumed to be paid.

Utilization:

It is assumed that participants will begin utilizing their contract at the following rates, and then redeem up to two semesters of tuition per year until the contract is depleted:

Years since Matriculation Year	Number of Semesters of Tuition Purchased: 1 - 2	3 - 4	5 - 6	7 - 8	9 - 10	11-12	13+
0	50%	60%	60%	80%	85%	85%	100%
1	15%	10%	20%	10%	8%	15%	
2	10%	15%	10%	5%	7%		
3	10%	5%	5%	5%			
4	5%	5%	5%				
5	5%	5%					
6	5%						

Previous assumptions:

Years since Matriculation Year	Number of Semesters of Tuition Purchased: 1 - 2	3 - 4	5 - 6	7 - 8	9 - 10	11-12	13+
0	35%	60%	60%	85%	85%	100%	100%
1	20%	10%	20%	7%	8%		
2	15%	15%	10%	5%	7%		
3	10%	5%	5%	3%			
4	10%	5%	5%				
5	5%	5%					
6	5%						

Summary of Actuarial Assumptions
(continued)

Forfeiture: It is assumed that contracts will be forfeited prior to the year of matriculation at a rate of 0.5% per year.

Expenses: The expenses included in the present value of future obligations are those relating to:

> Annual Maintenance Expense per Contract = $55.58
> Annual Distribution Cost per Contract in Payment Status = $24.61

The expense assumptions were developed from a cost analysis by Virginia College Savings Plan staff.

These expenses are assumed to increase annually at the rate of inflation plus 0.5%.

Virginia529 prePAID

Derivation of Enrollment-Weighted Average Tuition
and Mandatory Fees at Four Year Universities
Based on Projected Enrollment for 2015-2016

School	Tuition and Fees 2015-2016	Fall On Campus In-State Undergraduate FTE for 2015-2016	Percent Distribution
Christopher Newport	$12,526	4,824	3.66%
George Mason	10,952	17,918	13.61%
James Madison	10,066	13,260	10.07%
Longwood	11,910	4,044	3.07%
Mary Washington	11,130	3,890	2.96%
Norfolk State	8,366	4,971	3.78%
Old Dominion	9,768	16,175	12.29%
Radford	9,809	8,292	6.30%
University of Virginia 2015 Students	14,476	2,590	1.97%
University of Virginia Returning Students	13,476	7,770	5.90%
UVA - Wise	9,220	1,509	1.15%
Virginia Commonwealth Pre-2013 Enrollment	10,951	5,071	3.85%
Virginia Commonwealth Post-2012 Enrollment	12,772	15,213	11.56%
Virginia Military Institute	16,536	904	0.69%
Virginia Tech	12,485	17,557	13.34%
Virginia State	8,226	3,465	2.63%
William & Mary - 2015 Students	19,372	1,045	0.79%
William & Mary - 2014 Students	17,822	1,045	0.79%
William & Mary - 2013 Students	15,822	1,045	0.79%
William & Mary - Returning Students	14,658	1,045	0.79%
Weighted Average Tuition and Fees*	**$11,409**	131,632	100.00%

* Assumes that 2013, 2014, 2015, and returning students are each 25% of total FTE for William & Mary. Assumes that 2015 students are 25% of total FTE for UVA. Assumes that post-2012 students are 75% of total FTE for VCU.

Appendix D

Virginia529 prePAID

Derivation of Enrollment-Weighted Average Tuition
and Mandatory Fees at Community Colleges

School	Tuition and Fees 2015-2016	Annualized In-State FTE Academic Year 2014-2015	Percent Distribution
Blue Ridge	$5,354	2,769	2.46%
Central Virginia	$4,768	2,552	2.27%
Dabney S. Lancaster	$4,656	723	0.64%
Danville	$4,640	2,322	2.06%
Eastern Shore	$4,688	475	0.42%
Germanna	$4,880	4,427	3.94%
J Sargeant Reynolds	$4,963	7,246	6.44%
John Tyler	$4,560	5,453	4.85%
Lord Fairfax	$4,683	3,877	3.45%
Mountain Empire	$4,656	1,730	1.54%
New River	$4,642	2,767	2.46%
Northern Virginia	$5,480	31,711	28.19%
Patrick Henry	$4,651	1,999	1.78%
Paul D Camp	$4,629	771	0.69%
Piedmont Virginia	$4,741	2,896	2.57%
Rappahannock	$4,757	1,838	1.63%
Richard Bland	$5,496	1,014	0.90%
Southside Virginia	$4,640	3,242	2.88%
Southwest Virginia	$4,624	1,773	1.58%
Thomas Nelson	$4,710	6,351	5.65%
Tidewater	$5,515	18,167	16.15%
Virginia Highlands	$4,656	1,604	1.43%
Virginia Western	$5,027	4,837	4.30%
Wytheville	$4,672	1,942	1.73%
Weighted Average Tuition and Fees	**$5,101**	112,486	100.00%

Virginia529 prePAID

History of Enrollment-Weighted Average Tuition and Mandatory Fees
at Four Year Universities and Community Colleges in Virginia

Academic Year	University Tuition and Fees	% Increase	Community College Tuition and Fees	% Increase
1988-1989	$2,377		$778	
1989-1990	2,544	7.0%	798	2.5%
1990-1991	2,702	6.2%	894	12.0%
1991-1992	2,985	10.5%	1,050	17.4%
1992-1993	3,357	12.5%	1,230	17.1%
1993-1994	3,659	9.0%	1,320	7.3%
1994-1995	3,789	3.6%	1,359	3.0%
1995-1996	3,949	4.2%	1,445	6.3%
1996-1997	4,002	1.3%	1,445	0.0%
1997-1998	4,095	2.3%	1,445	0.0%
1998-1999	4,217	3.0%	1,445	0.0%
1999-2000	3,721	(11.8%)	1,159	(19.8%)
2000-2001	3,793	1.9%	1,159	0.0%
2001-2002	3,843	1.3%	1,159	0.0%
2002-2003	4,122	7.3%	1,671	44.3%
2003-2004	5,033	22.1%	1,882	12.6%
2004-2005	5,559	10.5%	2,006	6.5%
2005-2006	5,990	7.8%	2,135	6.4%
2006-2007	6,529	9.0%	2,269	6.3%
2007-2008	6,966	6.7%	2,404	5.9%
2008-2009	7,562	8.6%	2,584	7.5%
2009-2010	7,912	4.6%	2,781	7.6%
2010-2011	8,803	11.3%	3,285	18.1%
2011-2012	9,507	8.0%	4,179*	27.2%*
2012-2013	9,856	3.7%	4,426	5.9%
2013-2014	10,225	3.7%	4,619	4.4%
2014-2015	10,797	5.6%	4,835	4.7%
2015-2016	11,409	5.7%	5,101	5.5%

* Starting with the 2011-2012 year, Community College Tuition and Fees is measured as an enrollment-weighted average. Prior to that, a non-enrollment-weighted average was used. Enrollment numbers taken from SCHEV's website.

Compounded Increase in Average Tuition

Over last 5 years:	5.3%	9.2%
Over last 10 years:	6.7%	9.1%
Over last 15 years	7.6%	10.4%
Over last 20 years:	5.4%	6.5%
Over last 25 years:	5.9%	7.2%

Virginia529 prePAID

Cash Flow Projection
(amounts in millions)

Fiscal Year	Beginning Balance	Installment Payments*	Tuition Benefits	Expenses	Investment Income	Ending Balance
2016	$2,453.9	$49.9	$239.2	$4.1	$136.1	$2,396.6
2017	2,396.6	41.4	221.4	4.1	133.4	2,345.9
2018	2,345.9	34.4	221.0	3.9	130.2	2,285.6
2019	2,285.6	28.6	226.4	3.7	126.2	2,210.3
2020	2,210.3	23.6	214.2	3.0	122.2	2,138.9
2021	2,138.9	19.4	214.2	2.7	117.9	2,059.3
2022	2,059.3	15.9	216.1	2.4	112.8	1,969.5
2023	1,969.5	13.0	203.3	2.2	108.1	1,885.1
2024	1,885.1	10.3	190.6	1.9	103.6	1,806.5
2025	1,806.5	8.0	176.7	1.6	99.4	1,735.6
2026	1,735.6	6.0	158.3	1.4	96.2	1,678.1
2027	1,678.1	4.6	141.2	1.2	93.3	1,633.6
2028	1,633.6	3.2	127.5	1.0	91.4	1,599.7
2029	1,599.7	2.2	113.3	0.8	89.8	1,577.6
2030	1,577.6	1.4	97.2	0.6	89.2	1,570.4
2031	1,570.4	0.8	83.4	0.5	89.5	1,576.8
2032	1,576.8	0.4	69.8	0.4	90.4	1,597.4
2033	1,597.4	0.1	56.4	0.3	92.2	1,633.0
2034	1,633.0	0.0	41.3	0.2	95.1	1,686.6
2035	1,686.6	0.0	27.5	0.1	98.7	1,757.7
2036	1,757.7	0.0	17.0	0.1	103.5	1,844.1
2037	1,844.1	0.0	8.3	0.0	108.9	1,944.7
2038	1,944.7	0.0	3.5	0.0	115.2	2,056.4
2039	2,056.4	0.0	1.3	0.0	121.8	2,176.9
2040	2,176.9	0.0	0.3	0.0	129.1	2,305.7

* Future installment payments for contracts as of June 30, 2015.

prePAID Tuition Benefits

For beneficiaries attending a Virginia public college, university, or community college, prePAID will pay the full amount of in-state undergraduate tuition and all mandatory fees for a normal full-time course load for a general course of study on a semester-by-semester basis for the type of school and number of years purchased. The prePAID payments to in-state public schools will not exceed the actual cost of the in-state undergraduate tuition and mandatory fees. The contract-holder has the option to transfer the total amount of all payments, accumulated at the reasonable rate of return, to a Virginia529 savings program, and request a distribution from the respective program to pay for qualified higher education expenses.

For beneficiaries attending a Virginia independent (private) college or university, prePAID will pay to the Virginia private school, including certain private career schools, the lesser of 1) the payments made on the contract plus the actual rate of return earned on the Fund or 2) the highest in-state undergraduate tuition and mandatory fees at a Virginia public school in the same academic year the benefits are used. All payments will be made directly to the school on a semester-by-semester basis following the school's add-drop period. The student or his or her family is responsible for any additional expenses not covered by prePAID. The contract-holder has the option to transfer the total amount of all payments, accumulated at the reasonable rate of return, to a Virginia529 savings program and request a distribution from the respective program to pay for qualified higher education expenses.

For beneficiaries attending an out-of-state public or private college or university, prePAID will pay the lesser of 1) the payments made on the contract plus interest at the composite reasonable rate of return or 2) the average in-state undergraduate tuition and mandatory fees at Virginia public schools for the same academic year the benefits are used. All payments will be made directly to the school on a semester-by-semester basis. The student or his or her family is responsible for any additional expenses not covered by prePAID. The contract-holder has the option to transfer the total amount of all payments, accumulated at the reasonable rate of return, to a Virginia529 savings program and request a distribution from the respective program to pay for qualified higher education expenses.

The reasonable rate of return tracks the quarterly performance of the Institutional Money Funds Index as reported in the Money Fund Monitor by iMoneyNet.

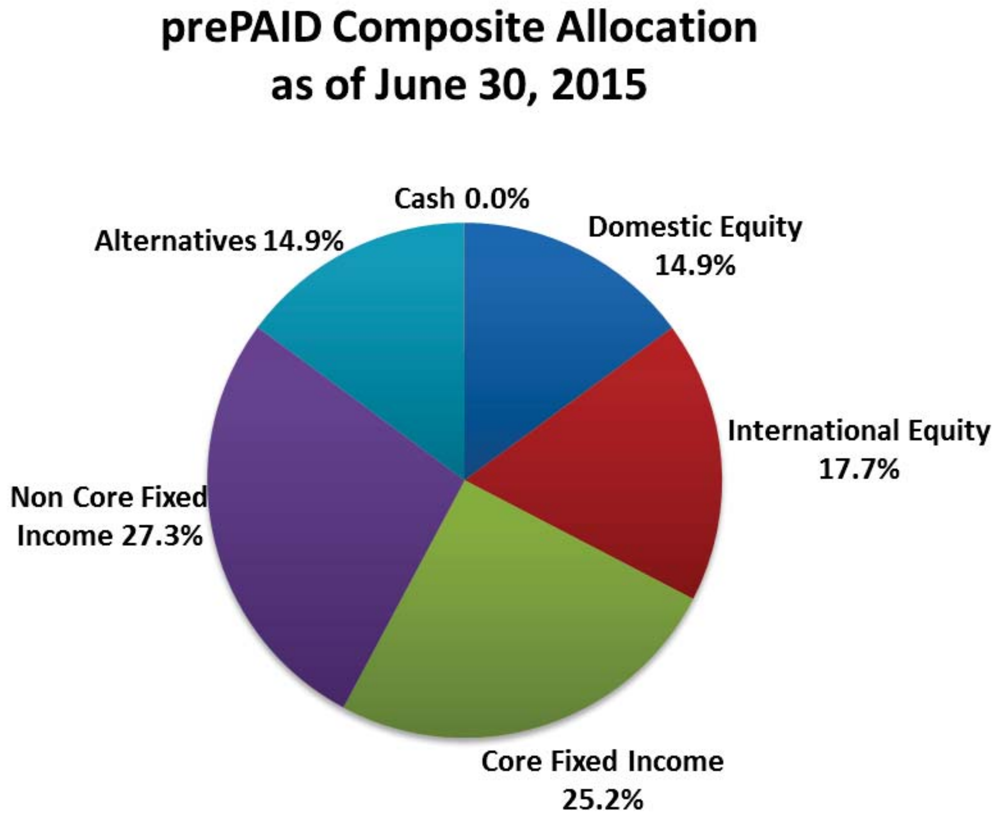
Attachment C

Asset Allocation and Performance

Virginia529 prePAID Program

June 30, 2015

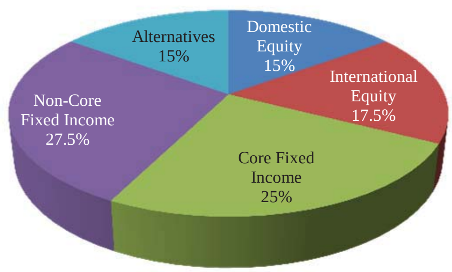
Total Plan
prePAID Allocation



*May not add to 100% due to rounding

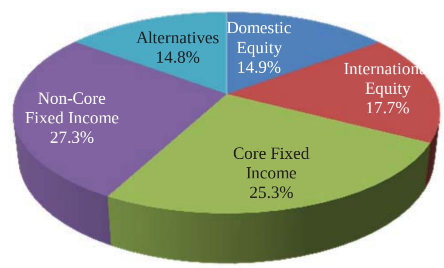
Virginia529 prePAID
Asset Allocation Report (Target vs. Actual)
as of June 30, 2015

Target Allocation

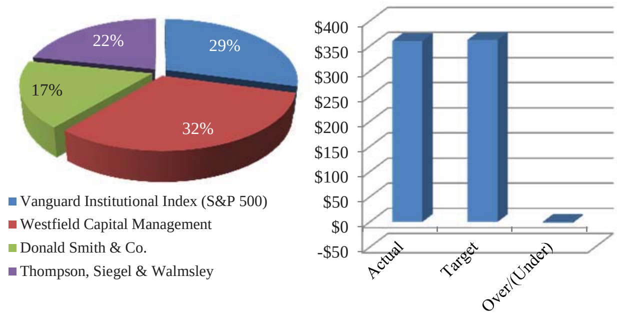


Asset Class	Over/(Under) Target	
	Dollars	% of Total Fund
Domestic Equity	(2,077,369)	-0.1%
International Equity	4,609,928	0.2%
Core Fixed Income	6,102,280	0.3%
Non-Core Fixed Income	(4,624,241)	-0.2%
Alternatives	(4,010,598)	-0.2%

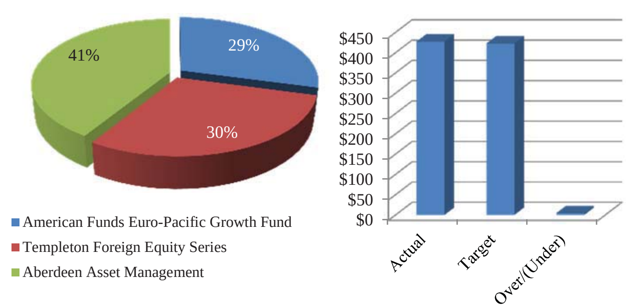
Actual



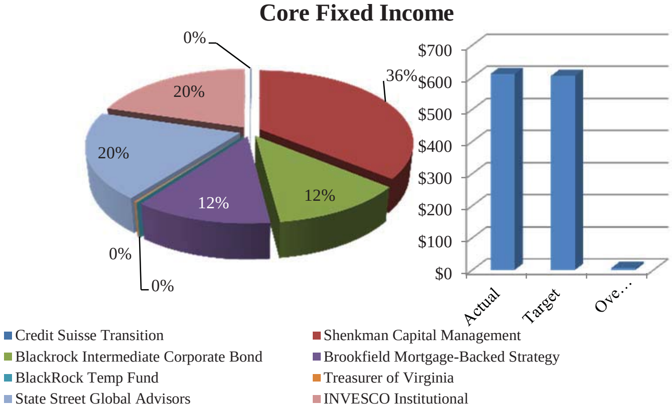
Domestic Equity



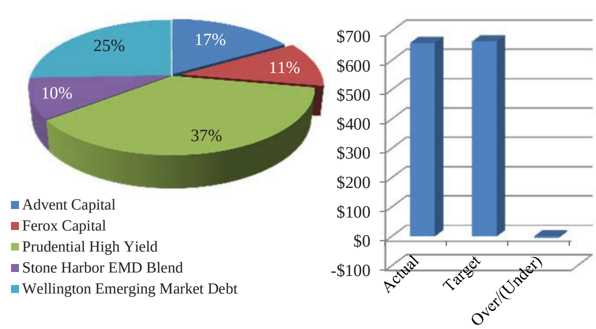
International Equity



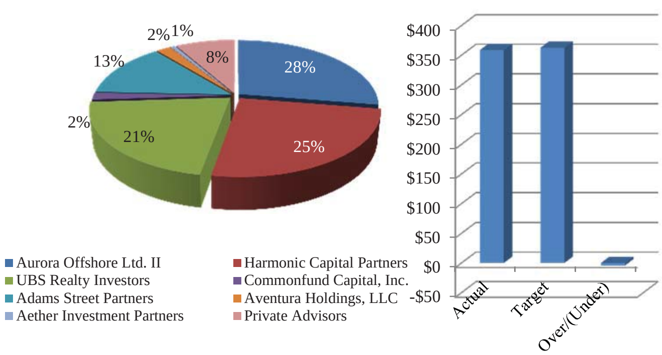
Core Fixed Income



Non-Core Fixed Income



Alternatives



Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return Since Inception: Return	Since
				Ending June 30, 2015							
Total Fund	**$2,415,223,437**	**100.0%**	**100.0%**	**0.0%**	**2.6%**	**1.2%**	**7.0%**	**8.1%**	**5.8%**	**6.4%**	**Oct-97**
Total Fund less Private Equity	**$2,182,114,894**	**90.3%**	**--**	**0.0%**	**2.7%**	**1.1%**	**7.0%**	**8.1%**	**5.8%**	**6.4%**	**Oct-97**
prePAID Total Fund Index				*0.2%*	*2.2%*	*1.7%*	*7.9%*	*8.8%*	*5.4%*	*5.6%*	*Oct-97*
prePAID Total Equity	**$787,822,751**	**32.6%**	**32.5%**	**-0.3%**	**3.6%**	**-0.7%**	**12.8%**	**12.2%**	**6.9%**	**7.0%**	**Oct-97**
Total Equity Index				*0.5%*	*3.0%*	*1.2%*	*13.6%*	*12.5%*	*6.0%*	*5.4%*	*Oct-97*
prePAID Total Domestic Equity	**$360,364,258**	**14.9%**	**15.0%**	**-0.2%**	**2.9%**	**3.7%**	**18.1%**	**16.8%**	**8.7%**	**8.1%**	**Oct-97**
Domestic Equity Policy Index				*0.1%*	*1.9%*	*7.3%*	*17.7%*	*17.5%*	*8.2%*	*6.6%*	*Oct-97*
Vanguard Institutional Index	$105,402,567	4.4%	7.5%	0.3%	1.2%	7.4%	17.2%	17.2%	7.9%	3.9%	Jan-00
S&P 500 Index (Total Return)				*0.3%*	*1.2%*	*7.4%*	*17.3%*	*17.3%*	*7.9%*	*4.2%*	*Jan-00*
Westfield Capital Management	$114,766,949	4.8%	2.5%	-0.6%	5.4%	7.8%	20.7%	20.4%	12.5%	12.5%	Oct-03
Russell 2500 Growth				*0.6%*	*8.1%*	*11.3%*	*20.4%*	*19.6%*	*10.3%*	*11.0%*	*Oct-03*
Thompson, Siegel and Walmsley	$78,138,219	3.2%	2.5%	-1.4%	4.1%	2.5%	20.9%	17.7%	8.6%	11.6%	Oct-03
TSW Custom Benchmark [1]				*-1.3%*	*1.7%*	*1.0%*	*17.0%*	*16.0%*	*7.4%*	*9.6%*	*Oct-03*
Donald Smith and Company	$62,056,523	2.6%	2.5%	1.1%	-0.4%	-7.7%	12.1%	9.5%	9.1%	12.2%	Oct-03
Russell 2000 Value				*-1.2%*	*0.8%*	*0.8%*	*15.5%*	*14.8%*	*6.9%*	*9.1%*	*Oct-03*
prePAID Total International Equity	**$427,458,493**	**17.7%**	**17.5%**	**-0.3%**	**4.3%**	**-4.3%**	**7.8%**	**7.9%**	**6.5%**	**6.3%**	**Oct-97**
*International Equity BM*****				*0.9%*	*4.7%*	*-4.1%*	*8.9%*	*7.5%*	*5.8%*	*5.1%*	*Oct-97*
Capital Research American Funds	$124,876,631	5.2%	5.0%	1.1%	7.2%	1.0%	12.7%	10.1%	7.7%	8.5%	Nov-01
MSCI EAFE (Gross)				*0.8%*	*5.9%*	*-3.8%*	*12.5%*	*10.0%*	*5.6%*	*7.0%*	*Nov-01*
Franklin Templeton	$126,591,856	5.2%	5.0%	0.4%	5.7%	-4.9%	11.5%	8.6%	6.0%	6.1%	Aug-97
MSCI EAFE (Gross)				*0.8%*	*5.9%*	*-3.8%*	*12.5%*	*10.0%*	*5.6%*	*4.7%*	*Aug-97*
Aberdeen Asset Management	$175,990,006	7.3%	7.5%	-1.8%	1.3%	-7.6%	1.7%	5.5%	--	6.1%	Nov-09
MSCI EM (Emerging Markets)				*0.8%*	*3.1%*	*-4.8%*	*4.1%*	*4.0%*	*8.5%*	*3.9%*	*Nov-09*

*Total Fund Index: 32.5% MSCI ACWI Index, 3.5% NCREIF ODCE Index, 3.5% Russell 3000 + 3%, 4.2% Citigroup 3-Month T-Bill + 3.5%, 3.9% Citigroup 3-Month T-Bill +4%, 10.0% Barclays US Corporate High Yield Index, 7.5% BofA ML US Convertibles Index, 10.0% JPMorgan EMBI, 15.0% Barclays US Aggregate Index, 5.0% Barclays US TIPS Index, 5.0% Citigroup US T-Bill + 1%

**Total Equity Index: 100.0% MSCI ACWI Index

***Domestic Equity Policy Index: 100% Russell 3000 Index;

****International Equity Policy Index: 57% MSCI EAFE and 43% MSCI EM

[1]TSW Custom Benchmark: Russell 2000 Value Index through February 28, 2011; Russell 2500 Value Index thereafter
Returns calculated by BNY Mellon Asset Servicing.

Total Plan
Performance Summary

Net of Fees

				Ending June 30, 2015						Return Since Inception	
Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return	Since
prePAID Alternatives	**$358,766,060**	**14.9%**	**15.0%**	**0.9%**	**2.1%**	**6.6%**	**6.2%**	**6.7%**	**3.8%**	**4.5%**	**May-05**
Alternatives BM				*1.5%*	*3.3%*	*7.2%*	*7.4%*	*9.3%*	*4.6%*	*5.3%*	*May-05*
Harmonic Capital Partners[1]	$90,369,157	3.7%	--	-0.3%	-1.2%	6.9%	1.2%	--	--	4.6%	Jan-12
T-Bills + 4%				*1.0%*	*2.0%*	*4.0%*	*4.0%*	*--*	*--*	*3.9%*	*Jan-12*
Aventura	$7,535,077	0.3%	--	8.6%	10.2%	13.5%	9.9%	8.8%	--	3.6%	Apr-08
NCREIF Property Index[2]				*3.6%*	*6.7%*	*12.7%*	*11.5%*	*12.8%*	*8.4%*	*5.0%*	*Apr-08*
Aurora Offshore	$98,832,306	4.1%	--	1.1%	3.2%	5.5%	6.9%	4.3%	--	3.9%	Mar-10
T-BILLS + 3.5%				*0.9%*	*1.7%*	*3.5%*	*3.6%*	*3.6%*	*--*	*3.5%*	*Mar-10*
Private Advisors[3]	$29,418,527	1.2%	--	1.4%	1.4%	4.3%	5.0%	--	--	-0.5%	Oct-10
Russell 3000 + 3%				*0.8%*	*3.3%*	*10.3%*	*20.7%*	*--*	*--*	*18.9%*	*Oct-10*
Adams Street Partners[3]	$48,049,530	2.0%	--	0.0%	1.4%	5.8%	5.1%	--	--	0.9%	Jan-11
Russell 3000 + 3%				*0.8%*	*3.3%*	*10.3%*	*20.7%*	*--*	*--*	*17.0%*	*Jan-11*
Aether[3]	$2,503,761	0.1%	--	-4.8%	-4.8%	-5.5%	--	--	--	-5.5%	Dec-13
Russell 3000 + 3%				*0.8%*	*3.3%*	*10.3%*	*20.7%*	*--*	*--*	*13.9%*	*Dec-13*
Commonfund[3]	$6,151,928	0.3%	--	-7.6%	-7.6%	-6.2%	--	--	--	-15.6%	Nov-12
Russell 3000 + 3%				*0.8%*	*3.3%*	*10.3%*	*20.7%*	*--*	*--*	*21.3%*	*Nov-12*
UBS Trumbull	$75,905,774	3.1%	--	2.7%	5.6%	11.0%	9.6%	--	--	9.7%	Jan-11
NCREIF NFI ODCE[4]				*3.4%*	*6.8%*	*13.5%*	*12.7%*	*--*	*--*	*12.6%*	*Jan-11*
prePAID Non Core Fixed Income	**$659,852,076**	**27.3%**	**27.5%**	**-0.2%**	**2.5%**	**0.3%**	**5.7%**	**7.3%**	**5.3%**	**5.6%**	**May-05**
Non Core Fixed BM				*0.2%*	*2.5%*	*-0.3%*	*7.2%*	*8.7%*	*6.1%*	*6.5%*	*May-05*
Prudential High Yield	$243,255,530	10.1%	10.0%	0.2%	2.8%	1.7%	5.8%	7.4%	--	7.8%	Nov-09
Barclays Capital High Yield				*0.0%*	*2.5%*	*-0.4%*	*6.8%*	*8.6%*	*7.9%*	*9.2%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*0.0%*	*2.7%*	*0.7%*	*6.7%*	*8.4%*	*7.4%*	*8.7%*	*Nov-09*
Advent Capital Management	$110,610,328	4.6%	7.5%	-0.1%	4.8%	4.5%	--	--	--	6.2%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*1.1%*	*3.2%*	*1.5%*	*10.2%*	*8.8%*	*7.0%*	*8.4%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*0.7%*	*0.5%*	*-4.0%*	*3.0%*	*4.1%*	*--*	*1.3%*	*Sep-13*
Ferox Capital	$72,523,204	3.0%	7.5%	1.2%	5.1%	5.4%	--	--	--	6.0%	Aug-13
BofA Merrill Lynch Global 300 Convertible Index				*1.1%*	*3.2%*	*1.5%*	*10.2%*	*8.8%*	*7.0%*	*7.4%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*0.7%*	*0.5%*	*-4.0%*	*3.0%*	*4.1%*	*--*	*1.5%*	*Aug-13*
Wellington Management	$168,963,773	7.0%	--	-1.4%	0.6%	-2.0%	3.6%	6.7%	--	6.9%	Dec-09
JPMorgan EMBI Index				*-0.3%*	*1.8%*	*-1.6%*	*3.4%*	*6.5%*	*7.3%*	*6.9%*	*Dec-09*
Stone Harbor	$64,499,242	2.7%	--	-0.2%	-0.8%	-9.7%	-2.1%	--	--	0.1%	Apr-11
Stone Harbor Custom Benchmark[5]				*-0.6%*	*-1.6%*	*-7.7%*	*0.2%*	*--*	*--*	*2.0%*	*Apr-11*
prePAID Core Fixed Income	**$608,915,789**	**25.2%**	**25.0%**	**0.0%**	**1.6%**	**1.3%**	**1.0%**	**3.2%**	**3.9%**	**5.2%**	**Oct-97**
Core Fixed Income Benchmark				*-1.2%*	*0.1%*	*1.0%*	*0.9%*	*3.0%*	*4.1%*	*5.1%*	*Oct-97*
Blackrock Intermediate Corporate	$73,175,409	3.0%	5.0%	--	--	--	--	--	--	-1.1%	Jun-15
Barclays Int Credit				*-0.9%*	*0.8%*	*1.5%*	*2.9%*	*4.2%*	*4.8%*	*-0.9%*	*Jun-15*
Brookfield MBS	$73,809,388	3.1%	5.0%	-0.3%	1.7%	--	--	--	--	3.5%	Nov-13
Barclays US MBS				*-0.7%*	*0.3%*	*2.3%*	*1.9%*	*2.9%*	*4.6%*	*2.1%*	*Nov-13*
SSgA TIPS	$117,939,083	4.9%	5.0%	-1.1%	0.3%	-1.8%	-0.9%	--	--	3.1%	Dec-10
Barclays Capital US TIPS				*-1.1%*	*0.3%*	*-1.7%*	*-0.8%*	*3.3%*	*4.1%*	*2.8%*	*Dec-10*
Shenkman Capital Management	$218,870,230	9.1%	5.0%	1.0%	3.1%	1.8%	--	--	--	3.3%	Sep-13
Credit Suisse Leveraged Loans				*0.8%*	*2.9%*	*2.2%*	*5.3%*	*5.7%*	*4.7%*	*3.9%*	*Sep-13*
INVESCO Institutional	$123,884,313	5.1%	5.0%	0.5%	1.0%	2.0%	2.1%	2.6%	3.5%	4.3%	Jan-00
Stable Value Custom BM				*0.3%*	*0.5%*	*1.0%*	*1.0%*	*1.1%*	*2.2%*	*3.2%*	*Jan-00*
BlackRock	$527,700	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	--	0.1%	Apr-10
Citigroup 3-Month T-Bill				*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*1.3%*	*0.1%*	*Apr-10*

*Alternatives BM: 23% NCREIF ODCE Index, 23% Russell 3000 + 3%, 28% Citigroup 3-Month T-Bill + 3.5%, 26% Citigroup 3-Month T-Bill +4%

**Non Core Fixed BM: 36% Barclays US Corporate High Yield Index, 28% BofA ML Global 300 Convertibles Index, 36% JPMorgan EMBI 1 month lag

***Core Fixed Income Benchmark: 60% Barclays US Aggregate, 20% Barclays Capital US TIPS Index, 20% Citigroup US T-Bill + 1%

[1] Harmonic Captial Partners reported one month in arrears

[2] NCREIF Property Index reported one quarter in arrears

[3] Please see page after gross of fee performance summary for the IRR calculation of Private Advisors, Adams Street Partners, Aethor and Commonfund. The market value shown here reflects the valuations of the funds at the end of the prior quarter

[4] UBS Trumbull Property Fund and NCREIF NFI ODCE Index reported one quarter in arrears

[5] Stone Harbor Custom Benchmark is comprised of 50% JPMorgan EMBI Global Diversified Index/50% JPMorgan GBI-EM Global Diversified

Returns calculated by BNY Mellon Asset Servicing.

Total Plan
Performance Summary

Gross of Fees

				Ending June 30, 2015												Return Since Inception	
Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return	Since
Total Fund	**$2,415,223,437**	**100.0%**	**100.0%**	**0.0%**	*69*	**2.7%**	*49*	**1.4%**	*91*	**7.2%**	*97*	**8.2%**	*95*	**6.1%**	*86*	**6.6%**	**Oct-97**
Total Fund less Private Equity	**$2,182,114,894**	**90.3%**	**--**	**0.1%**	--	**2.8%**	--	**1.3%**	--	**7.2%**	--	**8.3%**	--	**6.1%**	--	**6.6%**	**Oct-97**
prePAID Total Fund Index				*0.2%*	--	*2.2%*	--	*1.7%*	--	*7.9%*	--	*8.8%*	--	*5.4%*	--	*5.6%*	*Oct-97*
prePAID Total Equity	**$787,822,751**	**32.6%**	**32.5%**	**-0.2%**	--	**3.7%**	--	**-0.4%**	--	**13.1%**	--	**12.5%**	--	**7.3%**	--	**7.3%**	**Oct-97**
Total Equity Index				*0.5%*	--	*3.0%*	--	*1.2%*	--	*13.6%*	--	*12.5%*	--	*6.0%*	--	*5.4%*	*Oct-97*
prePAID Total Domestic Equity	**$360,364,258**	**14.9%**	**15.0%**	**-0.1%**	--	**3.2%**	--	**4.3%**	--	**18.7%**	--	**17.4%**	--	**9.3%**	--	**8.5%**	**Oct-97**
Domestic Equity Policy Index				*0.1%*	--	*1.9%*	--	*7.3%*	--	*17.7%*	--	*17.5%*	--	*8.2%*	--	*6.6%*	*Oct-97*
Vanguard Institutional Index	$105,402,567	4.4%	7.5%	0.3%	27	1.2%	32	7.4%	28	17.2%	35	17.2%	33	7.9%	30	3.9%	Jan-00
S&P 500 Index (Total Return)				*0.3%*	*27*	*1.2%*	*32*	*7.4%*	*25*	*17.3%*	*30*	*17.3%*	*22*	*7.9%*	*28*	*4.2%*	*Jan-00*
Westfield Capital Management	$114,766,949	4.8%	2.5%	-0.4%	92	5.8%	88	8.6%	77	21.6%	21	21.2%	17	13.4%	9	13.4%	Oct-03
Russell 2500 Growth				*0.6%*	*71*	*8.1%*	*57*	*11.3%*	*50*	*20.3%*	*38*	*19.5%*	*55*	*10.3%*	*63*	*11.0%*	*Oct-03*
Thompson, Siegel and Walmsley	$78,138,219	3.2%	2.5%	-1.2%	82	4.5%	28	3.4%	56	21.9%	12	18.5%	29	9.4%	49	12.4%	Oct-03
TSW Custom Benchmark [1]				*-1.3%*	*84*	*1.7%*	*72*	*1.0%*	*72*	*17.0%*	*68*	*16.0%*	*69*	*7.4%*	*90*	*9.6%*	*Oct-03*
Donald Smith and Company	$62,056,523	2.6%	2.5%	1.3%	24	0.1%	90	-6.9%	94	13.1%	94	10.4%	98	10.1%	32	13.2%	Oct-03
Russell 2000 Value				*-1.2%*	*83*	*0.8%*	*83*	*0.8%*	*73*	*15.5%*	*84*	*14.8%*	*84*	*6.9%*	*96*	*9.1%*	*Oct-03*
prePAID Total International Equity	**$427,458,493**	**17.7%**	**17.5%**	**-0.3%**	--	**4.2%**	--	**-4.3%**	--	**7.8%**	--	**7.9%**	--	**6.5%**	--	**6.3%**	**Oct-97**
*International Equity BM*****				*0.9%*	--	*4.7%*	--	*-4.1%*	--	*8.9%*	--	*7.5%*	--	*5.8%*	--	*5.1%*	*Oct-97*
Capital Research American Funds	$124,876,631	5.2%	5.0%	1.1%	63	7.2%	38	1.0%	15	12.7%	32	10.1%	41	7.7%	17	8.5%	Nov-01
MSCI EAFE (Gross)				*0.8%*	*69*	*5.9%*	*64*	*-3.8%*	*60*	*12.5%*	*36*	*10.0%*	*42*	*5.6%*	*52*	*7.0%*	*Nov-01*
Franklin Templeton	$126,591,856	5.2%	5.0%	0.4%	83	5.7%	67	-4.9%	71	11.5%	53	8.6%	72	6.0%	44	6.1%	Aug-97
MSCI EAFE (Gross)				*0.8%*	*69*	*5.9%*	*64*	*-3.8%*	*60*	*12.5%*	*36*	*10.0%*	*42*	*5.6%*	*52*	*4.7%*	*Aug-97*
Aberdeen Asset Management	$175,990,006	7.3%	7.5%	-1.8%	87	1.3%	56	-7.6%	56	1.7%	70	5.5%	23	--	--	6.1%	Nov-09
MSCI EM (Emerging Markets)				*0.8%*	*48*	*3.1%*	*31*	*-4.8%*	*35*	*4.1%*	*40*	*4.0%*	*44*	*8.5%*	*29*	*3.9%*	*Nov-09*

*Total Fund Index: 32.5% MSCI ACWI Index, 3.5% NCREIF ODCE Index, 3.5% Russell 3000 + 3%, 4.2% Citigroup 3-Month T-Bill + 3.5%, 3.9% Citigroup 3-Month T-Bill +4%, 10.0% Barclays US Corporate High Yield Index, 7.5% BofA ML US Convertibles Index, 10.0% JPMorgan EMBI, 15.0% Barclays US Aggregate Index, 5.0% Barclays US TIPS Index, 5.0% Citigroup US T-Bill + 1%

**Total Equity Index: 100.0% MSCI ACWI Index

***Domestic Equity Policy Index: 100% Russell 3000 Index;

****International Equity Policy Index: 57% MSCI EAFE and 43% MSCI EM

[1]TSW Custom Benchmark: Russell 2000 Value Index through February 28, 2011; Russell 2500 Value Index thereafter

"Rank" equals percentile, see individual manager page for percentile. "1" is the top ranking and "100" is the bottom ranking.

Returns calculated by BNY Mellon Asset Servicing.

Total Plan
Performance Summary

Gross of Fees

Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return Since Inception: Return	Since
				Ending June 30, 2015													
prePAID Alternatives	**$358,766,060**	**14.9%**	**15.0%**	**0.9%**	--	**2.1%**	--	**6.8%**	--	**6.3%**	--	**6.8%**	--	**3.8%**	--	**4.6%**	**May-05**
Alternatives BM				*1.5%*	--	*3.3%*	--	*7.2%*	--	*7.4%*	--	*9.3%*	--	*4.6%*	--	*5.3%*	*May-05*
Harmonic Capital Partners[1]	$90,369,157	3.7%	--	-0.3%	27	-1.1%	82	7.7%	56	1.2%	88	--	--	--	--	5.1%	*Jan-12*
T-Bills + 4%				*1.0%*	*17*	*2.0%*	*45*	*4.0%*	*66*	*4.0%*	*76*	--	--	--	--	*3.9%*	*Jan-12*
Aventura	$7,535,077	0.3%	--	8.6%	--	10.2%	--	13.5%	--	9.9%	--	8.8%	--	--	--	3.6%	*Apr-08*
NCREIF Property Index[2]				*3.6%*	--	*6.7%*	--	*12.7%*	--	*11.5%*	--	*12.8%*	--	*8.4%*	--	*5.0%*	*Apr-08*
Aurora Offshore	$98,832,306	4.1%	--	1.1%	18	3.2%	31	5.5%	27	6.9%	58	4.3%	74	--	--	3.9%	Mar-10
T-BILLS + 3.5%				*0.9%*	*25*	*1.7%*	*67*	*3.5%*	*54*	*3.5%*	*91*	*3.6%*	*85*	--	--	*3.5%*	*Mar-10*
Private Advisors[3]	$29,418,527	1.2%	--	1.4%	--	1.4%	--	4.3%	--	4.9%	--	--	--	--	--	-0.5%	Oct-10
Russell 3000 + 3%				*0.8%*	--	*3.3%*	--	*10.3%*	--	*20.7%*	--	--	--	--	--	*18.9%*	*Oct-10*
Adams Street Partners[3]	$48,049,530	2.0%	--	0.0%	--	1.4%	--	5.8%	--	5.1%	--	--	--	--	--	0.9%	Jan-11
Russell 3000 + 3%				*0.8%*	--	*3.3%*	--	*10.3%*	--	*20.7%*	--	--	--	--	--	*16.7%*	*Jan-11*
Aether[3]	$2,503,761	0.1%	--	-4.8%	--	-4.8%	--	-0.0553	--	--	--	--	--	--	--	-5.8%	Dec-13
Russell 3000 + 3%				*0.8%*	--	*3.3%*	--	*10.3%*	--	*20.7%*	--	--	--	--	--	*12.5%*	*Dec-13*
Commonfund	$6,151,928	0.3%	--	-7.6%	--	-7.6%	--	-6.2%	--	--	--	--	--	--	--	-16.0%	Nov-12
Russell 3000 + 3%				*0.8%*	--	*3.3%*	--	*10.3%*	--	*20.7%*	--	--	--	--	--	*21.5%*	*Nov-12*
UBS Trumbull	$75,905,774	3.1%	--	2.9%	99	5.7%	99	11.2%	99	9.6%	99	--	--	--	--	9.8%	Jan-11
NCREIF NFI ODCE[4]				*3.4%*	*87*	*6.8%*	*72*	*13.4%*	*80*	*12.7%*	*83*	--	--	--	--	*12.6%*	*Jan-11*
prePAID Non Core Fixed Income	**$659,852,076**	**27.3%**	**27.5%**	**-0.1%**	--	**2.6%**	--	**0.6%**	--	**5.9%**	--	**7.5%**	--	**5.7%**	--	**6.0%**	**May-05**
Non Core Fixed BM				*0.2%*	--	*2.5%*	--	*-0.3%*	--	*7.1%*	--	*8.7%*	--	*6.1%*	--	*6.5%*	*May-05*
Prudential High Yield	$243,255,530	10.1%	10.0%	0.3%	59	3.0%	45	2.1%	9	6.2%	85	7.8%	92	--	--	8.2%	Nov-09
Barclays Capital High Yield				*0.0%*	*76*	*2.5%*	*76*	*-0.4%*	*64*	*6.8%*	*59*	*8.6%*	*60*	*7.9%*	*51*	*9.2%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*0.0%*	*76*	*2.7%*	*70*	*0.7%*	*37*	*6.7%*	*61*	*8.4%*	*67*	*7.4%*	*71*	*8.7%*	*Nov-09*
Advent Capital Management	$110,610,328	4.6%	7.5%	0.1%	54	5.2%	8	5.1%	7	--	--	--	--	--	--	6.3%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*1.1%*	*29*	*3.3%*	*74*	*1.5%*	*59*	*10.2%*	*8*	*8.8%*	*5*	*7.0%*	*33*	*7.5%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*0.7%*	*33*	*0.5%*	*99*	*-4.0%*	*90*	*3.0%*	*99*	*4.1%*	*99*	--	--	*1.3%*	*Sep-13*
Ferox Capital	$72,523,204	3.0%	7.5%	1.2%	18	5.0%	19	5.4%	1	--	--	--	--	--	--	6.0%	Aug-13
BofA Merrill Lynch All US Convertibles				*1.1%*	*29*	*3.3%*	*74*	*1.5%*	*59*	*10.2%*	*8*	*8.8%*	*5*	*7.0%*	*33*	*7.5%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*0.7%*	*33*	*0.5%*	*99*	*-4.0%*	*90*	*3.0%*	*99*	*4.1%*	*99*	--	--	*1.3%*	*Aug-13*
Wellington Management	$168,963,773	7.0%	--	-1.4%	91	0.6%	86	-2.0%	53	3.6%	60	6.7%	68	--	--	7.0%	Dec-09
JPMorgan EMBI Index				*-0.3%*	*57*	*1.8%*	*43*	*-1.6%*	*51*	*3.4%*	*67*	*6.5%*	*74*	*7.3%*	*85*	*6.9%*	*Dec-09*
Stone Harbor	$64,499,242	2.7%	--	-0.2%	53	-0.7%	95	-9.7%	96	-2.0%	99	--	--	--	--	0.1%	Apr-11
Stone Harbor Custom Benchmark[5]				*-0.6%*	*72*	*-1.6%*	*95*	*-7.7%*	*94*	*0.2%*	*99*	--	--	--	--	*2.0%*	*Apr-11*
prePAID Core Fixed Income	**$608,915,789**	**25.2%**	**25.0%**	**0.1%**	--	**1.7%**	--	**1.6%**	--	**1.2%**	--	**3.3%**	--	**4.0%**	--	**5.4%**	**Oct-97**
Core Fixed Income Benchmark				*-1.2%*	--	*0.1%*	--	*1.0%*	--	*0.9%*	--	*3.0%*	--	*4.1%*	--	*5.1%*	*Oct-97*
Blackrock Intermediate Corporate	$73,175,409	3.0%	5.0%	--	--	--	--	--	--	--	--	--	--	--	--	-1.1%	Jun-15
Barclays Int Credit				*-0.9%*	*90*	*0.8%*	*55*	*1.5%*	*76*	*2.9%*	*14*	*4.2%*	*9*	*4.8%*	*30*	*-0.9%*	*Jun-15*
Brookfield MBS	$73,809,388	3.1%	5.0%	-0.3%	37	1.9%	18	--	--	--	--	--	--	--	--	3.6%	Nov-13
Barclays US MBS				*-0.7%*	*91*	*0.3%*	*94*	*2.3%*	*87*	*1.9%*	*90*	*2.9%*	*94*	*4.6%*	*82*	*2.1%*	*Nov-13*
SSgA TIPS	$117,939,083	4.9%	5.0%	-1.1%	47	0.3%	46	-1.8%	11	-0.8%	35	--	--	--	--	3.2%	Dec-10
Barclays Capital US TIPS				*-1.1%*	*46*	*0.3%*	*46*	*-1.7%*	*10*	*-0.8%*	*29*	*3.3%*	*11*	*4.1%*	*16*	*2.8%*	*Dec-10*
Shenkman Capital Management	$218,870,230	9.1%	5.0%	1.2%	11	3.3%	27	2.3%	62	--	--	--	--	--	--	3.5%	Sep-13
Credit Suisse Leveraged Loans				*0.8%*	*65*	*2.9%*	*70*	*2.2%*	*73*	*5.3%*	*52*	*5.7%*	*78*	*4.7%*	*83*	*3.7%*	*Sep-13*
INVESCO Institutional	$123,884,313	5.1%	5.0%	0.5%	10	1.0%	10	2.0%	36	2.2%	27	2.7%	26	3.5%	51	4.3%	Jan-00
Stable Value Custom BM				*0.3%*	*95*	*0.5%*	*94*	*1.0%*	*94*	*1.0%*	*99*	*1.1%*	*99*	*2.2%*	*99*	*3.2%*	*Jan-00*
BlackRock	$527,700	0.0%	0.0%	0.0%	76	0.0%	70	0.0%	34	0.0%	37	0.0%	20	--	--	0.1%	Apr-10
Citigroup 3-Month T-Bill				*0.0%*	*29*	*0.0%*	*27*	*0.0%*	*22*	*0.0%*	*15*	*0.1%*	*16*	*1.3%*	*51*	*0.1%*	*Apr-10*

*Alternatives BM: 23% NCREIF ODCE Index, 23% Russell 3000 + 3%, 28% Citigroup 3-Month T-Bill + 3.5%, 26% Citigroup 3-Month T-Bill +4%

**Non Core Fixed BM: 36% Barclays US Corporate High Yield Index, 28% BofA ML Global 300 Convertibles Index, 36% JPMorgan EMBI 1 month lag

***Core Fixed Income Benchmark: 60% Barclays US Aggregate, 20% Barclays Capital US TIPS Index, 20% Citigroup US T-Bill + 1%

[1] Harmonic Captial Partners reported one month in arrears

[2] NCREIF Property Index reported one quarter in arrears

[3] Please see page after gross of fee performance summary for the IRR calculation of Private Advisors, Adams Street Partners, Aethor and Commonfund. The market value shown here reflects the valuations of the funds at the end of the prior quarter

[4] UBS Trumbull Property Fund and NCREIF NFI ODCE Index reported one quarter in arrears

[5] Stone Harbor Custom Benchmark is comprised of 50% JPMorgan EMBI Global Diversified Index/50% JPMorgan GBI-EM Global Diversified

Returns calculated by BNY Mellon Asset Servicing.

Attachment D

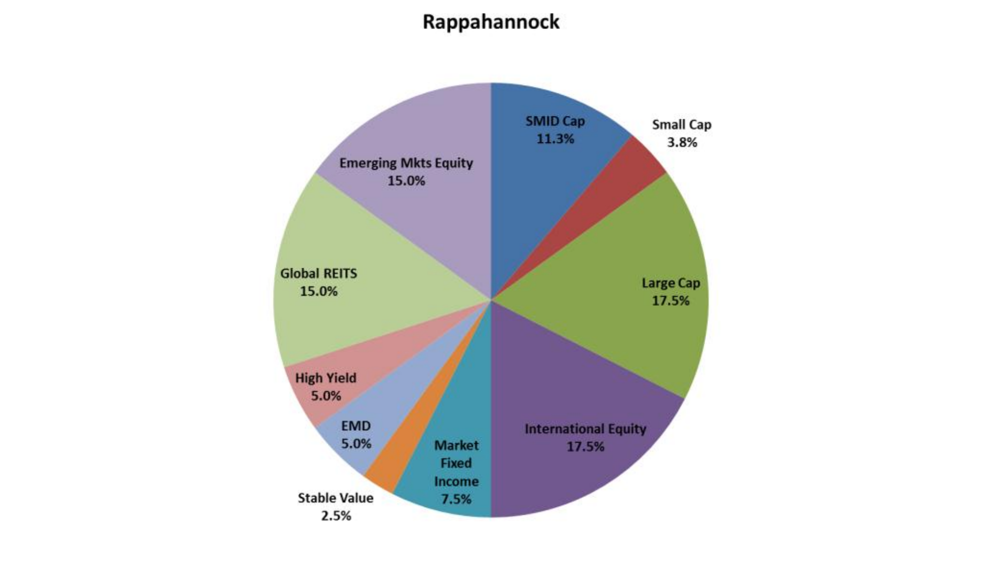
Asset Allocation and Performance

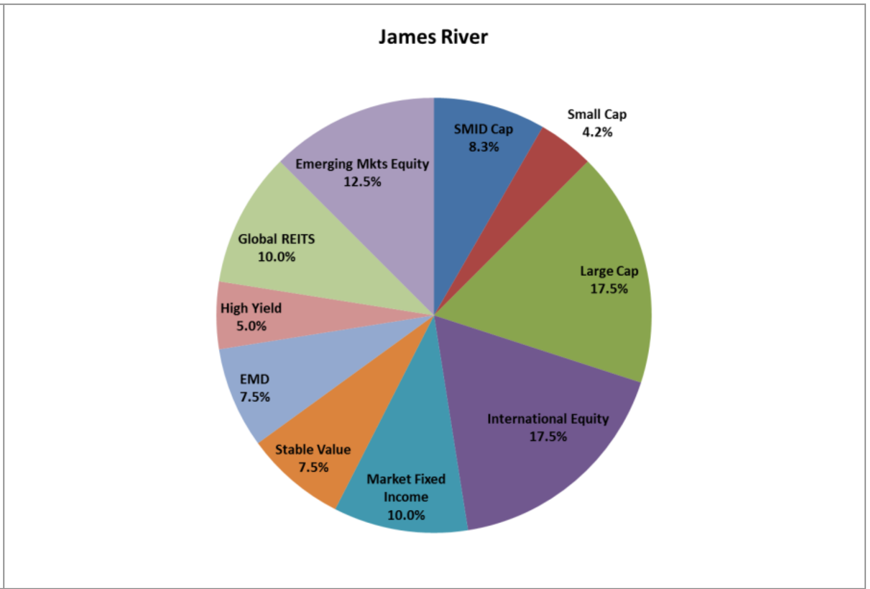
Virginia529 inVEST Program

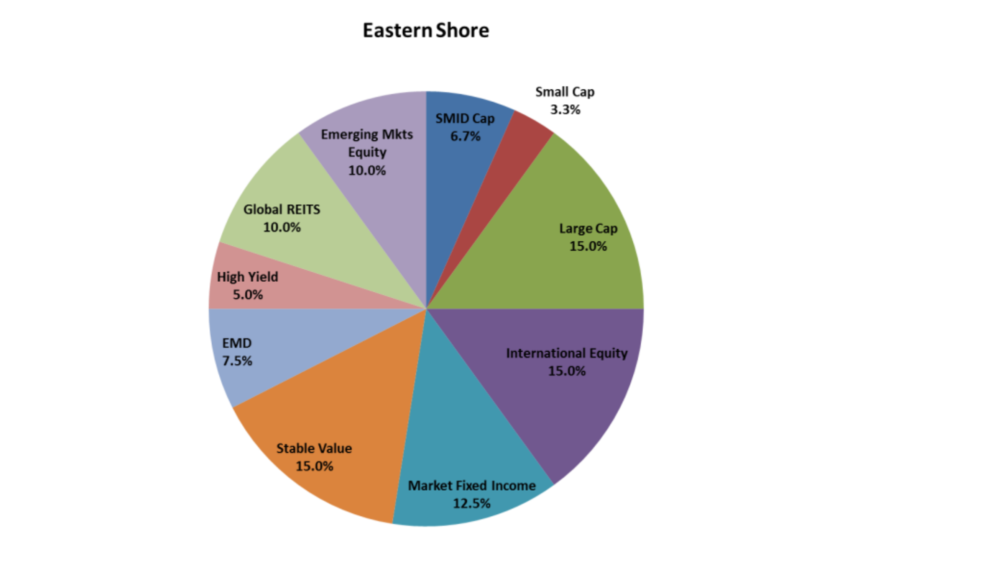
June 30, 2015

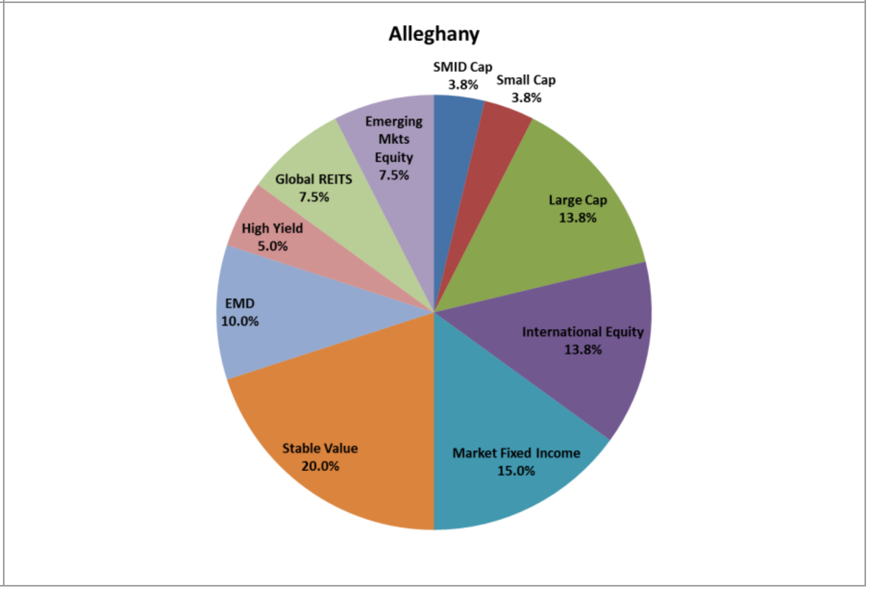
Fund Profile

Evolving Portfolios





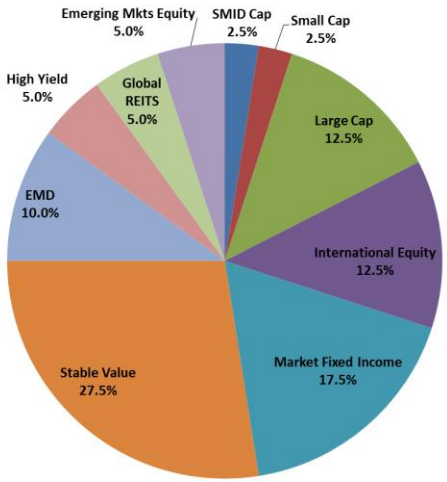




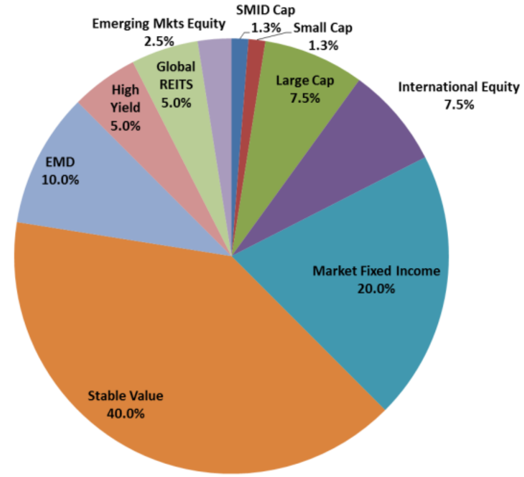
Fund Profile

Evolving Portfolios

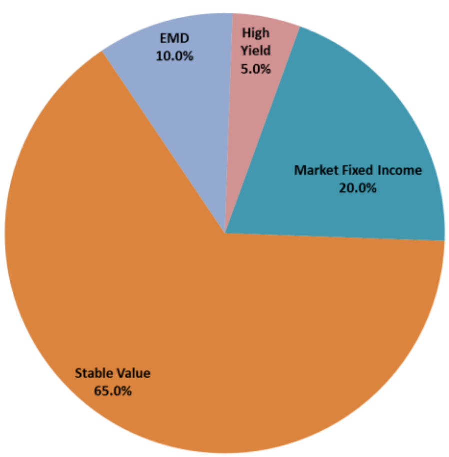
Chesapeake



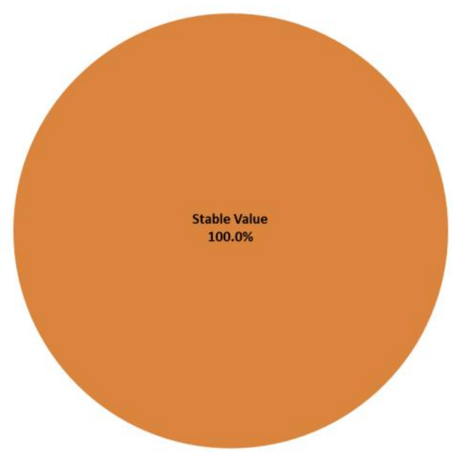
Potomac



Southside

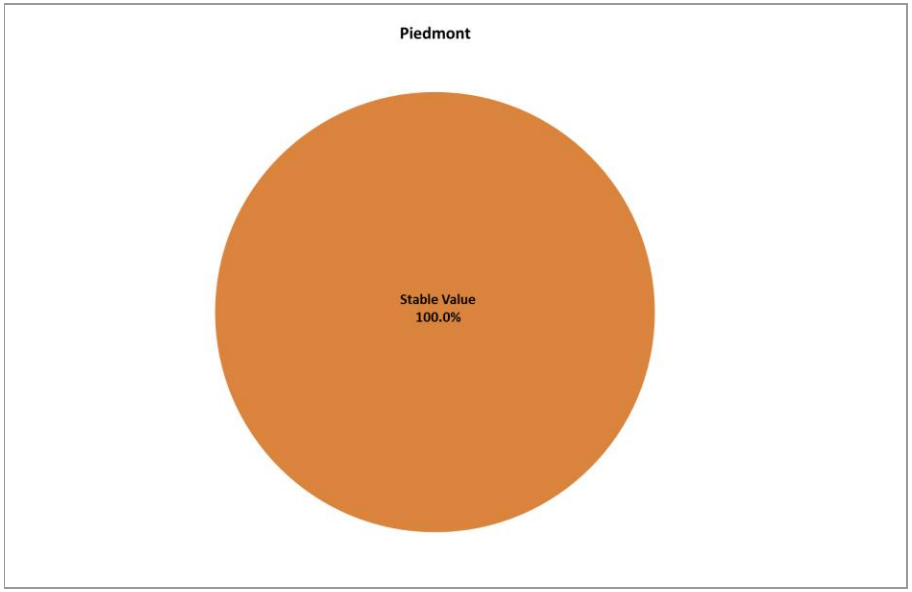


Blue Ridge



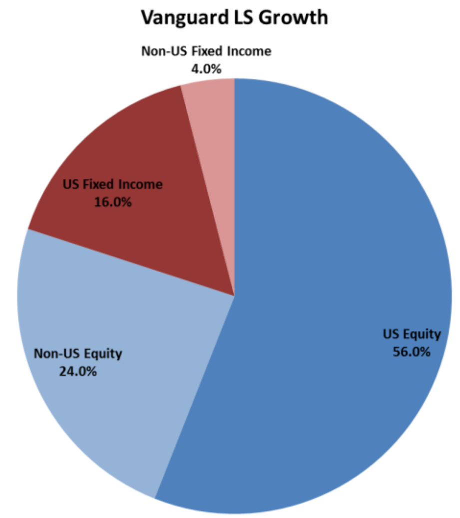
Fund Profile

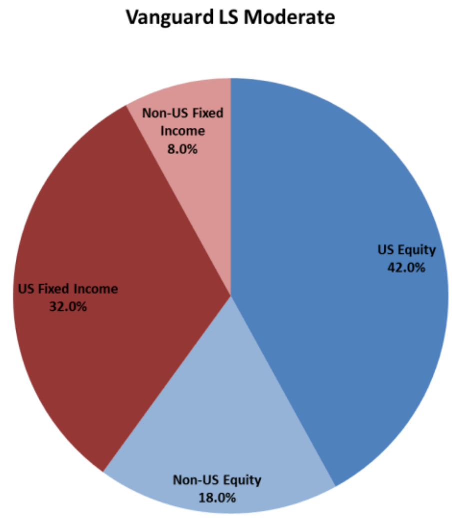
Evolving Portfolios

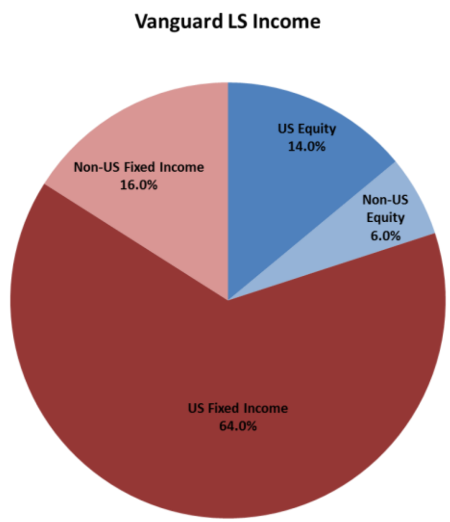


Fund Profile

Non-Evolving Portfolios







Virginia529 inVEST
Monthly Portfolio Performance Summary
as of June 30, 2015

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
AGE-BASED PORTFOLIOS									
Rappahannock Portfolio	**-1.85**	**-0.92**	**2.51**	**1.38**				**5.30**	**Jan-14**
Rappahannock Benchmark	-2.15	-0.89	2.24	1.03				5.22	
James River Portfolio	**-1.69**	**-0.67**	**2.55**	**1.68**	**10.40**			**7.65**	**Jan-11**
James River Benchmark	-1.94	-0.61	2.23	1.02	10.67			7.52	
Eastern Shore Portfolio	**-1.56**	**-0.69**	**2.11**	**1.23**	**9.49**	**10.27**		**4.87**	**Feb-08**
Eastern Shore Benchmark	-1.76	-0.68	1.89	0.73	9.70	10.00		4.72	
Alleghany Portfolio	**-1.45**	**-0.58**	**1.97**	**1.32**	**8.50**	**9.47**		**5.45**	**Aug-05**
Alleghany Benchmark	-1.59	-0.58	1.72	0.92	8.58	9.09		4.92	
Chesapeake Portfolio	**-1.26**	**-0.43**	**1.77**	**1.19**	**7.52**	**8.63**	**5.56**	**5.87**	**Jan-02**
Chesapeake Benchmark	-1.37	-0.47	1.53	0.90	7.58	8.22	5.13	5.35	
Potomac Portfolio	**-0.99**	**-0.45**	**1.22**	**0.77**	**6.36**	**7.51**	**5.25**	**4.56**	**Jan-00**
Potomac Benchmark	-1.06	-0.55	1.03	0.61	6.35	7.10	4.77	3.32	
Southside Portfolio	**-0.38**	**-0.10**	**0.86**	**0.79**	**4.62**	**6.12**	**4.81**	**4.30**	**Jan-00**
Southside Benchmark	-0.41	-0.26	0.53	0.56	4.48	5.62	4.25	3.19	
Blue Ridge Portfolio	**0.12**	**0.36**	**0.73**	**1.45**	**1.30**	**3.45**	**3.56**	**3.67**	**Jan-00**
Blue Ridge Benchmark	0.07	0.22	0.43	0.87	1.06	2.78	2.86	2.58	
Piedmont Portfolio	**0.12**	**0.36**	**0.74**	**1.45**	**1.40**	**2.17**	**3.29**	**3.82**	**Jan-00**
Piedmont Benchmark	0.07	0.22	0.43	0.87	0.87	0.88	1.95	2.84	
STATIC PORTFOLIOS									
Aggressive Growth Portfolio	**-1.83**	**-0.08**	**2.20**	**3.17**	**12.34**	**12.15**	**6.23**	**5.89**	**Jan-02**
Aggressive Growth Benchmark	-1.79	0.02	1.99	2.60	12.36	12.30	6.58	6.24	
Moderate Growth Portfolio	**-1.63**	**-0.57**	**1.57**	**2.94**	**9.66**	**9.98**	**5.83**	**5.61**	**Jan-02**
Moderate Growth Benchmark	-1.57	-0.39	1.19	1.60	9.43	9.85	6.03	5.86	
Conservative Income Portfolio	**-1.29**	**-1.57**	**0.29**	**2.36**	**4.32**	**5.24**	**4.42**	**4.35**	**Jan-02**
Conservative Income Benchmark	-1.13	-1.19	-0.47	-0.46	3.75	4.81	4.31	4.33	
Socially Targeted Portfolio	**-1.40**	**-0.39**	**-1.19**	**4.50**	**17.99**	**16.25**		**14.27**	**Nov-09**
Socially Targeted Benchmark	-1.95	0.24	1.15	7.27	17.12	17.15		15.13	
Total Stock Market Portfolio	**-1.71**	**0.05**	**1.81**	**7.04**	**17.49**	**17.36**		**7.74**	**Aug-05**
Ttl Stock Mkt Benchmark	-1.72	0.04	1.81	7.05	17.51	17.39		7.74	
Total Bond Market Portfolio	**-1.01**	**-1.82**	**-0.24**	**1.60**	**1.55**	**3.11**		**4.27**	**Sep-05**
Ttl Bond Mkt Benchmark	-1.13	-1.80	-0.21	1.63	1.61	3.14		4.25	
Ttl International Stock Portfolio	**-2.69**	**1.24**	**5.31**	**-4.75**	**9.70**	**8.04**		**4.65**	**Sep-05**
Ttl Int'l Stock Benchmark	-2.67	1.20	4.94	-4.39	11.24	9.03		4.23	
Inflation-Protected Securities Portfolio	**-0.95**	**-1.35**	**-0.14**	**-1.95**	**-1.04**	**3.01**		**3.84**	**Sep-05**
Inflation-Protected Benchmark	-0.99	-1.10	0.27	-1.88	-0.94	3.10		3.97	
REIT Portfolio	**-4.59**	**-10.48**	**-6.29**	**3.70**	**8.49**	**14.05**		**6.79**	**Sep-05**
REIT Benchmark	-4.61	-10.49	-6.28	3.78	8.53	14.10		6.51	

Note: Performance Returns are calculated by BNY Mellon Asset Servicing. They are presented net of management fees and inVEST administrative fees.

Virginia529 inVEST
Individual Manager Investment Performance
as of June 30, 2015
Net of Fees

	Month Ending	Quarter Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
AGE-BASED PORTFOLIOS - Underlying Managers									
Large Cap Domestic Equity									
Vanguard Institutional Index	**-1.93**	**0.28**	**1.66**	**7.87**	**17.45**	**17.44**	**7.95**	**4.22**	**Jan-00**
S&P 500 Index	*-1.94*	*0.28*	*1.23*	*7.42*	*17.31*	*17.34*	*7.89*	*4.18*	
Small/Mid Cap Domestic Equity									
Rothschild Asset Management	**1.00**	**1.58**	**8.54**	**12.65**	**20.83**	**19.79**	**9.71**	**11.54**	**Jan-00**
Russell 2500	*-0.69*	*-0.34*	*4.81*	*5.92*	*18.66*	*17.85*	*9.09*	*8.64*	
Vanguard Small Cap Index	**-0.87**	**-0.56**	**4.90**	**5.93**	**19.01**	**18.27**	**9.56**	**8.50**	**Jan-00**
Custom Small Cap Index [1]	*-0.87*	*-0.59*	*4.18*	*5.21*	*18.67*	*18.09*	*9.40*	*8.35*	
International Equity									
Templeton Inst. Foreign Equity Series	**-3.07**	**0.43**	**6.24**	**-4.49**	**11.65**	**8.69**	**6.00**	**5.15**	**Jan-00**
MSCI EAFE	*-2.80*	*0.83*	*5.87*	*-3.83*	*12.45*	*10.02*	*5.60*	*3.24*	
Am. Funds Euro-Pacific Growth	**-1.81**	**1.12**	**7.57**	**1.36**	**12.86**	**10.23**	**7.73**	**10.14**	**Jan-03**
MSCI EAFE	*-2.80*	*0.83*	*5.87*	*-3.83*	*12.45*	*10.02*	*5.60*	*8.81*	
Aberdeen Emerging Markets Fund	**-2.33**	**-1.84**	**1.56**	**-7.67**	**1.64**			**0.84**	**Jan-11**
MSCI Emerging Markets Index	*-2.52*	*0.82*	*3.12*	*-4.77*	*4.08*			*-0.89*	
Global REITs									
Morgan Stanley Global REIT Fund	**-3.89**	**-5.90**	**-1.83**	**0.71**	**9.32**			**6.93**	**Jan-11**
FTSE EPRA/NAREIT Developed RE Index	*-3.88*	*-6.67*	*-2.78*	*0.41*	*9.49*			*8.19*	
Fixed Income									
INVESCO / PRIMCO	**0.13**	**0.40**	**0.81**	**1.60**	**1.57**	**2.36**	**3.51**	**4.22**	**Jan-00**
Stable Value Custom Benchmark	*0.09*	*0.25*	*0.50*	*1.02*	*1.05*	*1.06*	*2.16*	*3.21*	
Stone Harbor Emerging Market Debt	**-1.81**	**0.26**	**2.44**	**-3.04**	**1.75**			**3.78**	**Jan-11**
JP Morgan EMBI Global Diversified	*-1.56*	*-0.34*	*1.67*	*0.51*	*4.30*			*6.09*	
Prudential High Yield Bond Fund	**-1.20**	**0.23**	**2.86**	**1.66**	**5.57**			**5.95**	**Jan-11**
Barclay's Corporate High Yield	*-1.49*	*0.00*	*2.53*	*-0.40*	*6.81*			*7.28*	

Virginia529 College Savings Plan

Virginia529 inVEST
Individual Manager Investment Performance
as of June 30, 2015
Net of Fees

	Month Ending	Quarter Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
STATIC PORTFOLIOS - Underlying Funds									
Vanguard LifeStrategy Growth	**-1.81**	**-0.05**	**2.27**	**3.32**	**12.53**	**12.36**	**6.46**	**6.24**	**Jan-02**
Aggressive Benchmark	*-1.77*	*0.06*	*2.07*	*2.75*	*12.54*	*12.49*	*6.80*	*6.57*	
Vanguard LifeStrategy Mod. Growth	**-1.62**	**-0.54**	**1.64**	**3.10**	**9.85**	**10.17**	**6.05**	**5.95**	**Jan-02**
Moderate Benchmark	*-1.56*	*-0.35*	*1.27*	*1.75*	*9.61*	*10.04*	*6.25*	*6.19*	
Vanguard LifeStrategy Income	**-1.28**	**-1.54**	**0.36**	**2.51**	**4.50**	**5.43**	**4.64**	**4.69**	**Jan-02**
Conservative Benchmark	*-1.12*	*-1.15*	*-0.39*	*-0.31*	*3.92*	*5.00*	*4.52*	*4.66*	
Parnassus Core Equity	**-1.38**	**-0.35**	**-1.11**	**4.66**	**18.19**	**16.45**		**14.47**	**Nov-09**
S&P 500 Index	*-1.94*	*0.28*	*1.23*	*7.42*	*17.31*	*17.34*		*15.33*	
Van. Total Stock Market Fund	**-1.70**	**0.09**	**1.89**	**7.20**	**17.69**	**17.57**		**7.97**	**Aug-05**
Custom Total Stock Index [2]	*-1.71*	*0.08*	*1.89*	*7.20*	*17.69*	*17.58*		*7.97*	
Van. Total Bond Market Fund	**-1.00**	**-1.78**	**-0.09**	**1.82**	**1.76**	**3.30**		**4.49**	**Sep-05**
Custom Total Bond Index [3]	*-1.11*	*-1.76*	*-0.13*	*1.78*	*1.79*	*3.32*		*4.46*	
Van. Total Int'l Equity Fund	**-2.68**	**1.28**	**5.38**	**-4.60**	**9.89**	**8.23**		**4.87**	**Sep-05**
Custom Int'l Stock Index [4]	*-2.65*	*1.24*	*5.02*	*-4.24*	*11.43*	*9.22*		*4.46*	
Van. Infl. Protected Sec. Fund	**-0.94**	**-1.31**	**-0.06**	**-1.81**	**-0.86**	**3.19**		**4.06**	**Sep-05**
Barclays Cap. Treas Infl. Note	*-0.97*	*-1.06*	*0.34*	*-1.73*	*-0.76*	*3.29*		*4.18*	
Vanguard REIT Index	**-4.57**	**-10.44**	**-6.22**	**3.86**	**8.68**	**14.26**		**7.02**	**Sep-05**
MSCI U.S. REIT	*-4.59*	*-10.44*	*-6.19*	*3.93*	*8.71*	*14.29*		*6.76*	

Notes: Performance Returns are calculated by BNY Mellon Asset Servicing. They are presented net of fees for separate account asset management services.

1. Russell 2000 Index through May 2003; MSCI US Small Cap 1750 Index through June 2013; CRSP US Small Cap Index thereafter.
2. MSCI US Broad Market Index through June 2013; and CRSP US Total Market Index thereafter.
3. Barclays U.S. Aggregate Bond Index through June 2013; Barclays U.S. Aggregate Float Adjusted Index thereafter.
4. MSCI EAFE Index through June 2013 and FTSE Global All Cap ex US Index thereafter.

Attachment E

Investment Policies and Guidelines for the Virginia529 prePAID and inVEST Programs

Virginia College Savings Plan
Statement of Investment Policy and Guidelines
For

Virginia529 prePAID^{SM}

TABLE OF CONTENTS

I. PURPOSE & RESPONSIBILITIES

PURPOSE

The purpose of this Statement of Investment Policy and Guidelines ("Statement") is to identify a set of investment objectives, guidelines and performance standards for the Virginia529 prePAID ("prePAID" or the "Program"). This Statement represents the formal investment policy document for prePAID and is to be communicated to the investment managers for their use in developing appropriate investment portfolios. This document will also be used by the Board of the Virginia College Savings Plan ("Board") as the basis for future investment management decisions, measurement and evaluation of investment performance of prePAID.

This Statement will be reviewed at least annually by the Board to ensure that it is consistent with the investment needs of the Program.

RESPONSIBILITIES

Board

Pursuant to § 23-38.77 of the Code of Virginia (the "Code"), the Board shall administer the Virginia College Savings Plan ("VA529" or the "Plan") and shall develop and implement programs for (i) the prepayment of undergraduate tuition, as defined in § 23-38.75 of the Code, at a fixed, guaranteed level for application at a two-year or four-year public institution of higher education in the Commonwealth and (ii) contributions to savings trust accounts established on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified higher education expenses at eligible educational institutions, both as defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23-38.77.1 of the Code, the Board shall have the power and duty to invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of VA529 Management, the Investment Advisory Committee, a custodian, investment managers, an investment consultant, legal counsel and an actuary to perform various functions. The various roles and duties of each are further described below.

VA529 Management

VA529 Management, comprised of the Chief Executive Officer ("CEO") and such other senior officers as may be appointed by the CEO shall implement decisions approved by the Board and/or Investment Advisory Committee unless otherwise specifically provided by the Board or the Investment Advisory Committee. VA529 Management shall (i) oversee the development, structure, evaluation and implementation of prePAID's strategic goals and objectives and (ii) with the assistance of the Investment Advisory Committee appointed by the Board, and by investment consultants, direct, manage and administer prePAID's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23-38.79:1 of the Code, the Board of VA529 shall appoint an Investment Advisory Committee ("Committee"), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of VA529's funds and to assist VA529 Management in directing, managing, and administering VA529's assets, and to provide the Board with sophisticated, objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter[1].

The Committee shall be comprised and administered in accordance with the Committee Charter, as it may be amended from time to time by the Board. The Committee shall review VA529's investments and is authorized to make decisions with regard to investment managers. The Committee is further authorized to take any additional action specifically authorized in other Board actions. Recommendations are not binding upon the Board.

The Committee shall report any action taken to the Board at the Board's next meeting.

Custodian

The Plan shall contract on behalf of the Board with a third party custodian which shall have a level of experience and expertise in providing custodial services to plans and funds similar to those of prePAID. The custodian shall act as a fiduciary in the administration of the prePAID accounts utilizing appropriate internal controls to insure the safety of the assets from such things as fraud, collusion, loss, diversion, etc. While the specific duties and responsibilities of the Plan's custodian are contained in the contractual agreement between the custodian and Plan, the custodian, in general, has the following responsibilities:

- to handle all income, cash transactions, interest received, and other necessary activities;

- hold all securities on behalf of prePAID and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;

- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 14, 2011.

common and preferred stock, except for the voting of proxies, unless specifically authorized;

- safekeep all assets including securities, cash and cash equivalents;

- receive instructions from investment managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures; and

- provide monthly transaction accounting on security holdings with reports provided to the appropriate VA529 Management in a timely manner.

<u>Actuary for prePAID</u>

As provided in § 23-38.80 and 23-38.85 of the Code, VA529 is to annually determine whether there are sufficient funds to maintain the actuarial soundness of the Program. To assist in this determination, the Board shall hire an actuary for the Program. While the specific duties and responsibilities of the Plan's actuary are contained in the contractual agreement between the actuary and Plan, the actuary, in general, has the following responsibilities:

- prepare, on a frequency determined by the Board, a comprehensive evaluation of prePAID's funded status and attest to the appropriateness of prePAID's assumptions and policies; and

- conduct special experience and actuarial studies as required by the Board.

<u>Investment Consultant</u>

While the specific duties and responsibilities of the Plan's investment consultant are contained in the contractual agreement between the investment consultant and Plan, the consultant, in general, has the following responsibilities and will assist the Board and Committee with the following functions:

- provide evaluation of the investment results achieved by the designated investment managers in light of the investment guidelines and performance standards contained in this Statement;

- make recommendations to the Board of appropriate actions to be considered which, in the consultant's opinion, will enhance the probability of achieving overall investment program objectives. Such recommendations may include, but are not limited to:

  - use of alternate asset strategies or asset classes;
  - changes in overall investment policy;
  - changes in designated investment managers;

- provide assistance to the Board and/or Committee in screening and selecting investment managers, as appropriate; and

- at a minimum, meet with the Committee and Board every quarter.

Legal Counsel

The VA529 General Counsel shall advise and represent the Board in all matters requiring legal insight and advice. VA529 Management, in consultation with the General Counsel, shall utilize the services of outside counsel and/or the Office of the Attorney General as such services may be required from time to time.

Investment Managers

While the specific duties and responsibilities of the Plan's investment managers are contained in each contractual agreement between the designated investment manager and the Plan, investment managers, in general, have the following responsibilities:

- maintain registration as an investment advisor under the Investment Advisers Act of 1940, or be authorized and regulated by another appropriate authority;

- adhere to the policy guidelines contained in this Statement, unless granted an exception in writing;

- invest only in those asset classes, and adhere to the ranges for allocation among those classes, that the Board has stated to be appropriate for that manager's portfolio;

- exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement or in any written exceptions to this Statement;

- strictly comply with all of the provisions of appropriate law as they pertain to the firm's dealings, functions and responsibilities as fiduciaries;

- prudently liquidate assets in the portfolio which cease to be in compliance with this Statement of Investment Policy or any written exceptions to this Statement. If in the manager's judgment, it is in the Program(s) best interest to not liquidate such an asset promptly, the manager will advise VA529 Management of the circumstances and make a recommendation regarding the liquidation of that asset;

- diversify the portfolio unless, under the circumstances, it is clearly prudent to not so diversify;

- ensure that brokers will be selected only on a competitive, best execution basis;

- invest the assets of the Program with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;

- provide VA529 Management with a monthly accounting of assets;

- issue a quarterly report to the Committee and/or their designees which includes the following information:
    - the market value of account assets as of the last business day of each quarter;
    - the portion of account assets allocated to each investment asset class as of the last business day of each quarter;
    - time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods;
    - average account characteristics and number of holdings as of the last business day of each quarter; and
    - expenses;

- acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary, and the firm's intention to comply with this Statement as it currently exists or as is modified by joint agreement in the future.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager an exception to the foregoing requirements where such exceptions are deemed appropriate and prudent. Exceptions applicable to each individual investment manager may be included in the manager’s investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

II. ASSET ALLOCATION & REBALANCING

INVESTMENT OBJECTIVES

The Virginia529 prePAID offers contracts to eligible individuals, the benefits from which cover future in-state undergraduate tuition and mandatory fees for the normal full-time course load at Virginia public colleges and universities. prePAID benefits may also be applied toward the cost of tuition and fees at Virginia private colleges as well as at eligible educational institutions nationwide, and in certain cases, at schools around the world. Given this mission, the primary investment objectives are outlined below.

- prePAID's investment portfolio shall be allocated and managed with the objective of attaining an investment return which equals or exceeds the actuarial return assumptions, throughout the majority of economic cycles, taking into consideration cash flow demands and investment risks.

- prePAID's investment portfolio shall be invested and managed to provide sufficient liquidity to meet all reasonably anticipated operational requirements.

- prePAID's investment portfolio shall be invested prudently in order to endeavor to meet or exceed the assumed targeted rate of return as determined by the Board.

ASSET ALLOCATION & REBALANCING

The target asset allocation should reflect a proper balance between prePAID's needs for liquidity and return on assets, combined with an appropriate level of risk. The target asset mix, along with the acceptable minimum and maximum ranges, is outlined in Appendix A.

The target asset allocation should not be regarded as a rigid set of rules regarding asset allocation. The Board will review the allocation periodically and make adjustments as may be appropriate in light of changing market conditions.

Liquidity is required only to meet defined payout needs, unless the investment managers are otherwise advised by VA529 Management.

The Board is charged with the responsibility of monitoring the overall allocation within the parameters described above. It is understood that the maximum and minimum ranges are guidelines and that deviations may occur from time to time as a result of market impact or from short-term decisions implemented by either the Board or, with prior approval, by the investment managers. Rebalancing will occur as needed according to the VA529 Rebalancing Policy. VA529 staff certifies and reports to management on a monthly basis whether portfolio components are properly balanced according to asset allocation parameters.

III. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23-38.80(B) of the Code, as amended, the Board is authorized to acquire and retain every kind of property and every kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;

- Common or preferred stocks traded on foreign or domestic stock exchanges;

- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;

- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;

- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment; and

- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

General Portfolio Diversification

All individually managed portfolios and funds must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the entire portfolio. Investment mandates will be considered individually as well as collectively to ensure that investment styles, philosophies and investment approaches are complementary.

General Restrictions/Guidelines

The Board requires that all investment managers comply with the following limitations and restrictions on their investment activities and holdings:

- Unless granted permission by the Board in writing, investment managers shall not engage in short sales or margin purchases and all accounts shall be free of leverage.
- Unless granted permission by the Board in writing, commodities or commodity contracts are not allowed.

- Derivative securities are prohibited except where specifically permitted in the investment manager agreement, subscription agreement, or prospectus. Specific asset classes may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that asset class.
- Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards.
- The individual managers are expected to be fully invested at all times, with cash accounting for no more than 10% of the portfolio's market value.

Individual Portfolio Guidelines - Equity

- Securities of any one issuer are limited to 5% (at market) of the individual portfolio.
- Portfolios should be diversified by sector, with sector allocations limited to a maximum of 200% of the weight of the sector in the benchmark (see Appendix for the benchmark assigned to each asset class), or 25%, whichever is greater, with the exception of sectors whose benchmark allocation is less than 5%, where the maximum allocation shall be 15%.
- U.S. equity portfolios cannot hold non-dollar denominated securities.
- No quantitative guidelines are given as to industry diversification. However, the investment manager is expected to develop and apply prudent standards.

Individual Portfolio Guidelines – Fixed Income

- While no specific ranges are required, it is expected that the average duration of the portfolio will be within +/- 20% of its designated benchmark (see Appendix B for the benchmark assigned to each asset class).
- For the Core Fixed Income portfolios, the average quality of the total account should be A-rated or higher. Only investment grade securities, as defined as BBB-rated or higher by Standard & Poor's, or the equivalent rating by Moody's or Fitch may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Core Plus Fixed Income portfolios can hold non-investment grade securities and have an overall average quality rating of BBB or higher.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- U.S. fixed income portfolios cannot hold non-dollar denominated securities.

Individual Portfolio Guidelines – Fixed Income, Stable Value

- While no specific ranges are required, it is expected that the average duration of the account will be between two and four years.

- The average quality of the total account should be AA- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- Stable Value portfolios cannot hold non-dollar denominated securities.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager a special exception to the foregoing restrictions where such exceptions are deemed appropriate and prudent. Specific guidelines applicable to each individual investment manager will be recorded in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

Commingled Funds, Collective Trusts and Mutual Funds

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of prePAID. However, in attempting to meet these objectives, it may be advantageous for a portion of portfolio assets to be placed in a pooled, commingled, collective trust, or mutual fund which may have specific restrictions, policies, or guidelines that conflict from time-to-time with those outlined in this Statement. To the extent that the Board has reviewed the investment guidelines of such funds, and determined their appropriateness to the investment objectives of the Program, the restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.

IV. INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

BACKGROUND

The Board reserves the right to add, delete or replace investment managers in order to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio. Either separately managed portfolios, commingled funds or mutual funds may be used in prePAID.

SELECTION – GENERAL CRITERIA

When selecting investment managers for prePAID, the following six broad categories should be considered:

- Economies of Scale
- Diversification
- Transparency
- Organizational Strength
- Performance Consistency
- Risk/ Reward

The following *basic* selection criteria are to be used when selecting a new investment manager to be added to prePAID or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

<u>Economies of Scale</u>

- Have at least $500 million in assets under management.
- Have a reasonable expense ratio or fees compared to other vehicles within an appropriate peer group.

<u>Diversification</u>

- No more than 10% of the portfolio may be invested in any one company valued at market. Likewise, appropriate risk controls should be outlined in each investment manager agreement with respect to sector and industry weightings relative to an appropriate benchmark.

<u>Transparency</u>

- Employ an investment process that is well defined.
- Invest in securities consistent with the investment manager's strategy[2].
- Agree to meet all other requirements set forth in this Statement. However, all mutual funds, collective trusts, and similar commingled fund vehicles included in prePAID will also be subject to the investment guidelines as set forth in their prospectuses, or applicable offering documents.

<u>Organizational Strength</u>

- Be managed and supported by qualified personnel and appropriate resources.

[2] For instance, large cap growth vehicles should primarily focus on large cap stocks with growth-oriented characteristics.

Performance Consistency

- Have a minimum of 3 years of verifiable investment performance information[3.]
- Have competitive returns versus an appropriate benchmark and peer group.

Risk/ Reward

- Have acceptable volatility relative to an appropriate benchmark. Greater volatility than the benchmark should be commensurate with a higher return.

INVESTMENT MANAGER SEARCHES – COMMITMENT TO DIVERSITY

The Board is committed to seeking diversity in the ownership, management, and staffing of firms with which the Plan does business, including investment managers. Accordingly, whenever a manager search is directed by the Plan, the Plan's investment consultant will include in its research report information on the ownership structure of each firm and publicly available data on ownership by women and minorities. In addition, if managers are interviewed by the Committee, the Plan's investment consultant will request that each candidate include in their respective presentation a discussion of the candidate's overall commitment to diversity and a review of the distribution in each level of the organization by gender and ethnicity in order to obtain information on the firm's diversity. Other information may be provided at the candidate's discretion to demonstrate their firm's commitment. Such information shall be considered in evaluating potential investment managers, with the primary criteria remaining those outlined under General Criteria above, in accordance with the fiduciary obligations of the Board.

PERFORMANCE MONITORING

The Board shall periodically, but not less than quarterly, evaluate investment managers. Each actively managed investment option will be measured against its benchmark and peer group for the measurement periods outlined below. The ability to meet the benchmark comparison on a net of fees basis will be a primary measure of performance. In addition to monitoring performance, consideration will be given to risk adjusted metrics.

[3] Vehicles with less than 3 years of history may be tactical or opportunities investments where strategies often close quickly due to liquidity constraints.

Measurement Period	*Benchmark Comparison*	*Peer Group Comparison*
Multiple rolling 3-year periods	• The total rate of return should exceed the return of the benchmark over most rolling periods.[4]	• The total rate of return should exceed the median return of the fund's peer group over most rolling periods[4].

For the managers that do not have a 3-year track record with prePAID, the manager's separate account composite or mutual fund performance will be used for evaluation. The manager may also be placed on watch within a lesser period if the strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.

If the investment manager utilizes a passively managed strategy, the portfolio will be monitored on its ability to successfully track the risk and return characteristics of the stated benchmark. Peer group comparisons will not be required for passive strategies.

In addition to monitoring investment performance results, the Board may periodically evaluate the investment managers on the basis of the following factors to ascertain whether they should continue to be utilized in Program:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for prePAID;
- its management fees; and
- any other measures the Board deems useful and relevant.

Watch List Status & Termination

If an investment manager fails to meet the minimum standards of investment performance outlined in this document, the Board may place the manager on a watch list for one year. The following are some examples of reasons for termination or placing an investment manager on the watch list:

- significant change in portfolio management, ownership or control;
- significant change in portfolio management style;
- substantive change in portfolio turnover; and
- continued performance shortfalls versus the peer group or benchmark.

[4] Measured over the latest 12 quarters available for review.

Reasons for termination without a probationary period may include, but are not limited to:

- any violation of SEC, or other applicable authority, rules or regulations, as well as any other important and appropriate statutory regulatory requirements;
- operational difficulties concerning fund transfers or pricing;
- substantial and consistent deviation from the characteristics of its investment category; and
- failure to adhere to guidelines in this Statement or in the investment management agreement.

By the end of the watch list period, the Board will evaluate the investment manager and determine whether:

- the investment manager remains on the watch list for an additional specified period of time;
- the investment manager is removed from the watch list; or
- the investment manager is terminated.

VIII. SUPPLEMENTAL ITEMS

CASH/LIQUIDITY POLICY

The following procedures are hereby adopted and will remain in effect until such time as monthly cash flows of prePAID and/or contributions to prePAID support the ongoing benefit and expense payments required by the Program.

- The Cash/Liquidity Policy for prePAID shall be integrated with the management of prePAID's asset allocation rebalancing policy.

- Cash required for benefit payments and operating expenses shall be distributed from a cash account. The balance in that account will be monitored on a frequent basis and replenished as necessary, but no less often than quarterly.

- When it is determined that there is insufficient cash in the designated cash account to fund upcoming cash withdrawals, transfers will be made from one or more of the investment accounts into the cash account. The determination of which accounts will provide funds to the cash account will be made by VA529 Management in consultation with the investment consultant, with the following objectives:

    - rebalancing toward the target asset allocation; and

    - minimizing the transaction costs of providing cash.

PROXY VOTING

Proxies will be voted for the exclusive benefit of the Plan.

<u>Proposals Related to Funds and other Securities</u>

The Board may delegate the voting of proxies to others (e.g., the Investment Advisory Committee, appropriate VA529 Management, the investment managers or a qualified third party). In addition, the Board may require periodic reporting of the proxy voting activity by any person to whom such power has been delegated.

If a qualified third party is retained to manage the proxy voting activities for prePAID, a review of the guidelines used to vote proxies will be conducted annually by VA529 Management. In addition, the third party will provide reports every calendar quarter to appropriate VA529 Management as to the proxies voted.

SECURITIES LENDING

Securities lending is not allowed in the separate accounts in prePAID, unless specifically approved by the Board. However, some of the investment vehicles, such as mutual funds, collective trusts, and similar commingled fund vehicles may engage in securities lending if so allowed by their prospectus or applicable offering document.

ACCEPTANCE AND ADOPTION

The Board of Virginia College Savings Plan has approved and adopted this amended and restated Statement of Investment Policy and Guidelines as of December 9, 2015.

APPENDICES

APPENDIX A - TARGET ASSET ALLOCATION

The target asset mix, consistent with the achievement of the long-term objective of the Plan, is as follows:

	Target	Allowable Range
Equities Comprised of publicly traded U.S. and International Equity	**32.5%**	**25.0 - 40.0%**
Alternatives Comprised of asset classes or strategies such as Public or Private Real Estate, Private Partnerships or Hedge Funds	**15.0%**	**10.0 - 20.0%**
Non-Core Fixed Income Comprised of asset classes such as convertibles, high yield or emerging market debt	**27.5%**	**22.5 - 32.5%**
Core Fixed Income Comprised primarily of U.S. investment grade debt	**25.0%**	**20.0 - 30.0%**

Note: This allocation was approved by the Investment Advisory Committee and Board in 2009 and is reviewed annually in establishing the long-term investment return assumption for prePAID's annual actuarial valuation report.

APPENDIX B – ASSET CLASS BENCHMARKS & PEER GROUPS

The table below outlines the applicable benchmarks and peer groups for each asset class and style represented in the prePAID portfolio.

Asset Class	Asset Group	Benchmark	Peer Group
U.S. Large Cap Passive Equity	Public Equity	*S&P 500*	NA
U.S. Small/Mid Cap Growth Equity	Public Equity	*Russell 2500 Growth*	Small/Mid Cap Equity
U.S. Small Cap Value Equity	Public Equity	*Russell 2000 Value*	Small Cap Value Equity
U.S. Small/Mid Cap Value Equity	Public Equity	*Russell 2500 Value*	Small/Mid Cap Value Equity
International Equity	Public Equity	*MSCI EAFE*	International Equity Mutual Fund
Emerging Markets Equity	Public Equity	*MSCI Emerging Markets*	Emerging Markets Mutual Fund
Private Real Estate	Alternatives	*NCREIF (various)*	Private Real Estate
Market Neutral Hedge Fund of Funds	Alternatives	*3-Month T-Bills + 350 bps*	Market Neutral Hedge Funds
Private Partnerships	Alternatives	*Russell 3000 + 300 bps*	NA
Global Macro	Alternatives	*3-Month T-Bills + 400 bps*	Global Macro Funds
U.S. High Yield Fixed income	Non-Core Fixed Income	*Barclays Capital High Yield*	U.S. High Yield Fixed Income
Convertibles	Non-Core Fixed Income	*BofA Merrill Lynch Global 300 Convertibles*	Convertibles
Emerging Markets Debt	Non-Core Fixed Income	*JP Morgan EMBI (various)*	Emerging Market Debt
U.S. Core Fixed Income Passive	Core Fixed Income	*Barclays Capital Aggregate*	NA
Bank/Leveraged Loans	Core Fixed Income	*Credit Suisse Leveraged Loan Index*	Fixed / Bank /Leveraged Loans
Mortgage Backed Securities	Core Fixed Income	*Barclay Capital MBS Index*	U.S. Fixed / Mortgage-Backed
Intermediate Term Fixed Income	Core Fixed Income	*Barclays US Credit Corporate 5-10 Year*	U.S. Fixed / Intermediate
U.S. Treasury Inflation Adjusted Fixed Income	Core Fixed Income	*Barclays Capital U.S. TIPS*	NA
Stable Value	Core Fixed Income	*3-Month T-Bills + 100 bps*	Stable Value
Money Market Fund	Core Fixed Income	*Citigroup 3-Month T-Bill*	NA

APPENDIX C - TOTAL FUND BENCHMARK COMPOSITION

The table below outlines the composition of the blended benchmark used for the prePAID total fund.

Total Fund Benchmark

	Target	Benchmark Component	Asset Class
Equities	32.5%		
		MSCI All Country World Index	Public Equity
Alternatives	15.0%		
		3-Month T-Bills + 350 bps	Market Neutral Hedge Fund of Funds
		NCREIF ODCE (1Q in Arrears)	Private Real Estate
		3 Month T-Bills + 400 bps	Global Macro Hedge Funds
		Russell 3000 + 300 bps	Private Partnerships
Non-Core Fixed Income	27.5%		
		BofA ML Global 300 Convertibles	Global Convertibles
		Barclays Capital High Yield	U.S. High Yield Fixed Income
		JPMorgan EMBI	Emerging Markets Debt
Core Fixed Income	25.0%		
		Barclays Capital Aggregate	U.S. Core Fixed Income Passive
		Barclays Capital U.S. TIPS	U.S. Treasury Inflation Adjusted Fixed Income
		3 Month T-Bills + 100 bps	Stable Value

Actual allocation is reviewed monthly and component weightings are adjusted as needed.

Virginia College Savings Plan Statement of Investment Policy and Guidelines For

Virginia529 inVEST℠

TABLE OF CONTENTS

I. PURPOSE & RESPONSIBILITIES

PURPOSE

The purpose of this Statement of Investment Policy and Guidelines ("Statement") is to identify a set of investment objectives, guidelines and performance standards for Virginia529 inVEST ("inVEST"). This Statement represents the formal investment policy document for inVEST and is to be communicated to the investment managers for their use in developing an appropriate investment portfolio. This document will also be used by the Board as the basis for future investment management decisions, measurement, and evaluation of investment performance of inVEST.

This Statement will be reviewed at least annually by the Board to ensure that it is consistent with the investment needs of inVEST.

RESPONSIBILITIES

Board

Pursuant to § 23-38.77 of the Code of Virginia ("Code"), the Board shall administer the Virginia College Savings Plan ("VA529" or the "Plan") and shall develop and implement programs for (i) the prepayment of undergraduate tuition, as defined in § 23-38.75 of the Code, at a fixed, guaranteed level for application at a two-year or four-year public institution of higher education in the Commonwealth and (ii) contributions to savings trust accounts established on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified higher education expenses at eligible educational institutions, both as defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23-38.77.1 of the Code, the Board shall have the power and duty to invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of VA529 Management, the Investment Advisory Committee, a custodian, investment managers, an investment consultant and legal counsel to perform various functions. The various roles and duties of each are further described below.

VA529 Management

VA529 Management, comprised of the Chief Executive Officer ("CEO") and such other senior officers as may be appointed by the CEO, shall implement decisions approved by the Board and/or Investment Advisory Committee unless otherwise specifically provided by the Board or the Investment Advisory Committee. VA529 Management shall (i) oversee the development, structure, evaluation and implementation of inVEST's strategic goals and objectives and (ii) with the assistance of the Investment Advisory Committee appointed by the Board, and by investment consultants, direct, manage and administer inVEST's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23-38.79:1 of the Code, the Board of VA529 shall appoint an Investment Advisory Committee ("Committee"), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of VA529's funds and to assist VA529 Management in directing, managing, and administering VA529's assets, and to provide the Board with sophisticated, objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter[1].

The Committee shall be comprised and administered in accordance with the Committee Charter, as it may be amended from time to time by the Board. The Committee shall review VA529's investments and is authorized to make decisions with regard to investment managers. The Committee is further authorized to take any additional action specifically authorized in other Board actions. Recommendations are not binding upon the Board.

The Committee shall report any action taken to the Board at the Board's next meeting.

Custodian

The Plan shall contract on behalf of the Board with a third party custodian which shall have a level of experience and expertise in providing custodial services to plans and funds similar to those of inVEST. The custodian shall act as a fiduciary in the administration of the inVEST accounts utilizing appropriate internal controls to insure the safety of the assets from such things as fraud, collusion, loss, diversion, etc. While the specific duties and responsibilities of the Plan's custodian are contained in the contractual agreement between the custodian and the Plan, the custodian, in general, has the following responsibilities:

- to handle all income, cash transactions, interest received, and other necessary activities;
- hold all securities on behalf of inVEST and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;
- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, unless specifically authorized;

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 14, 2011.

- safekeep all assets including securities, cash and cash equivalents;

- receive instructions from investment managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures; and

- provide monthly transaction accounting on security holdings with reports provided to the appropriate VA529 Management in a timely manner.

Investment Consultant

While the specific duties and responsibilities of the Plan's investment consultant are contained in the contractual agreement between the investment consultant and the Plan, the consultant, in general, has the following responsibilities and will assist the Board and Committee with the following functions:

- provide evaluation of the investment results achieved by the designated investment managers in light of the investment guidelines and performance standards contained in this Statement;

- make recommendations to the Board of appropriate actions to be considered which, in the consultant's opinion, will enhance the probability of achieving overall investment program objectives. Such recommendations may include, but are not limited to:

  - use of alternate asset strategies or asset classes;
  - changes in overall investment policy;
  - changes in designated investment managers;

- provide assistance to the Board and/or Committee in screening and selecting investment managers, as appropriate; and

- at a minimum, meet with the Committee and Board every quarter.

Legal Counsel

The VA529 General Counsel shall advise and represent the Board in all matters requiring legal insight and advice. VA529 Management, in consultation with the General Counsel, shall utilize the services of outside counsel and/or the Office of the Attorney General as such services may be required from time to time.

Investment Managers

While the specific duties and responsibilities of the Plan's investment managers are contained in each contractual agreement between the designated investment manager and the Plan, investment managers, in general, have the following responsibilities:

- maintain registration as an investment advisor under the Investment Advisers Act of 1940, or be authorized and regulated by another appropriate authority;

- adhere to the policy guidelines contained in this Statement, unless granted an exception in writing;

- invest only in those asset classes, and adhere to the ranges for allocation among those classes, that the Board has stated to be appropriate for that manager's portfolio;

- exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement or in any written exceptions to this Statement;

- strictly comply with all of the provisions of appropriate law as they pertain to the firm's dealings, functions and responsibilities as fiduciaries;

- prudently liquidate assets in the portfolio which cease to be in compliance with this Statement or any written exceptions to this Statement. If in the manager's judgment, it is in inVEST's best interest to not liquidate such an asset promptly, the manager will advise VA529 management of the circumstances and make a recommendation regarding the liquidation of that asset;

- diversify the portfolio unless, under the circumstances, it is clearly prudent to not so diversify;

- ensure that brokers will be selected only on a competitive, best execution basis;

- invest the assets with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;

- provide VA529 Management with a monthly accounting of assets;

- issue a quarterly report to the Board and/or their designees which includes the following information:
  - the market value of account assets as of the last business day of each quarter;
  - the portion of account assets allocated to each investment asset class as of the last business day of each quarter;
  - time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods;

    - average account characteristics and number of holdings as of the last business day of each quarter; and
    - expenses;

- acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary, and the firm's intention to comply with this Statement as it currently exists or as is modified by joint agreement in the future.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager an exception to the foregoing requirements where such exceptions are deemed appropriate and prudent. Exceptions applicable to each individual investment manager may be included in the manager’s investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

II. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23-38.80(B) of the Code, as amended, the Board is authorized to acquire and retain every kind of property and every kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;
- Common or preferred stocks traded on foreign or domestic stock exchanges;
- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;
- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;
- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment;
- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

General Portfolio Diversification

All individually managed portfolios and funds must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the entire portfolio. Investment mandates will be considered individually as well as collectively to ensure that investment styles, philosophies and investment approaches are complementary.

General Restrictions/Guidelines

The Board requires that all investment managers comply with the following limitations and restrictions on their investment activities and holdings:

- Unless granted permission by the Board in writing, investment managers shall not engage in short sales or margin purchases and all accounts shall be free of leverage.

- Unless granted permission by the Board in writing, commodities or commodity contracts are not allowed.
- Derivative securities are prohibited except where specifically permitted in the investment manager agreement, subscription agreement or prospectus. Specific asset classes may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that asset class.
- Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards.
- The individual managers are expected to be fully invested at all times, with cash accounting for no more than 10% of the portfolio's market value.

Individual Portfolio Guidelines - Equity

- Securities of any one issuer are limited to 5% (at market) of the individual portfolio.
- Portfolios should be diversified by sector, with sector allocations limited to a maximum of 200% of the weight of the sector in the benchmark (see the Appendix for the benchmark assigned to each asset class), or 25%, whichever is greater, with the exception of sectors whose benchmark allocation is less than 5%, where the maximum allocation shall be 15%.
- U.S. equity portfolios cannot hold non-dollar denominated securities.
- No quantitative guidelines are given as to industry diversification. However, the investment manager is expected to develop and apply prudent standards.

Individual Portfolio Guidelines – Fixed Income

- While no specific ranges are required, it is expected that the average duration of the account will be within +/- 20% of the designated benchmark (see Appendix B for the benchmark assigned to each asset class).
- For the Core Fixed Income portfolios, the average quality of the total account should be A- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Core Plus Fixed Income portfolios can hold non-investment grade securities and have an overall average quality rating of BBB or higher.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- U.S. fixed income portfolios cannot hold non-dollar denominated securities.

Individual Portfolio Guidelines – Fixed Income, Stable Value

- While no specific ranges are required, it is expected that the average duration of the account will be between two and four years.
- The average quality of the total account should be AA- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- Stable Value portfolios cannot hold non-dollar denominated securities.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager a special exception to the foregoing restrictions where such exceptions are deemed appropriate and prudent. Specific guidelines applicable to each individual investment manager may be recorded in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

Commingled Funds, Collective Trusts and Mutual Funds

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of inVEST. However, in attempting to meet these objectives, it may be advantageous for a portion of portfolio assets to be placed in a pooled, commingled, collective trust, or mutual fund which may have specific restrictions, policies, or guidelines that conflict from time-to-time with those outlined in this Statement. To the extent that the Board has reviewed the investment guidelines of such funds, and determined their appropriateness to inVEST's investment objectives, the restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.

III. inVEST PROGRAM STRUCTURE

INVESTMENT OPTION STRUCTURE

The Virginia529 inVEST offers individual tax-advantaged Internal Revenue Code Section 529 savings accounts with a variety of investment options from which a participant may choose. The Board determines the investment options to be offered in inVEST. inVEST has no state residency requirements, no age limits and is open year round. The risk of investment losses in inVEST accounts rests with the participant. The primary investment objectives of inVEST are to offer a set of investment options that:

- allow inVEST participants to build portfolios consistent with their desired investment risk and return;

- provide a risk profile consistent with its position in the overall structure; and

- are managed so as to implement the desired risk profile and other investment characteristics.

In seeking to achieve diversity among the investment options offered, VA529 has established certain criteria to determine the material differences in investment options. The following technical factors should be used to classify and differentiate potential investment options:

- A distinct definable market and the availability of a widely used and understood benchmark;

- A distinct risk and return profile as exhibited by historical return analysis; and

- Use of a distinct management style that is definable in terms of the investment strategies/methodologies utilized (e.g., passive versus active management, growth vs. value).

<u>General Description of inVEST Investment Options</u>

- **Age-based portfolios** are balanced portfolios created by VA529 using external "best in class" investment management. The allocation of a portfolio evolves over time from a higher projected return/higher risk portfolio to a lower projected return/lower risk portfolio. The portfolio allocations are designed to take into account the beneficiary's current age and number of years before the beneficiary is expected to need funds for higher education expenses, although participants are not required to select the age-based portfolio that corresponds to the beneficiary's age. This option is aimed at those investors who desire a third party to manage their asset allocation and investment manager decisions. VA529 creates a new age-based portfolio every three years (at the higher end of the established risk/return spectrum). The asset allocations of the age-based portfolios will evolve according to the VA529 Rebalancing Policy so that by the end of the third year, the evolution to the next target stage of asset allocation is complete, with the exception of the portfolio which has entered the final transition phase which will evolve to an allocation of 100% to stable value or an equivalent investment over a two-year period.

- **Static portfolios** are comprised of (i) balanced portfolios where the target asset allocation remains fixed and (ii) single asset class portfolios. Balanced portfolios and single asset class portfolios (actively or passively-managed) are provided so that an investor may construct their own custom portfolio.

AGE-BASED PORTFOLIOS

Asset Allocation

As previously discussed, each age-based portfolio is designed to take into account the beneficiary's age and account owner's investment time horizon or the number of years before the beneficiary is expected to need funds from the account for higher education expenses.

The appropriateness of the asset allocation for each portfolio will be examined by the Board every five years. At a minimum, the portfolios will be diversified across the following asset classes:

- U.S. Equity
- International Equity
- U.S. Fixed Income
- U.S. Stable Value

The asset allocation for each portfolio is provided in the Appendix.

Rebalancing

Rebalancing will occur as needed according to the VA529 Rebalancing Policy. This provides for a smooth transition on the glide path towards the next target asset allocation stage. VA529 staff certifies and reports to management on a monthly basis whether portfolio components are properly balanced according to asset allocation parameters.

Portfolio Structure of Age-based Portfolios

The Board may select a range of investment managers to manage the assets of the age-based portfolios. Both active and passive strategies can be used as can a variety of investment styles (value, growth, core).

A portfolio structure analysis to determine the percentage of assets allocated to active or passive managers, and to investment styles, will be conducted every five years.

Currently, the following investment strategies are used in these portfolios.

- Stable value
- U.S. core fixed income (passively-managed)
- U.S. high yield fixed income (actively-managed)
- U.S. large cap equity (passively-managed)
- U.S. small cap equity (passively-managed)
- U.S. small/mid cap equity (actively-managed)
- International equity (actively-managed)
- Emerging markets equity (actively-managed)
- Emerging markets fixed income (actively-managed)
- Global REITs (actively-managed)

The benchmarks and peer groups used to measure performance are provided in Appendix B.

STATIC ACTIVELY-MANAGED BALANCED PORTFOLIOS

These actively-managed balanced portfolios will be constructed based on the risk orientation of the individual investor rather than the investor's time horizon. These portfolios will invest in a mix of actively-managed and passively-managed assets.

Currently, the following investment strategies are used in these portfolios.

- Stable value
- U.S. core fixed income (passively-managed)
- U.S. high yield fixed income (actively-managed)
- U.S. large cap equity (passively-managed)
- U.S. small cap equity (passively-managed)
- U.S. small/mid cap equity (actively-managed)
- International equity (actively-managed)
- Emerging markets equity (actively-managed)
- Emerging markets fixed income (actively-managed)
- Global REITs (actively-managed)

The benchmarks and peer groups used to measure performance are provided in Appendix B.

STATIC PASSIVELY-MANAGED BALANCED PORTFOLIOS

These balanced portfolios will be constructed based on the risk orientation of the individual investor rather than the investor's time horizon.

At a minimum, the following risk-based portfolios will be offered:

- Aggressive Growth (equity allocation greater than 70%)
- Moderate Growth (equity allocation between 40% and 70%)
- Conservative Income (equity allocation less than 40%)

Currently, the following investment strategies are used in these portfolios.

- Aggressive Growth - mutual fund seeking long-term capital appreciation through a fund of funds structure with a balanced allocation of 80% stocks and 20% bonds. Fund is 100% indexed.
- Moderate Growth - mutual fund seeking capital appreciation and a reasonable level of current income through a fund of funds structure with a balanced allocation of 60% stocks and 40% bonds. Fund is 100% indexed.
- Conservative Income - mutual fund seeking current income through a fund of funds structure with a balanced allocation: 20% stocks, 60% bonds, and 20% short-term reserves. Fund is 100% indexed.

STATIC SINGLE ASSET CLASS PORTFOLIOS

These portfolios will be offered such that they along with other inVEST and Plan programs, will provide sufficient investment options such that a Plan investor/participant could construct a portfolio to meet their college savings goals based on the individual investor's risk orientation, time horizon, etc.

At a minimum, portfolios providing the ability to invest in the following asset classes are to be provided:

- U.S. Equity
- International Equity
- U.S. Investment Grade Fixed Income

Currently, the following investment strategies are used in these portfolios.

- U.S. core fixed income (passively-managed)
- U.S. Treasury inflation–protected securities (actively-managed)
- U.S. broad market equity (passively-managed)
- International equity (passively-managed)

- U.S. REITs (passively-managed)
- Socially responsible equity income fund (actively-managed)

IV. INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

BACKGROUND

The Board reserves the right to add, delete or replace investment managers based upon inability to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio. Either separately managed portfolios, commingled funds or mutual funds may be used in inVEST.

SELECTION – GENERAL CRITERIA

When selecting funds for inVEST, the following six broad categories should be considered:

- Economies of Scale
- Diversification
- Transparency
- Organizational Strength
- Performance Consistency
- Risk/ Reward

The following *basic* selection criteria are to be used when selecting a new investment manager to be added to inVEST or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

Economies of Scale
- Have at least $500 million in assets under management.
- Have a reasonable expense ratio or fees compared to other vehicles within an appropriate peer group

Diversification
- No more than 10% of the portfolio may be invested in any one company valued at market. Likewise, appropriate risk controls may be outlined in each investment manager agreement with respect to sector and industry weightings relative to an appropriate benchmark.

Transparency
- Employ an investment process that is well defined.
- Invest in securities consistent with the vehicle's strategy[2].
- Agree to meet all other requirements set forth in this Statement. However, all mutual funds, collective trusts, and similar commingled fund vehicles included in inVEST will also be subject to the investment guidelines as set forth in their prospectuses, or applicable offering documents.

Organizational Strength
- Be supported by qualified personnel and appropriate resources.

Performance Consistency
- Have a minimum of 3 years of verifiable investment performance information[3.]
- Have competitive returns versus an appropriate benchmark index and peer group.

---

[2] For instance, large cap growth vehicles should primarily focus on large cap stocks with growth-oriented characteristics.
[3] Vehicles with less than 3 years of history may be tactical or opportunities investments where strategies often close quickly due to liquidity constraints.

Risk/ Reward

- Have acceptable volatility relative to an appropriate benchmark index. Greater volatility than the benchmark should be commensurate with a higher return.

INVESTMENT MANAGER SEARCHES – COMMITMENT TO DIVERSITY

The Board is committed to seeking diversity in the ownership, management, and staffing of firms with which the Plan does business, including investment managers. Accordingly, whenever a manager search is directed by the Plan, the Plan's investment consultant will include in its research report information on the ownership structure of each firm and publicly available data on ownership by women and minorities. In addition, if managers are interviewed by the Committee, the Plan's investment consultant will request that each candidate include in their respective presentation a discussion of the candidate's overall commitment to diversity and a review of the distribution in each level of the organization by gender and ethnicity in order to obtain information on the firm's diversity. Other information may be provided at the candidate's discretion to demonstrate their firm's commitment. Such information shall be considered in evaluating potential investment managers, with the primary criteria remaining those outlined under General Criteria above, in accordance with the fiduciary obligations of the Board.

PERFORMANCE MONITORING

The Board shall periodically, but not less than quarterly, evaluate investment managers. Each actively-managed investment option will be measured against its benchmark and peer group for the measurement periods outlined below. The ability to meet the benchmark comparison on a net of fees basis will be a primary measure of performance. In addition to monitoring performance, consideration will be given to risk adjusted metrics.

Measurement Period	***Benchmark Comparison***	***Peer Group Comparison***
Multiple rolling 3-year periods	• The total rate of return should exceed the return of the benchmark index over most rolling periods.[4]	• The total rate of return should exceed the median return of the fund's peer group over most rolling periods.[4]

[4] Measured over the latest 12 quarters available for review.

For the managers that do not have a 3-year track record with inVEST, the manager's separate account composite or mutual fund performance will be used for evaluation. The manager may also be placed on watch within a lesser period if the strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.

If the investment manager utilizes a passively-managed strategy, the portfolio will be monitored on its ability to successfully track the risk and return characteristics of the stated benchmark. Peer group performance will not be required for passive strategies.

In addition to monitoring investment performance results, the Board may periodically evaluate the investment managers on the basis of the following factors to ascertain whether they should continue to be utilized in inVEST:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for inVEST;
- its management fees; and
- any other measures the Board deems useful and relevant.

<u>Watch List Status & Termination</u>

If an investment manager fails to meet the minimum standards of investment performance outlined in this document, the Board has the discretion to place the manager on a 'watch list' for a year. The following are some examples of reasons for termination or placing an investment manager on the watch list:

- significant change in portfolio management, ownership or control;
- significant change in portfolio management style;
- substantive change in portfolio turnover; and
- continued performance shortfalls versus the peer group or benchmark.

Reasons for termination without a probationary period may include, but are not limited to:

- any violation of SEC, or other applicable authority, rules or regulations, as well as any other important and appropriate statutory regulatory requirements;
- operational difficulties concerning fund transfers or pricing;
- substantial and consistent deviation from the characteristics of its investment category; and
- failure to adhere to guidelines in this Statement or in the investment management agreement.

By the end of the watch list period, the Board will evaluate the investment manager and determine whether:

- the investment manager remains on the watch list for an additional specified period of time;
- the investment manager is removed from the watch list; or
- the investment manager is terminated.

V. SUPPLEMENTAL ITEMS

PROXY VOTING

Proxies will be voted for the benefit of the Plan.

<u>Proposals Related to Funds and other Securities</u>

The Board may delegate the voting of proxies to others (e.g., the Investment Advisory Committee, appropriate VA529 Management, the investment managers or a qualified third party). In addition, the Board may require periodic reporting of the proxy voting activity by any person to whom such power has been delegated.

If a qualified third party is retained to manage the proxy voting activities for VA529, a review of the guidelines used to vote proxies will be conducted annually by VA529 Management. In addition, the third party will provide reports every calendar quarter to appropriate VA529 Management as to the proxies voted.

SECURITIES LENDING

Securities lending is not allowed in the separate accounts in inVEST, unless specifically approved by the Board. However, some of the investment vehicles, such as mutual funds, collective trusts, and similar commingled fund vehicles may engage in securities lending if so allowed by their prospectus or applicable offering documents.

ACCEPTANCE AND ADOPTION

The Board of the Virginia College Savings Plan has approved and adopted this restated Statement of Investment Policy and Guidelines as of December 9, 2015.

APPENDIX A: ASSET ALLOCATION

The table below outlines the evolving allocation of assets for the age-based portfolios as of January 1, 2016.

	Asset Alloc. January 2015 - January 2018	**Asset Alloc.** January 2018 - January 2021	**Asset Alloc.** January 2021 - January 2024	**Asset Alloc.** January 2024 - January 2027	**Asset Alloc.** January 2027 - January 2030	**Asset Alloc.** January 2030 - January 2033	**Asset Alloc.** January 2033
Ages 0-3	80% Stock 20% Fixed Income	70% Stock 30% Fixed Income	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income
Ages 4-6	70% Stock 30% Fixed Income	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income	
Ages 7-9	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income		
Ages 10-12	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income			
Ages 13-15	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income				
Ages 16-18	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income					
Over Age 18	0% Stock 100% Fixed Income						

APPENDIX B: BENCHMARKS & PEER GROUPS

The table below outlines the target benchmarks and peer groups for the inVEST portfolios.

Manager/Portfolio	Category	Benchmark	Peer Group
80% Equity / 20% Fixed Income	Age-Based Portfolios	17.5% S&P 500 / 11.25% Russell 2500/ 3.75% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 15% MSCI Emerging Markets / 15% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Barclays U.S. Aggregate Float Adjusted / 2.5% 3-Month T-Bills + 100 basis points	NA
70% Equity / 30% Fixed Income	Age-Based Portfolios	17.5% S&P 500 / 8.33% Russell 2500/ 4.17% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 12.5% MSCI Emerging Markets / 10% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 10% Barclays U.S. Aggregate Float Adjusted / 7.5% 3-Month T-Bills + 100 basis points	NA
60% Equity / 40% Fixed Income	Age-Based Portfolios	15% S&P 500 / 6.67% Russell 2500/ 3.33% CRSP US Small Cap Index / 15% MSCI AC EAFE / 10% MSCI Emerging Markets / 10% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 12.5% Barclays U.S. Aggregate Float Adjusted / 15% 3-Month T-Bills + 100 basis points	NA
50% Equity / 50% Fixed Income	Age-Based Portfolios	13.75% S&P 500 / 3.75% Russell 2500/ 3.75% CRSP US Small Cap Index/ 13.75% MSCI AC EAFE / 7.5% MSCI Emerging Markets / 7.5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Barclays U.S. Aggregate Float Adjusted / 20% 3-Month T-Bills + 100 basis points	NA
40% Equity / 60% Fixed Income	Age-Based Portfolios	12.5% S&P 500 / 2.5% Russell 2500/ 2.5% CRSP US Small Cap Index / 12.5% MSCI AC EAFE / 5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 17.5% Barclays U.S. Aggregate Float Adjusted / 27.5% 3-Month T-Bills + 100 basis points	NA
25% Equity / 75% Fixed Income	Age-Based Portfolios	7.5% S&P 500 / 1.25% Russell 2500/ 1.25% CRSP US Small Cap Index/ 7.5% MSCI AC EAFE / 2.5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Transition)	Age-Based Portfolios	5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 65% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Stable Value)	Age-Based Portfolios	100% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

Manager/Portfolio	Category	Benchmark	Peer Group
Conservative Portfolio	Static, Balanced	64% Barclays U.S. Aggregate Float Adjusted / 14% CRSP US Total Market / 6% FTSE Global All Cap ex US / 16% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped	NA
Moderate Portfolio	Static, Balanced	42% CRSP US Total Market / 32% Barclays U.S. Aggregate Float Adjusted / 8% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 18% FTSE Global All Cap ex US	NA
Aggressive Portfolio	Static, Balanced	56% CRSP US Total Market / 16% Barclays U.S. Aggregate Float Adjusted / 4% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 24% FTSE Global All Cap ex US	NA
U.S. Total Stock Index Fund	Static, Single Asset Class Portfolio	CRSP US Total Market Index	NA
U.S. Total Bond Index Fund	Static, Single Asset Class Portfolio	Barclays U.S. Aggregate Float Adjusted Index	NA
International Stock Index Fund	Static, Single Asset Class Portfolio	FTSE Global All Cap ex US Index	NA
Inflation Protected Securities Fund	Static, Single Asset Class Portfolio	Barclays Capital US Treasury Inflation Protected Index	NA
U.S. REIT Index Fund	Static, Single Asset Class Portfolio	MSCI REIT Index	NA
Parnassus Equity Income Fund	Static, Single Asset Class Portfolio	S&P 500	NA
Active Conservative Portfolio	Static Balanced	7.5% S&P 500 / 1.25% Russell 2500/ 1.25% CRSP US Small Cap Index/ 7.5% MSCI AC EAFE / 2.5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
Active Moderate Portfolio	Static Balanced	13.75% S&P 500 / 3.75% Russell 2500/ 3.75% CRSP US Small Cap Index/ 13.75% MSCI AC EAFE / 7.5% MSCI Emerging Markets / 7.5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Barclays U.S. Aggregate Float Adjusted / 20% 3-Month T-Bills + 100 basis points	NA
Active Aggressive Portfolio	Static Balanced	17.5% S&P 500 / 11.25% Russell 2500/ 3.75% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 15% MSCI Emerging Markets / 15% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Barclays U.S. Aggregate Float Adjusted / 2.5% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

Asset Class	Benchmark	Peer Group
Stable Value	3-Month T-Bills + 100bps	Stable Value Funds
U.S. Core Fixed Income/Passively-Managed	Barclays U.S. Aggregate Float Adjusted Index	NA
U.S. Large Cap Equity/Passively-Managed	S&P 500 Index	NA
U.S. Small Cap Equity/Passively-Managed	CRSP US Small Cap Index	NA
U.S. Small/Mid Cap Equity/Actively-Managed	Russell 2500 Index	Small/Mid Cap Equity Managers
Emerging Markets Debt/Actively-Managed	JP Morgan EMBI Global Diversified	Emerging Markets Debt Mutual Funds
Emerging Markets Equity/Actively-Managed	MSCI Emerging Markets Index	Emerging Markets Equity Mutual Funds
U.S. High Yield Fixed Income/Actively-Managed	Barclays Corporate High Yield Index	U.S. High Yield Fixed Income Managers
Global REITs/Actively-Managed	FTSE EPRA/NAREIT Developed RE Index	Global REIT Mutual Funds
International Equity/Actively-Managed	MSCI EAFE	International Equity Mutual Funds