COMMONWEALTH of VIRGINIA

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

Mary G. Morris
Chief Executive Officer

(804) 371-0766

January 20, 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, 2014, 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, 2014
- Attachment B - Actuarial Valuation Report for the Virginia529 prePAID Program for the year ended June 30, 2014
- Attachment C – Asset Allocation and Performance of the Virginia529 prePAID Program for the fiscal year ended June 30, 2014
- Attachment D – Asset Allocation and Performance of the Virginia529 inVEST Program for the fiscal year ended June 30, 2014
- 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 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 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 115,300 accounts have been opened, with 70,490 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, 2014. 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. Participants may select from among 17 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, 2014, 226,803 accounts had been opened since inception, with 175,616 accounts remaining active at year end. These accounts had a net asset value of approximately $2.8 billion as of June 30, 2014.

CollegeAmerica is a defined contribution savings program offered in partnership with the American Funds, the second largest mutual fund company in the country. VA529 is the program sponsor and the American Funds the program manager. CollegeAmerica is available only through financial advisors and offers 39 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 First Market Bank. 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 2014. 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 2014 and none are planned. Core and non-core fixed income managers and a private equity manager were added and/or funded during the year. Changes in the VA529 savings programs included the opening of the Rappahannock age-based portfolio in January 2014 in anticipation of the upcoming triennial inVEST age-based portfolio evolution on January 1, 2015. The James River and the other age-based portfolio's asset allocations will evolve in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards their final evolution. Also on January 1, 2014, the Blue Ridge portfolio evolved from 65 to 100 percent stable value in its final evolution. A new fund was added to the CollegeAmerica investment option lineup 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, 2014, 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 6.75 percent on the prePAID investments. As of June 30, 2014, the total return since inception was about 6.7 percent net of fees and reflected prePAID's 11.8 percent performance during fiscal 2014. The actuarial funded status of prePAID as of June 30, 2014 was 124%. A copy of the Actuarial Valuation Report for the Virginia529 prePAID Program for the year ended June 30, 2014 is included as **Attachment B**.

Attachments C and D hereto contain detailed performance information on the prePAID and inVEST Programs as of June 30, 2014.

(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 2014.

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, 2014

Virginia529 Annual Report

For the period ended on June 30, 2014

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 1, 2014

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, 2014, 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, 2014 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, 2013 primarily due to lower than expected tuition increases and higher than expected investment returns. We are pleased to report that prePAID was 124.4 percent funded on an actuarial basis as of June 30, 2014.

In August 2014, the Board approved several changes to the underlying actuarial assumptions used in the report as a result of an experience study performed by Milliman, Inc. Those changes were intended to improve the accuracy of the report and resulted in a 3.6 percent net gain in prePAID's funded status. See the footnotes to the financial statements for a description of the changes to the actuarial assumptions.

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 6.75 percent on prePAID investments. As of June 30, 2014, the total return since inception was 6.7 percent, net of fees, and reflected the higher than expected 11.8 percent overall performance during fiscal 2014. In June 2009, the Plan adopted a new target asset allocation strategy designed to improve returns with a slightly lower expected volatility of returns versus the prior allocation strategy. Plan staff and the Investment Advisory Committee continued to work diligently during fiscal year 2014 to completely implement the target allocation strategy. As of June 30, 2014, the prePAID portfolio was within about 1.5 percent of its target allocation in the four major categories.

In aggregate, market movements had a positive net effect on the prePAID portfolio in fiscal 2014. In July 2013, the Federal Reserve (Fed) announced that it would continue its third round of quantitative easing into the second half of calendar 2013 under which it would purchase additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Fed stated that it would continue with its purchases until the outlook for the labor market had improved substantially. The Fed also stated that it would maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in additional agency mortgage-backed securities for the foreseeable future. Finally, the Fed announced its decision to retain the target range for the federal funds rate at 0 to ¼ percent so long as the unemployment rate remained above 6.5 percent. The Fed's stated goal remained to place downward pressure on longer-term interest rates and the unemployment rate, support mortgage markets, and help make broader financial conditions more accommodative.

This monetary policy and action continued until December when the Fed announced that it would begin reducing its mortgage-backed security and Treasury purchases by $5 billion, respectively, due to improvements in labor markets. By December, the unemployment rate had fallen to just under 7 percent. The tapering process of additional $5 billion reductions in purchases continued in January; and in March, despite Janet Yellen having replaced Ben Bernanke as the new Fed Chair, there was little change in Fed policy and additional tapering announcements continued in March, April and June. The Fed stated that it would continue to reinvest principal payments.

Chair Yellen ushered in one policy change as the Fed announced that it would keep the target federal funds rate at 0 to ¼ percent even though the unemployment rate had fallen to near 6.5 percent by March 2014. The Fed announced that it would adopt a more qualitative approach to evaluating rate changes that included a wider range of indicators. While the unemployment rate had dropped, the labor participation rate remained frozen at about 63 percent and overall job growth was not sufficient to meet a growing number of new workers and those still out of work. Forecast GDP growth for calendar year 2014 remained just over a muted 2 percent. Thus the Fed was forced to keep the federal funds rate near zero. The unemployment rate stood at just over 6 percent by the end of June.

At the beginning of fiscal 2014, the yield on the ten-year U.S. Treasury bond stood at 2.49 percent after the sell-off in U.S. Treasuries in late fiscal 2013 following Fed Chairman Ben Bernanke's announcement that the Fed was prepared to reduce its Treasury and agency mortgage-backed security purchases if the economy continued to improve. The sell-off continued through the end of calendar 2013 and at December 31st, the ten-year bond yield had climbed to 3.04 percent. But, despite predictions to the contrary, by June 30, 2014, the ten-year bond yield had again fallen to 2.51 percent. While this volatility resulted from many factors (e.g., global central banks' monetary policies designed to reduce rates, the global economy remained sluggish, and geopolitical tensions were rising making the U.S. Treasury a safe-haven), the impact on fixed income returns in calendar 2014 has been remarkable given the already low interest rates. In fact, through mid-September, 2014 ranked as the third best year since 1974 in terms of returns on 30-year U.S. Treasury bonds.

The low interest rates continued to support U.S. equities throughout fiscal 2014. Despite some short-term volatility, domestic equity markets finished calendar 2013 at record highs with the S&P 500 closing above 1,800 and the Dow Jones Industrial Average closing at over 16,500.

Despite a rocky start to calendar 2014, domestic equity markets continued to climb with the S&P and the Dow ending the fiscal year at or near record highs of 1,960 and 16,826, respectively. International markets also had a successful year. Domestic equity markets continued to climb in the first quarter of fiscal 2015 setting new highs, with the S&P and the Dow ending September at just under 2,000 and just over 17,000, respectively.

Despite the strong markets, worries abound with regard to geopolitical turmoil throughout the world and particularly in the Middle East, economic slowdowns in the Eurozone and emerging markets such as China, expectations of Fed rate hikes, U.S. Government debt levels and growing deficit spending, and continued sluggish job creation 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 2015.

The other significant factor in prePAID's ability to meet its future obligations is the future growth in tuition. During the 2012-14 biennium, the General Assembly provided additional general fund support, which enabled public institutions to hold in-state undergraduate tuition and fee increases to just over 4 percent each year. During the 2014 Session, the Governor, House and Senate initially proposed additional general fund support for higher education in the 2014-2016 biennium. However, due to a budget impasse, the 60-day Session ran longer than scheduled with the final budget not signed until the last week in June. Absent a final biennial budget with which to establish their budgets, Virginia public higher education institution's boards were forced to establish student tuition and fees in the spring without knowledge of the extent of state support. There is an inverse relationship between state funding and the rate at which tuition increases at public higher education institutions. According to the State Council of Higher Education for Virginia (SCHEV), full time undergraduate tuition and all mandatory fees at public higher education institutions in Virginia increased by an average of 5.8 percent for the 2015-16 academic year. This increase was more than the 4.3 percent increase in 2013-14 and the 4.1% increase in 2012-13.

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 2015. That is 20 percentage points lower than the target of 67 percent identified in the Commonwealth's tuition policy.

In early June, as a result of a projected budget shortfall due to lower than forecasted revenue, General Assembly budget negotiators imposed more than $900 million in spending cuts and tapped the Commonwealth's Rainy Day fund to close a budget gap in the 2014-16 biennium. As a result, general fund support to higher education institutions was to remain at levels close to that in fiscal 2014. On August 15, 2014, Governor McAuliffe announced that as a result of revised forecasts, revenue shortfalls in the 2014-16 biennium totaled almost $2.4 billion. According to Governor McAuliffe, the primary reason for the revenue shortfall was the loss of federal jobs and contracts as a result of sequestration. 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 study by the Joint Legislative Audit and Review Commission, between 18 and 30 percent of Virginia general fund revenue is estimated to result from federal spending. The ultimate impact and amount of federal spending reductions has yet to be determined.

On September 15, 2014, Governor McAuliffe, the Speaker of the House of Delegates and money committee chairs announced a bipartisan agreement to address the budget shortfall. As part of the agreement, the average budget reduction for public colleges and universities is about 3.3 percent for fiscal 2015, or close to $45 million in aggregate. The final bill, which was pending as of September 30th, stated that the General Assembly's intent is that the reductions would be achieved via productivity and operating efficiencies rather than through tuition and fee increases. As of September 30th, the Governor, Executive Branch agencies and higher education institutions were working to identify and analyze possible budget reductions as required by the budget agreement.

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 7.5 percent for four-year and two-year institutions for fiscal years 2016 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 the 2016-17 academic year. 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. However, with the statutory requirement that institutions provide updated, long-term tuition projections, the Plan remains in a favorable position to prepare for future tuition and fee increases.

2014 PROGRAM HIGHLIGHTS

- **Account Growth and Transaction Volume**

During fiscal 2014, the Plan continued to experience positive growth in accounts as shown in the table below. CollegeWealth's 30.7 percent growth rate demonstrates the success of the program with BB&T and Union First Market Bank. This figure will continue to normalize in the future as the program's account base continues to increase following its 2009 re-launch. The inVEST Program's 16.9 percent growth rate depicts continued strong growth and corresponds to an additional 26,477 accounts opened during the fiscal year.

Fiscal 2014 Growth in Accounts[1]	
prePAID	5.5%
inVEST	16.9%
CollegeAmerica	2.75%
CollegeWealth	30.7%

[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 2014, the Plan processed 27,412 inVEST distribution requests and 26,709 prePAID payments to institutions, representing a 13.2 percent and .9 percent increase over the prior fiscal year, respectively.

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

VA529 opened the Rappahannock age-based portfolio in January 2014 in anticipation of the upcoming triennial inVEST age-based portfolio evolution on January 1, 2015. The new Rappahannock portfolio was structured identical to the existing James River portfolio with an 80/20 equity to fixed income ratio and was intended for beneficiaries three years old and under. The James River and the other age-based portfolio's asset allocations will evolve in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards the final evolution. Also on January 1, 2014, the Blue Ridge portfolio evolved from 65 to 100 percent stable value in its final evolution.

Stable value comprised over 17 percent of the inVEST program's assets under management as of June 30, 2014. The age-based evolving portfolios continue to be the most popular of the diversified inVEST program investment options.

In December 2013, VA529 approved the inclusion of the American Funds Developing World Growth and Income Fund as an additional investment option in the CollegeAmerica program. This new fund's objective is to provide long-term growth of capital while providing current income and the fund will typically invest most of its assets in securities that are (1) issued by companies in developing countries; (2) principally traded in the securities markets of developing countries; (3) denominated in developing country currencies; or (4) issued by companies deemed to be suitable for investment by the fund because they have significant economic exposure to developing countries. With the addition of this new fund, the CollegeAmerica program offered 39 American Funds mutual funds.

Finally, effective January 1, 2014, VA529 reduced inVEST administrative fees from 0.20 percent to 0.15 percent, giving inVEST one of the lowest fee structures of all direct-sold 529 plans. In addition, in March 2014, VA529's Board approved extending the American Funds contract for the CollegeAmerica program from 2027 to 2040. As part of the negotiation, VA529's administrative fees were reduced to seven basis points for assets over $30 billion and up to $50 billion, six basis points for assets over $50 billion and up to $70 billion, and five basis points for assets over $70 billion. VA529's administrative fee would remain at ten basis points on assets of $30 billion or less. In addition, the American Funds agreed to waive both the $10 account setup fee and the $10 annual account maintenance fee on CollegeAmerica accounts. These reductions will provide meaningful savings to VA529 investors and will assist them in meeting their college savings goals.

- **Operational and System Improvements**

During fiscal 2014 VA529 continued to make improvements to better serve our customers. While too numerous to list them all, we offer the following examples.

During the second quarter of fiscal 2014, VA529 successfully implemented the Banner College Savings System 8.0 release. This release contained many visual enhancements and functionality changes to improve operational productivity and efficiency. During the third quarter, VA529 successfully implemented Banner Self-Service which provided management with real time access to budgets and actual expenditure, revenue, general encumbrances and purchase order data. Banner Self-Service will allow for future system enhancements to VA529's procurement process.

The Department of Accounts is replacing CARS with a new, more robust accounting system (Cardinal Project). During fiscal 2013, VA529 volunteered as a Wave 1 pilot interfacing agency to help test and validate Cardinal and related processes prior to state-wide release to all interfacing agencies. VA529's participation was intended to help ensure that its unique transaction processing and interfacing needs were addressed in Wave 1. Cardinal's targeted go-live date for Wave 1 agencies is October 2014. VA529 accounting and IT staff worked through most of fiscal 2014 on this project; however, in May 2014 VA529 was moved to Wave 2, which is scheduled to go-live in February 2016. This move was necessitated in large part due to Plan resources being dedicated away from Cardinal in order to program and open a new controlled disbursement account to process distributions related to VA529's savings programs (inVEST and CollegeWealth) effective July 1, 2014. Prior to July 1st, savings program distributions were processed through the State Treasury and disseminated primarily via check.

The controlled disbursement account was implemented to provide customer service improvements desired by VA529 that were not available via the State Treasury or Cardinal, and to address operational inefficiences created by the statutorially imposed central vendor database. Once the VA529 controlled disbursement account was recognized as a solution, an additional budget amendment was introduced during the 2014 Session to allow VA529 to process savings program (inVEST and CollegeWealth) distributions and bypass the State Treasury, effectively removing them from the Appropriation Act. The new account will allow VA529 to process distributions via ACH, thereby significantly increasing the speed at which account owners, beneficiaries and higher education institutions may receive their distributions. While this project was a success, it absorbed resources originally dedicated to Cardinal, thus forcing the transition to Wave 2.

- **2014 General Assembly Session**

During its 2014 Session, the General Assembly passed, and the Governor signed, Chapter 23 that established VA529 as a body politic and corporate. As a result of this action, VA529 may represent that it is a qualified institutional buyer and an accredited investor within the definition of such terms under the Investment Company Act of 1940 and the Securities Act of 1933, respectively. Therefore, restricted securities, including Rule 144A securities and Rule 501 securities are allowable investments under the prePAID and inVEST programs and investment managers are authorized to purchase such securities. The ability of Virginia529 to invest in these securities will enable broader diversification and potentially higher returns in both the prePAID portfolio and inVEST age-based portfolios.

Also during the 2014 Session, the General Assembly approved the Plan's operating budget for the 2014-2016 biennium, which included 17 additional positions and additional operating funds to support marketing, awareness and outreach efforts, including financial literacy; as well as information technology improvements to ensure customer data security and privacy and improve customer service. The approved budget also continued funding for VA529's comprehensive compensation plan designed to link compensation adjustments to performance.

- **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 2014 as the Oversight Act was fully implemented and the first biennial status report was issued.

During fiscal 2014, JLARC re-organized and dedicated staff for its ongoing oversight and fiscal analysis functions. VA529 staff worked to familiarize the newly assigned JLARC staff with our operations. During the year, JLARC produced a *Legislator Guide* for Virginia529 to provide information at a glance for General Assembly members. VA529 commented and provided guidance in the *Guide's* development. VA529 also worked closely with JLARC late in fiscal 2014 as JLARC staff prepared its first biennial status report on VA529. The report was issued 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, 2014

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 as of and for the year ended June 30, 2014, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of the Virginia College Savings Plan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then 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 Virginia College Savings 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, 2014, 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.

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 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 Virginia College Savings Plan's basic financial statements. The accompanying supplementary information, such as Appendix A, Appendix B, and Appendix C, and the other information such as the letter of transmittal and program information for CollegeAmerica and CollegeWealth are 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, 2014 on our consideration of the Virginia College Savings 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 Virginia College Savings Plan's internal control over financial reporting and compliance.

Staci A. Henshaw

DEPUTY AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion

& Analysis

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, 2014. 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 prePAID℠ (prePAID), Virginia529 inVEST℠ (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 39 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 First Market Bank.

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 2014 Financial Highlights

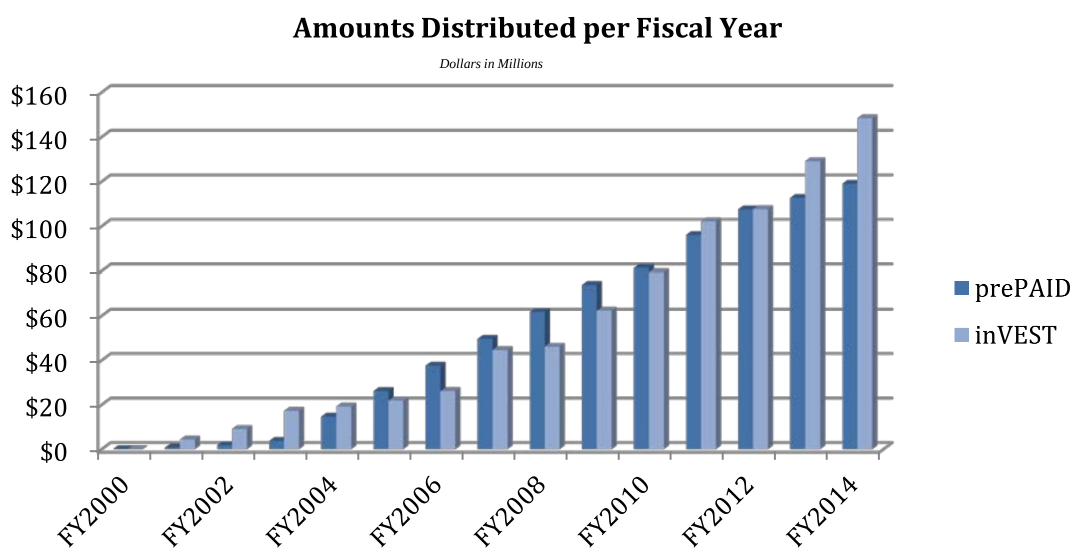
VA529 collects, holds, invests and distributes monies held in trust for program participants. VA529 invests its funds pursuant to statute and Investment Policies and Guidelines under the direction of its Board and Investment Advisory Committee in a mix of equity, fixed income and alternative investments. During the fiscal year ended June 30, 2014, the domestic and international equity markets continued to perform very well with moderate volatility. The United States domestic equity market, as measured by the Standard & Poor's 500 Index, ended the year up 24.6 percent from June 30, 2013 while international equity markets as measured by the MSCI EAFE Index, were up 24.1 percent. Emerging markets did not perform as well as measured by the MSCI EM Index, which was up 14.7 percent for the year. The fixed income markets provided inconsistent performance throughout the year as interest rates rose through calendar 2013, then dropped again through mid-calendar 2014. The Barclays Capital US Aggregate Bond Index returned 4.4 percent for the year ended June 30, 2014. As in fiscal 2013, certain fixed income classes such as high yield bonds performed better than the U.S. Treasury and overall fixed income market as demonstrated by the Barclays Capital High Yield Index which returned 11.7 percent for the year ended June 30, 2014.

In aggregate, market movements had an overall net positive effect on fixed income and equity security prices in the prePAID, inVEST and CollegeAmerica portfolios for the fiscal year ended June 30, 2014.

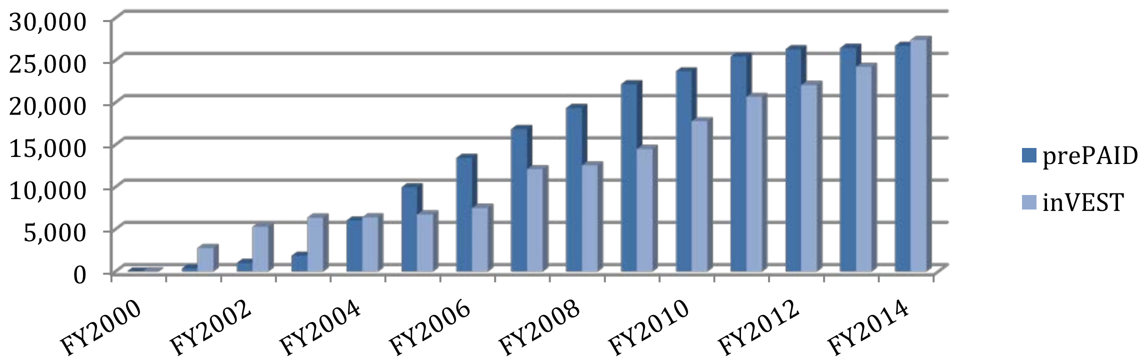
- The Enterprise Fund's total cash, cash equivalents, and investments held in trust for program participants increased by $263.8 million, or about 12.2 percent from fiscal year-end 2013.
- prePAID's actual return on investments for the fiscal year ended June 30, 2014 was 11.8 percent on a time-weighted and dollar-weighted basis reflecting the equity and fixed income market performance during the fiscal year.
- The Enterprise Fund's net position increased by $303.9 million to an actuarially determined surplus of $523.3 million from an actuarial surplus of $219.5 million in the prior year, which was primarily due to lower than expected tuition increases and higher than expected investment returns.

- prePAID's actuarially determined obligations for future payments decreased by $48.6 million, or approximately -2.2 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. 3,795 new contracts were opened during the 2013 – 2014 enrollment period.
- inVEST net position held in trust for program participants increased by $508.8 million or about 22.1 percent due to growth in accounts and improved capital markets performance.
- Both prePAID and inVEST applicants continued to increase utilization of on-line applications with more than 94.9 and 93.7 percent, respectively, of applications being filed on-line.
- VA529 continued to experience positive growth in accounts, particularly in inVEST and CollegeWealth with 16.9 percent and 30.7 percent gross account growth, respectively. CollegeAmerica also experienced positive net account growth in 2014 at 2.8 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.



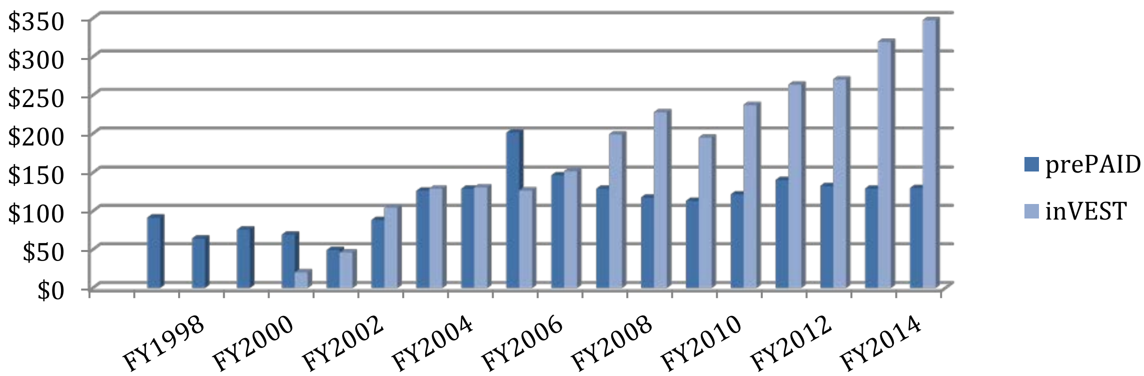
Number of Distributions on Behalf of Beneficiaries per Fiscal Year



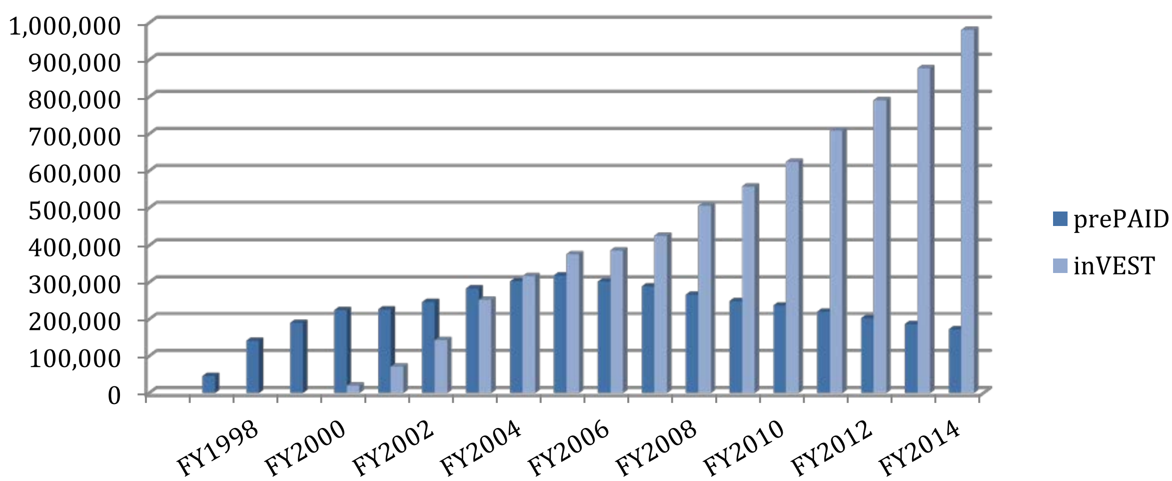
The two graphs below represent prePAID contract payments and inVEST contributions received since fiscal year 1997 – inVEST being introduced in fiscal 2000.

Amounts Received per Fiscal Year

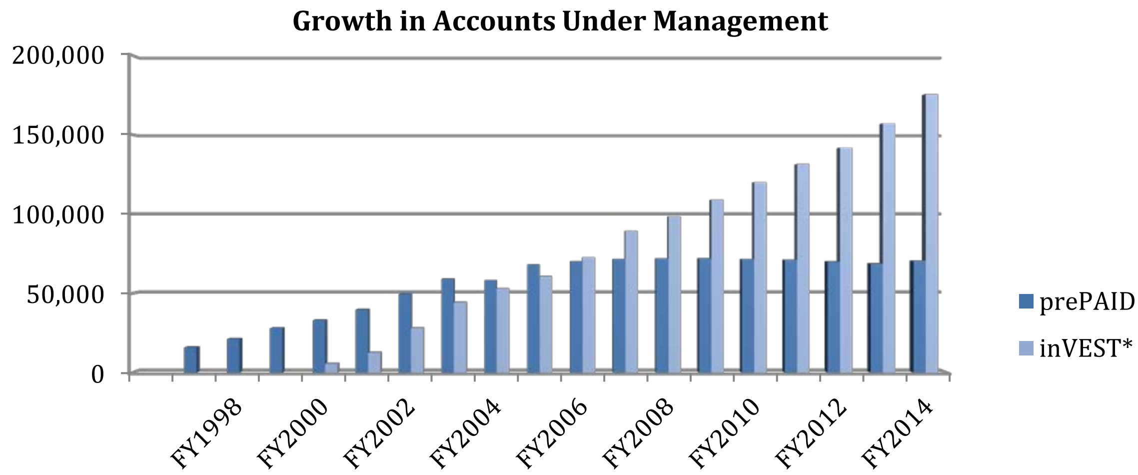
Dollars in Millions



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.



*In fiscal 2013, VA529 instituted a policy to close zero balance inVEST accounts that had no activity for the trailing 18 months. For reporting purposes, inVEST accounts reported for fiscal years prior to 2013 have been adjusted retroactively as if the zero balance account policy had been in effect since inception of the inVEST program.

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 $523.3 million.

Table 1 is a summary comparison of the prePAID's Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2014 as compared to the prior year.

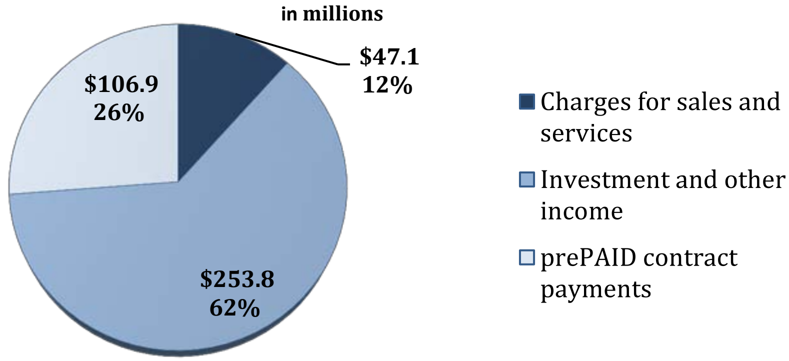
Table 1 – Enterprise Fund – Changes in Net Position (in millions)

YEARS ENDED JUNE 30,	2014	2013	CHANGE
Operating revenues			
Charges for Sales and Services	$ 47.1	$ 41.0	$ 6.1
Interest and Dividends	151.7	103.2	48.5
Net increase in fair value of investments	102.1	56.0	46.1
prePAID contract payments	106.9	99.8	7.1
Other	-	0.8	(0.8)
Net operating revenues	407.7	300.8	106.9
Operating expense			
Tuition Benefits Expense	84.1	138.0	(53.9)
Other operating expenses	19.4	17.1	2.3
Net operating expenses	103.5	155.1	(51.6)
Operating income (loss)	304.2	145.7	158.5
Transfer to the Commonwealth	(0.2)	(0.3)	0.1
Non Operating Interest Expense	(0.2)	(0.1)	(0.1)
Change in net position	$ 303.9	$ 145.3	$ 158.5

Amounts may not sum due to rounding

Capital markets performed well during the fiscal year. The prePAID Portfolio's allocation to domestic equities posted the strongest returns, however nearly all of the portfolio's investments posted positive returns for the fiscal year. For the fiscal year ended June 30, 2014, there was a net increase in the fair value of investments of approximately $102 million, versus the increase in the prior fiscal year of $56 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 62 percent of enterprise fund revenue, as shown in Chart 1.

Chart 1
2014 Enterprise Fund Revenue



VA529 prePAID contract payment revenue includes actual and actuarially estimated contributions, and represents approximately 26 percent of enterprise fund revenue. Actual contract payments from participants increased by $1.2 million over prior year receipts. In addition, actuarially determined prePAID contract payment revenue decreased by $5.8 million. Receipts for charges for sales and services totaled $47.1 million in fiscal year 2014. This is a $6.1 million increase over the prior year. The increase is attributable to the growth in assets in the CollegeAmerica and CollegeWealth programs.

Table 1 reflects tuition benefits expense, which is comprised of two components; actuarially determined and actual tuition benefits expenses. The actuarial tuition benefit expense is accrued for estimated expenses, as determined by VA529's actuary, and it represents the net change in tuition benefits payable over the prior fiscal year end. This actuarially determined amount decreased from the previous fiscal year end accrual by $62.4 million.

Actual tuition benefit expense represents actual distributions made during the fiscal year. This actual amount increased over the prior year by $1.2 million, or 1.1 percent. The increase in actual distributions is attributable to an increase in the number of students using benefits and increases in tuition and mandatory fees at the higher education institutions. The net change in tuition benefits expense from fiscal year 2013 is -$53.9 million.

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 2014. Virginia's universities and colleges received approximately $100.2 million in prePAID tuition and mandatory fee payments for 11,192 students in fiscal year 2014.

Table 2 prePAID Payments Virginia Public Universities and Community Colleges Fiscal Year 2014

Public Universities	Students with prePAID Contracts	prePAID Payments to Universities
Virginia Tech	1,934	$20,875,240
University of Virginia	1,366	16,390,146
Virginia Commonwealth University	1,216	11,639,613
James Madison University	1,096	9,475,290
College of William & Mary	658	8,995,392
George Mason University	868	7,594,561
Christopher Newport University	474	4,956,063
Longwood University	430	4,312,565
Radford University	451	3,678,269
Old Dominion University	523	3,496,814
University of Mary Washington	361	3,198,018
Virginia Military Institute	74	1,026,782
University of Virginia's College at Wise	24	175,479
Virginia State University	27	158,518
Norfolk State University	20	107,047
Total Universities	9,522	$96,079,797

Public Community Colleges*	Students with prePAID Contracts	prePAID Payments to Community Colleges
Northern Virginia Community College	652	$1,744,725
Tidewater Community College	179	435,904
J Sargeant Reynolds Community College	178	391,105
John Tyler Community College	137	296,702
Germanna Community College	80	182,950
Virginia Western Community College	58	136,736
Lord Fairfax Community College	60	131,521
Piedmont Virginia Community College	53	126,039
Thomas Nelson Community College	56	107,377
Richard Bland College	29	102,426
Blue Ridge Community College	38	100,813
New River Community College	32	88,334
Rappahannock Community College	23	52,824
Central Virginia Community College	17	47,947
Patrick Henry Community College	13	36,788
Danville Community College	12	23,750
Virginia Highlands Community College	7	20,724
Wytheville Community College	10	18,753
Southside Virginia Community College	12	17,615
Dabney S Lancaster Community College	7	16,573
Eastern Shore Community College	5	15,253
Southwest Virginia Community College	6	12,821
Mountain Empire Community College	3	6,566
Paul D Camp Community College	3	6,079
Total Community Colleges*	1,670	$4,120,324

*Includes Richard Bland College; Virginia's only 2-year junior college.

As shown in Chart 2, tuition benefit payments represent 87 percent of actual expenses of the Enterprise Fund. Actual tuition benefits expenses increased by $16.6 million over the prior fiscal year. Of the $19.4 million expended for administrative and operations services, 83 percent were for personal and contractual services.

Chart 2
2014 Enterprise Fund Expenses
in millions

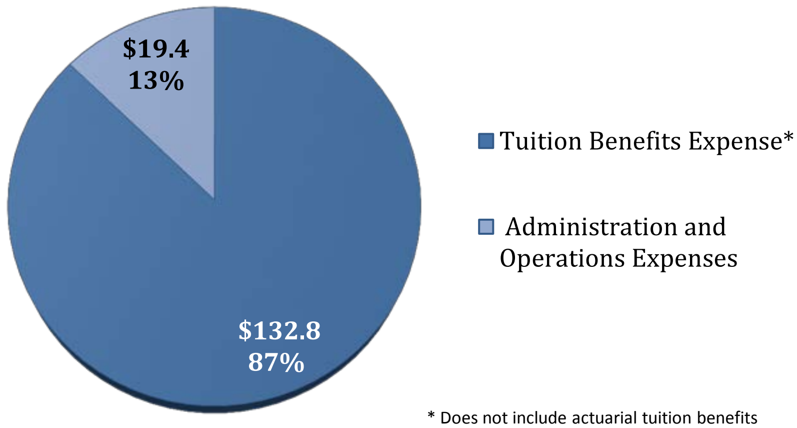


Table 3 provides a comparison of administrative and operating expenses between fiscal years 2014 and 2013.

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

YEARS ENDED JUNE 30,	2014	2013	CHANGE
Personal services	$8,770	$ 7,929	$ 841
Fiscal and contractual services	7,351	6,117	1,234
Supplies and materials	34	47	(13)
Depreciation	522	498	24
Rent, insurance, and other related charges	133	122	11
Expendable equipment	427	397	30
SOAR Va	2,000	2,000	-
Other	146	19	127
Administration and Operations Expenses	$19,383	$17,129	$ 2,254

The 10.6 percent increase in personal services expense, is attributable to an increase in the number of VA529 employees in fiscal 2014 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. The 20.2 percent increase in contractual services is primarily attributable to an increase in sponsorships, computer maintenance services, and professional services. The increase in other expenses is due to an increase in promotional award expenses as well as scholarship award payments that began in fiscal 2014.

Table 4 – Enterprise Fund
prePAID Financial Position (in millions)

As of JUNE 30,	2014	2013	CHANGE
Assets:			
Current assets	$ 116.2	$ 131.2	$ (15.0)
Investments	2,367.7	2,089.3	278.4
Other noncurrent assets	165.3	174.1	(8.8)
Total prePAID Assets	2,649.2	2,394.6	254.6
Liabilities:			
Current liabilities	225.2	209.7	15.5
Noncurrent Liabilities	1,916.1	1,980.0	(63.9)
Total prePAID Liabilities	2,141.3	2,189.7	(48.4)
Change in prePAID net position	$ 507.9	$ 204.9	$ 303.0

Assets

Current assets decreased by approximately $15 million from the previous year. The majority of this decrease is attributable to VA529-directed cash withdrawals from three of prePAID's active equity managers totaling $21.5 million on June 30th to fund securities purchases with an existing manager. This decrease was offset by $4.7 million of cash in a separate account that contains program net operating revenue and additionally serves as a holding account for any positive cash flows of the prePAID program awaiting allocation across the investment manager accounts.

Long-term investments increased by $278.4 million, or 13.3 percent. This increase was due to market conditions that positively impacted investment performance as well as program growth. Other noncurrent assets decreased by $8.8 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 prePAID liabilities decreased by $48.4 million. While other current liabilities increased, total tuition benefits payable, reflected in both current and noncurrent liabilities above, decreased by $48.6 million, or approximately -2.2 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 2014, prePAID's actuarial position, as calculated by VA529's actuary and reported in the 2014 Actuarial Valuation Report, improved from an actuarial surplus of $219.5 million to a surplus of $523.3 million. This improvement is mostly attributable to lower than expected tuition increases and higher than expected investment returns. In addition, VA529's Board approved changes in certain underlying actuarial demographic assumptions which resulted in a modest increase in the actuarial position. Actuarial assumptions are discussed in Note 8 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, 2014 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, 2014. The final report is expected to be completed no later than mid-December 2014. 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 2014 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, 2013	$ 219.5
Interest on the reserve at 6.75%	14.8
Investment gain	108.7
Tuition gain	27.7
Higher than expected actual account balances	(8.2)
Sales of new contracts	11.4
Administrative fee revenue from from VA529 programs	27.3
Change in demographic assumptions	80.0
Change in other assumptions	17.4
Other experience gains	24.7
Actuarial Reserve as of June 30, 2014	$ 523.3

VA529 prePAID's overall funded status, as calculated by the actuary, as of June 30, 2014 was 124 percent. Chart 3 provides prePAID's funded status since 1997.

Chart 3
prePAID Actuarially Funded Percentage as of June 30th

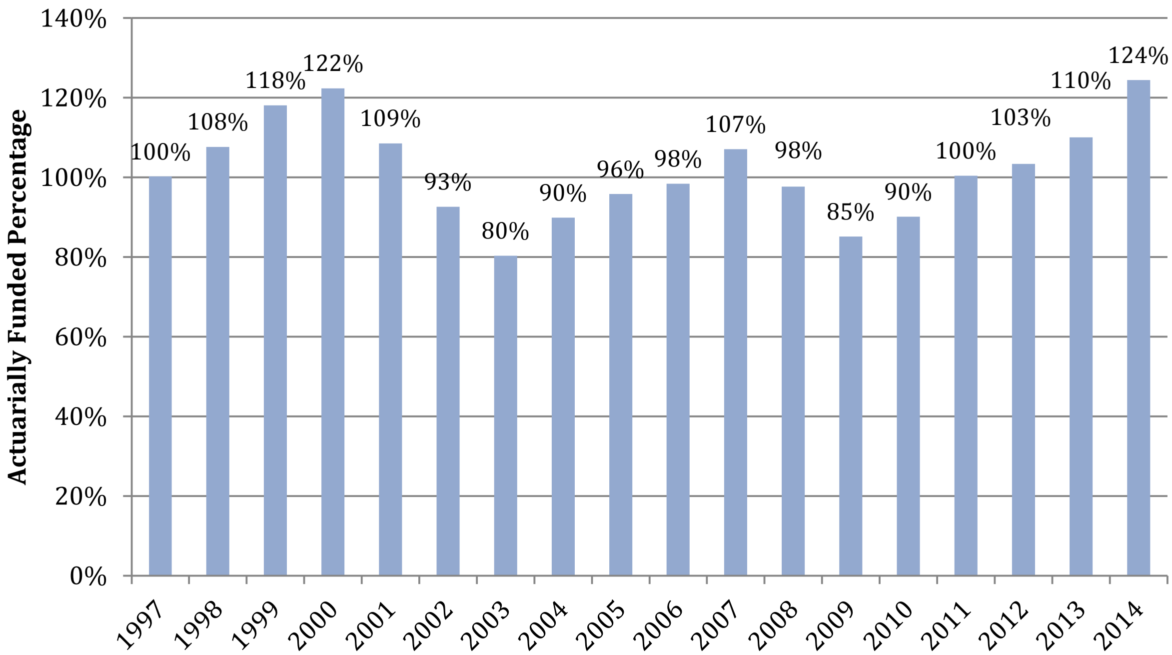


Table 6 represents the condensed Statement of Cash Flows for the Enterprise Fund for the fiscal years ended June 30, 2014 and 2013. VA529's year-end cash balance in the Enterprise Fund decreased by $14.6 million primarily as a result of VA529-directed cash withdrawals from three active equity managers to fund an additional investment with an existing hedge fund manager.

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

As of June 30,	2014	2013
Cash provided (used) by:		
Operating activities	$10.6	$13.2
Noncapital financing activity	(0.2)	(0.3)
Capital and related financing activities	(0.7)	(1.0)
Investing activities	(24.3)	5.8
Net increase (decrease) in cash	(14.6)	17.7
Cash – beginning of year	75.2	57.5
Cash – end of year	$60.6	$75.2

The change in the amount reflected as investing activities for fiscal year 2014 is primarily the result of an increase in net purchases of new investments during the fiscal year.

In December 2013, the Board revised its Investment Policies and Guidelines for prePAID and inVEST. The revisions were primarily related to updating applicable benchmarks and recognizing that some investment managers, particularly those domiciled outside the United States, may be regulated by an entity other than the Securities and Exchange Commission. The overall asset allocation targets for prePAID, most recently revised in June 2009, did not change.

During its 2014 Session, the Virginia General Assembly passed legislation establishing the Virginia College Savings Plan as a body politic and corporate, effective February 27, 2014. This action enables VA529 to represent itself as a qualified institutional buyer and an accredited investor within the definition of such terms under the Investment Company Act of 1940 and the Securities Act of 1933, respectively, and allows VA529 to purchase certain restricted securities, including Rule 144A securities and Rule 501 securities.

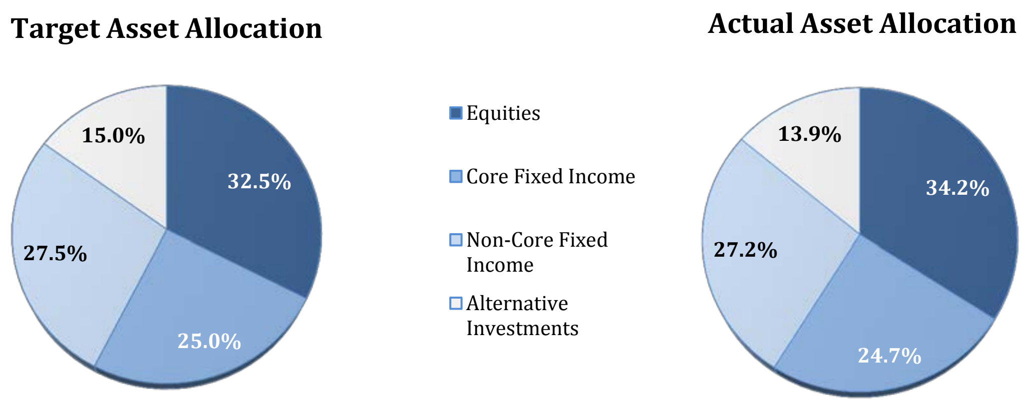
Since 2009, VA529, working with the Investment Advisory Committee and Board, has continued the transition process to the target asset allocation in prePAID (see Chart 4). The transition is largely complete with the alternatives category steadily being brought towards target as VA529's private equity managers issue capital calls. Capital committed to private equity managers but not yet called is currently primarily held in the equities category and is largely invested in domestic equities with some additional funds being temporarily placed with hedge fund managers.

In May 2013 the Investment Advisory Committee terminated Lord Abbett & Co., LLC, VA529's prePAID convertible bond manager, replacing them with two convertible bond managers, Advent Capital Management, LLC and Ferox Capital, LLP. Advent and Ferox were funded and the transition was completed during the first quarter of fiscal 2014. In addition, VA529 engaged Shenkman Capital Management, Inc. to manage a senior secured bank loans strategy and the Vanguard Group, Inc. to manage two additional index strategies through new investments in the Vanguard Intermediate-Term Bond Fund and the Vanguard Mortgage-Backed Securities Index Fund in the prePAID portfolio. These strategies were funded in the first and second quarters of fiscal year 2014 through a partial liquidation of VA529's investment in the State Street TIPS Non-Lending Index Common Trust Fund and a complete liquidation of holdings in the Vanguard Total Bond Market Index Fund.

In March and June 2014, respectively, 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. Due to the nature of the mandate, further approval of the guidelines was required by VA529's Board, which approved the guidelines in August 2014. This transition and funding will occur at the end of the first quarter of fiscal 2015.

During fiscal 2014, the Investment Advisory Committee also engaged Aether Investment Partners as a private equity fund of funds manager for prePAID. A complete list of prePAID managers as of June 30, 2014 can be found in Appendix B.

Chart 4
prePAID Asset Allocation as of June 30, 2014



Analysis of Fiduciary Fund (inVEST) Financial Activities

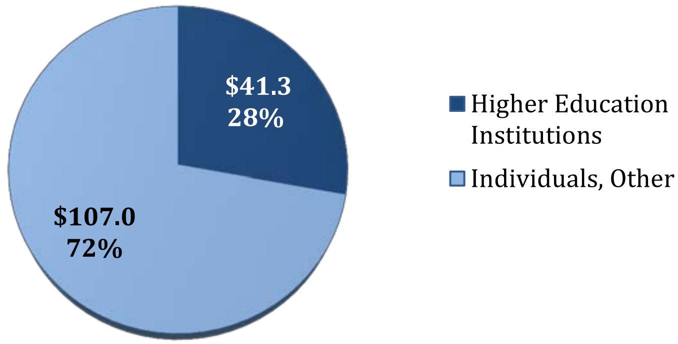
Contributions from inVEST participants increased from the previous year by approximately $30.9 million and there were more than 19,750 new inVEST accounts opened during the fiscal year. Contributions represent amounts received from new and existing account holders. Net income on inVEST investments increased by $159.0 million over the prior year due to improved market conditions compared to the prior year. As anticipated, overall disbursements to inVEST beneficiaries and institutions increased over the prior year by approximately 13.7 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	2014	2013	Change
Additions	$ 675.9	$ 486.0	$ 189.9
Deductions	167.1	144.8	22.3
Net Increase (decrease)	508.8	341.2	167.6
Net position held in trust, beginning	2,301.9	1,960.7	341.2
Net position held in trust, ending	$ 2,810.7	$ 2,301.9	$ 508.8

A majority of the $148.3 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.

Chart 5
2014 inVEST Distributions
in millions



Effective January 1, 2014, VA529 reduced inVEST administrative fees from 0.20 percent to 0.15 percent.

On January 1, 2014, VA529 opened the Rappahannock age-based portfolio in anticipation of the upcoming triennial inVEST age-based portfolio evolution on January 1, 2015. The new Rappahannock portfolio was structured identical to the existing James River portfolio with an 80/20 equity to fixed income ratio and was intended for beneficiaries three years old and under. Also on January 1, 2014, the Blue Ridge portfolio evolved from 65 percent stable value to 100 percent stable value in its final evolution. The inVEST age-based portfolios asset allocations will evolve in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards their final evolution.

CollegeAmerica and CollegeWealth

Assets under management in CollegeAmerica increased during the fiscal year increasing by approximately 22.0 percent from $39.0 billion to $47.6 billion. There were an additional 56,657 unique CollegeAmerica accounts at fiscal year-end.

In March 2014, VA529's Board approved extending the American Funds contract for the CollegeAmerica program from 2027 to 2040. As part of the negotiation, VA529's administrative fees were reduced to seven basis points for assets over $30 billion and up to $50 billion, six basis points for assets over $50 billion and up to $70 billion and five basis points for assets over $70 billion. VA529's administrative fee would remain at ten basis points on assets of $30 billion or less. In addition, the American Funds agreed to waive both the $10 account setup fee and the $10 annual account maintenance fee on CollegeAmerica accounts.

In December 2013, VA529 approved the inclusion of the American Funds Developing World Growth and Income Fund as an additional investment option in the CollegeAmerica program. With the addition of this new fund, the CollegeAmerica program offered 39 American Funds mutual funds. A complete list of CollegeAmerica investment options as of June 30, 2014 can be found in Other Information.

Assets under management in CollegeWealth increased by 32.9 percent in fiscal year 2014 to more than $84.2 million at year end. The assets represented amounts held in savings instruments at the two participating banks (BB&T and Union First Market Bank) 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 6.75 percent on the prePAID investments. As of June 30, 2014, the total return since inception was about 6.7 percent net of fees and reflected prePAID's 11.8 percent performance during fiscal 2014. Global and domestic equity and fixed income markets experienced gains from June 30, 2014 into fiscal 2015. Portfolio performance through the balance of fiscal 2015 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 7.5 percent for four-year and two-year institutions for fiscal years 2016 and thereafter. 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. However, with the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a favorable position to prepare for future tuition and fee increases.

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, 2014

	Administration and Operations	prePAID	Total Enterprise
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1E and 2)	$ 2,660,802	$ 57,959,591	$ 60,620,393
Interest receivable	-	3,930,522	3,930,522
prePAID contract payments receivable (Note 1G and 8)	-	52,578,616	52,578,616
Prepaid and other assets	67,296	-	67,296
Accounts receivable (Note 1H)	10,578,622	1,745,050	12,323,672
Total current assets	13,306,720	116,213,779	129,520,498
Noncurrent assets:			
Investments (Note 1E and 2)	-	2,367,744,112	2,367,744,112
prePAID contract payments receivable (Note 1G and 8)	-	165,250,739	165,250,739
Depreciable capital assets, net (Note 1J and 7)	9,558,432	-	9,558,432
Total noncurrent assets	9,558,432	2,532,994,851	2,542,553,283
Total assets	22,865,152	2,649,208,630	2,672,073,782
LIABILITIES			
Current liabilities:			
Accounts payable	732,919	-	732,919
Program distributions payable	-	666,770	666,770
Due to program participants (Note 1K)	-	215,018	215,018
Tuition benefits payable (Note 6 and 8)	-	224,344,067	224,344,067
Compensated absences (Note 1L and 6)	160,426	-	160,426
Obligations under capital lease (Note 6)	364,381	-	364,381
Total current liabilities	1,257,726	225,225,855	226,483,581
Noncurrent liabilities:			
Tuition benefits payable (Note 6 and 8)	-	1,916,085,288	1,916,085,288
Compensated absences (Note 1L and 6)	474,710	-	474,710
Obligations under capital lease (Note 6)	5,708,086	-	5,708,086
Total noncurrent liabilities	6,182,796	1,916,085,288	1,922,268,084
Total liabilities	7,440,522	2,141,311,143	2,148,751,665
NET POSITION			
Net investment in capital assets	3,485,965	-	3,485,965
Unrestricted	11,938,661	507,897,487	519,836,148
Total net position	$ 15,424,627	$ 507,897,487	$ 523,322,114

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, 2014

	Administration and Operations	prePAID	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1D)	$ 47,077,289	$ -	$ 47,077,289
Interest, dividends, rents, and other investment income	-	151,659,078	151,659,078
Net increase in fair value of investments	-	102,064,778	102,064,778
prePAID contract payments (Note 1G)	-	117,455,849	117,455,849
Actuarial prePAID contract payments (Note 8)	-	(10,548,987)	(10,548,987)
Other	157	-	157
Total operating revenues	47,077,446	360,630,718	407,708,164
Operating expenses:			
Personal services	8,770,080	-	8,770,080
Fiscal and Contractual services	7,351,086	-	7,351,086
Supplies and materials	34,368	-	34,368
Depreciation	522,278	-	522,278
Rent, insurance, and other related charges	132,851	-	132,851
Tuition benefits expense	-	132,765,872	132,765,872
Actuarial tuition benefits expense (Note 8)	-	(48,648,987)	(48,648,987)
Expendable equipment	426,598	-	426,598
SOAR Virginia (Note 11)	2,000,000	-	2,000,000
Other	146,009	-	146,009
Total operating expenses	19,383,270	84,116,885	103,500,155
Operating gain	27,694,176	276,513,833	304,208,009
Non-operating interest expense	(153,122)	-	(153,122)
Transfers:			
Transfers to the General Fund of the Commonwealth	(196,527)	-	(196,527)
Operating transfer in (out) (Note 1)	(26,520,232)	26,520,232	-
Change in net position	824,295	303,034,065	303,858,360
Net position - July 1, 2013	14,600,332	204,863,422	219,463,754
Net position - June 30, 2014	$ 15,424,627	$ 507,897,487	$ 523,322,114

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, 2014

Cash flows from operating activities:		
Receipts for sales and services	$	46,312,303
Contributions Received		116,567,385
Internal Activity - Payments to Other Funds		(346,826)
Payments to Suppliers for Goods & Services		(841,232)
Payments to Employees		(8,765,932)
Other Operating Revenue		157
Payments for Contractual Services		(7,008,605)
Distributions		(132,456,493)
Other Operating Expenses		(2,880,282)
Net cash provided by (used for) operating activities	$	10,580,475
Cash flows from noncapital financing activities:		
Transfer to the General Fund of the Commonwealth		(196,527)
Net cash provided by (used for) noncapital financing activities	$	(196,527)
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	$	(132,564)
Payment of Principal and Interest on Capital Leases		(533,500)
Net cash provided by (used for) capital and related financing activities	$	(666,064)
Cash flows from investing activities:		
Purchase of investments	$	(2,049,421,216)
Proceeds from sales or maturities of investments		1,873,459,723
Interest income on cash, cash equivalents, and investments		151,659,079
Net cash provided by (used for) investing activities	$	(24,302,414)
Net increase in cash and cash equivalents		(14,584,530)
Cash and cash equivalents - July 1, 2013		75,204,923
Cash and cash equivalents - June 30, 2014	$	60,620,393
Reconciliation of cash and cash equivalents:		
Per the Statement of Net Position:		
Cash and cash equivalents	$	75,204,922
Cash and cash equivalents per the Statement of Cash Flows	$	60,620,393

Reconciliation of operating income to net cash provided by operating activities:		
Operating gain	$	304,208,009
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		522,278
Interest, dividends, rents and other investment income		(151,659,078)
Net increase in fair value of investments		(102,064,778)
Changes in assets and liabilities:		
(Increase) decrease in receivables		(2,434,803)
(Increase) decrease in tuition contributions receivable		10,548,987
(Increase) Decrease in assets		(55,753)
Increase (decrease) in accounts payable		509,206
Increase (decrease) in amounts due to program participants		(32,782)
Increase (decrease) in current tuition benefits payable		15,212,682
Increase (decrease) in current compensated absences		(3,808)
Increase (decrease) current obligations under capital lease		(15,999)
Increase (decrease) in noncurrent tuition benefits payable		(63,861,669)
Increase (decrease) in noncurrent compensated absences		72,364
Increase (decrease) non current obligations under capital lease		(364,381)
Net cash provided by (used for) operating activities	$	10,580,475
Noncash investing, capital, and financing activities:		
The following transaction occurred prior to the statement of net position date:		
Change in fair value of investments	$	102,064,778

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

VIRGINIA529
STATEMENT OF NET POSITION
PRIVATE-PURPOSE TRUST FUND
June 30, 2014

Assets:		
Cash and cash equivalents (Note 1E and 2)	$	19,785,591
Receivables:		
Interest and dividends		1,805,994
Accounts Receivable		1,923
Investments:		
Bonds		78,022,705
Mutual funds - Non Index		667,183,807
Mutual funds - Index		1,474,323,605
Stable Value		476,361,568
Equities		99,618,318
Total investments		2,795,510,003
Total Assets		2,817,103,511
Liabilities:		
Accounts payable		712,339
Other Adjustments		72,548
Due to program participants (Note 1K)		3,819,299
Program distributions payable		1,823,618
Total liabilities		6,427,804
Net position held in trust for program participants	$	2,810,675,707

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

VIRGINIA529
STATEMENT OF CHANGES IN NET POSITION
PRIVATE-PURPOSE TRUST FUND
For the Year Ended June 30, 2014

ADDITIONS	
Contributions:	
From participants	$ 353,154,082
Total contributions	353,154,082
Investment income:	
Net increase in fair value of investments	259,127,456
Interest, dividends, and other investment income	68,120,087
Other	167
Total investment income	327,247,710
Less investment expense	(4,461,760)
Net investment income	322,785,950
Total additions	675,940,032
DEDUCTIONS	
Educational expense benefits	148,333,269
Shares redeemed	17,414,297
Other Expenses	1,381,417
Total deductions	167,128,983
Changes in net position	508,811,049
Net position:	
July 1, 2013	2,301,864,658
June 30, 2014	$ 2,810,675,707

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 115,300 accounts have been opened, with 70,490 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, 2014. 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 the enterprise fund at the end of a biennium shall not revert to the general fund. VA529 annually assigns net operating revenue to prePAID to support its funded status. Accordingly, net operating revenue of $26,520,231 was transferred to prePAID for FY2014. 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 17 investment portfolios. One additional portfolio remains open in the inVEST program but is 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, 2014, 226,803 accounts had been opened, with 175,616 accounts remaining active at year end. These accounts had a net asset value of approximately $2.8 billion as of June 30, 2014. 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 39 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, 2014. 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, 2014, 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 2014 Appropriation Act, revenue from operations performed for programs outside of Virginia in fiscal 2014, 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 revenues of VA529 are prePAID contract payments for program participants and investment income. Expenses of VA529 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 55.49 percent of contract holders of outstanding (active) contracts as of June 30, 2014 had elected to pay over time.

H. Accounts Receivable

Accounts receivable reflected in VA529 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 First Market Bank (UFM), 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 Bank 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 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 its useful life.

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 7, Capital Assets.

K. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2014 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. 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, 2014, was computed using salary rates effective at that date and represents vacation and compensatory leave earned 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. On April 18, 2008, VA529 funded Aventura with $8.8 million for the purpose of acquiring real estate and Aventura acquired the office building on April 22, 2008.

The investment in Aventura is reflected in prePAID's assets at $6.7 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2014.

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 6 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. 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. The Board has also selected a group of 26 external managers and/or funds. See complete lists of Investment Managers in Appendices A and B. In addition, prePAID contractual payments and inVEST contributions received from customers 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.

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, 39 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 2014, VA529 extended investment commitments under limited partnership agreements for private equity investments in prePAID. At June 30, 2014, VA529's investment commitments amounted to $146,136,505.

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, 2014, all investments of the prePAID and inVEST programs, except those investments in open-end mutual funds, private equity or hedge funds, were held in VA529's name by VA529's custodian, BNY Mellon Asset Servicing. Approximately 67 percent of total prePAID investments (reported as enterprise fund assets) and 77 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, 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, 2014, 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	$55,787,365	$55,787,365	-	-	-	-
Non-Agency Mortgage-Backed Securities	5,175,435	976,170	-	-	$4,199,265	0.04
Asset-Backed Securities	1,100,238	831,085	-	-	269,153	0.00
Corporate Bonds	422,710,882	1,521,108	$183,484,492	$233,927,369	3,777,913	3.96
Convertible Securities	99,388,906	9,466,099	70,391,818	7,190,525	12,340,464	-
Bond Funds	430,817,212	-	98,689,904	332,127,308	-	6.29
Treasury and Agency Securities	220,730	220,730	-	-	-	11.05
Stable Value[1]	111,161,607	-	111,161,607	-	-	3.41
Total	**$1,126,362,375**	**$68,802,557**	**$463,727,821**	**$573,245,202**	**$20,586,795**	**-**

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	$17,266,884	$17,266,884	-	-	-	-
Corporate Bonds	78,022,705	415,830	$29,036,344	$46,917,423	$1,653,108	3.96
Bond Funds	393,449,885	-	238,857,811	154,592,074	-	6.05
Stable Value[1]	476,361,569	-	476,361,569	-	-	3.07
Total	**$965,101,043**	**$17,682,714**	**$744,255,724**	**$201,509,497**	**$1,653,108**	**-**

[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 high-yield fixed income investment strategy, 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, 2014 were rated by Standard & Poor's 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, 2014, 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, 2014, VA529 participated in a number of open-end domestic and foreign equity and fixed income mutual funds 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, 2014, 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 3, Investment in Derivative Instruments and Stable Value.

prePAID Currency Exposures by Asset Class			
Currency	Convertible Bonds	Cash & Cash Equivilants	Total
British Pound Sterling	$2,029,814	$76,440	$2,106,254
Euro Currency Unit	23,576,113	181,827	23,757,940
Hong Kong Dollar	4,590,296	2,078,789	6,669,085
Japanese Yen	4,057,376	6,869	4,064,245
Swedish Krona	1,645,060	1,496	1,646,556
Swiss Franc	1,705,062	92,942	1,798,004
Total	**$37,603,721**	**$2,438,363**	**$40,042,084**

Note: Amounts shown in U.S. dollars using June 30, 2014 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 derivatives 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, 2014 approximately 9 percent of prePAID investments were invested in these vehicles.

Rating Agency	inVEST Credit Quality by Investment Type			
Standard & Poor's Quality Rating	Corporate Bonds	Money Market Funds	Bond Funds	Stable Value
AAA	-	$17,266,884	-	-
BBB+	-	-	-	-
BBB	$388,906	-	-	-
BBB-	1,896,880	-	-	-
BB+	9,909,827	-	-	-
BB	15,208,562	-	-	-
BB-	17,585,201	-	-	-
B+	10,308,540	-	-	-
B	8,374,997	-	-	-
B-	7,673,627	-	-	-
Less than B-	5,359,401	-	-	-
Moody's Quality Rating				
Baa2	-	-	-	-
Ba2	136,750	-	-	-
Ba3	182,408	-	-	-
Unrated[1]	997,606	-	$393,449,885	$476,361,569

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

Rating Agency	prePAID Credit Quality by Investment Type							
Standard & Poor's Quality Rating	Non-Agency Mortgage Backed Securities	Asset-Backed Securities	Corporate Bonds	Convertibles	Money Market Funds	Bond Funds	Treasury and Agency Securities	Stable Value
AAA	-	-	$ 401	-	$ 55,787,365	-	-	-
AA+	-	-	-	-	-	-	$ 220,730	-
AA-	-	-	-	$ 1,106,500	-	-	-	-
A+	$ 146,748	$ 469,662	-	5,825,164	-	-	-	-
A	-	-	-	3,045,545	-	-	-	-
A-	-	-	-	10,209,140	-	-	-	-
BBB+	207,341	-	-	8,269,753	-	-	-	-
BBB	-	-	1,213,782	17,661,642	-	-	-	-
BBB-	-	-	6,077,366	3,517,686	-	-	-	-
BB+	-	-	33,583,316	1,828,810	-	-	-	-
BB	-	-	53,958,392	1,554,375	-	-	-	-
BB-	320,360	-	76,619,004	2,882,483	-	-	-	-
B+	-	-	66,957,525	796,650	-	-	-	-
B	-	54,775	85,762,363	1,060,638	-	-	-	-
B-	-	-	32,723,299	-	-	-	-	-
Less than B-	3,839,633	575,801	32,451,767	-	-	-	-	-
Moody's Quality Rating								
Aa3	-	-	-	1,027,500	-	-	-	-
Ba1	-	-	-	1,024,727	-	-	-	-
Ba2	-	-	383,125	-	-	-	-	-
Ba3	-	-	521,328	-	-	-	-	-
B1	-	-	1,006,228	-	-	-	-	-
B2	-	-	1,764,949	681,426	-	-	-	-
Less than B2	417,577	-	603,000	-	-	-	-	-
Unrated [1]	243,776	-	29,085,037	38,896,867	-	$430,817,212	-	$111,161,607

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

3. 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, 2014, two 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	Advent Capital Management, LLC	Convertible Bonds

(i) Derivatives held in Prudential Investment Management Account

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, 2014, both the inVEST and prePAID Prudential accounts held credit default swaps. The following two tables contain information relating fair value, changes in fair value, notional value and credit risk relating to these derivative instruments. In aggregate, the fair value of these derivatives was $703,438 as of June 30, 2014. Concentration of credit risk relating to these derivatives did not equate to a significant percentage of the inVEST or prePAID program's total assets.

Investment Derivatives – Credit Default Swaps

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise Fund	Revenue	$271,979	Investment	$502,115	$5,375,000
Fiduciary Fund	Revenue	$138,125	Investment	$201,323	$2,125,000

Aggregate Credit Risk by Counterparty as of June 30, 2014

Counterparty	Fair Value	Collateral	Credit Rating (S&P)
Bank of America, N.A.	$608,698	$710,716	A
Barclays Bank PLC	94,740	-	A
Total	$703,438	$710,716	

(ii) *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-US 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	$2,192,954	-	($2,221,915)	($2,221,915)
Euro Currency Unit	23,743,915	$753,177	(24,553,577)	(23,800,400)
Hong Kong Dollar	6,734,237	-	(6,732,357)	(6,732,357)
Japanese Yen	4,043,999	-	(4,048,689)	(4,048,689)
Swedish Krona	1,679,433	-	(1,668,578)	(1,668,578)
Swiss Franc	1,801,544	-	(1,816,295)	(1,816,295)
US Dollar	(40,196,082)	40,946,062	(749,980)	40,196,082
Total	**$ -**	**$41,699,240**	**($41,791,391)**	**($92,151)**

Note: Amounts shown in U.S. dollars using June 30, 2014 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, 2014, 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	$36,053,396	2/21/2014	Open ended	1.29%
	ING Life & Annuity*	51,694,448	12/3/2002	Open ended	2.21%
	State Street Bank	23,413,763	5/1/2002	Open ended	2.63%
inVEST	American General Life	$121,381,988	1/16/2014	Open ended	1.13%
	ING Life & Annuity*	74,852,910	12/3/2002	Open ended	2.88%
	ING Life & Annuity*	109,247,925	10/5/2012	Open ended	0.77%
	Prudential Retirement Insur	121,140,991	1/30/2014	Open ended	1.77%
	State Street Bank	49,737,754	5/1/2002	Open ended	2.60%

*ING Life & Annuity was rebranded to Voya Investment Management as of September 1, 2014

At June 30, 2014, 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, 2014.

In the prePAID program, the fair value of the stable value investments at June 30, 2014, was $114,438,011.

prePAID - Stable Value Components	Fair Value
Underlying Investments	$114,438,011
Wrap Contracts	-
Total	$114,438,011

In the inVEST program, the fair value of the stable value investments at June 30, 2014, was $486,916,519.

inVEST - Stable Value Components	Fair Value
Underlying Investments	$486,916,519
Wrap Contracts	-
Total	$486,916,519

4. 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 2014.

5. 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 2014 was $277,272.

As of June 30, 2014, VA529 had the following total future minimum rental payments due under the above leases.

Fiscal Year	Amount
2015	$ 221,293
2016	204,496
2017	112,612
2018	115,942
2019	119,406
Total future minimum rental payments	$ 773,749

6. 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
FY14	$ 533,500
FY15	546,838
FY16	560,508
FY17	574,521
FY18	588,884

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

Future Minimum Lease Payments [2]	Amount
FY 2019	$ 603,606
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, 2013 – June 30, 2014	$145,500
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, 2014. 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.

Changes in long-term liabilities are shown below:

Enterprise Fund	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 566,580	$ 397,857	$ 329,301	$ 635,136	$ 160,426
Tuition benefits payable	2,189,078,342	70,652,169	119,301,156	2,140,429,355	224,344,067
Capital lease obligation	6,452,848	-	380,378	6,072,470	364,381
Total	$2,196,097,770	$71,050,026	$120,010,835	$2,147,136,961	$224,868,874

7. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2014.

Enterprise Fund	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Depreciable capital assets:				
Equipment	$1,749,585	$ 132,562	$ -	$ 1,882,147
Software	1,038,466	-	-	1,038,466
Building *	8,800,000	-	-	8,800,000
Total depreciable capital assets	11,588,051	132,562	-	11,720,613
Less accumulated depreciation:				
Equipment	993,150	180,235	-	1,173,385
Software	183,621	103,847	-	287,468
Building	463,132	238,196	-	701,328
Total accumulated depreciation	1,639,903	522,278	-	2,162,181
Net depreciable capital assets	9,948,148	(389,716)	-	9,558,432
Total net capital assets	$9,948,148	$(389,716)	$ -	$ 9,558,432

* Asset purchased under a capital lease.

8. 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 2014, Milliman, VA529's actuary, completed an experience study which examined prePAID transactions over a ten-year period from July 2003 through June 2013. The purpose of the study was to evaluate actual transaction history to determine whether the assumptions used (other than the investment return and future tuition growth) should be revised based on actual experience. The assumptions tested included (i) contract cancellations and rollovers, including transfers to inVEST which were primarily utilized to provide the maximum benefit to those students attending lower-priced Virginia schools; (ii) the proportion of payouts going to Virginia universities and community colleges; (iii) the year, relative to the expected matriculation year, in which benefits were first used; and (iv) the cost of payouts to Virginia universities and community colleges relative to enrollment-weighted average tuition. As a result of the experience study, the Board adopted several changes in the assumptions in August 2014, which were incorporated into the 2014 actuarial valuation report and the 2015-16 enrollment period contract pricing. The changes in the assumptions 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, 2014:

Investment Rate of Return: 6.75 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 2015	7.5%	7.5%	7.5%	7.5%
Fall 2016 and thereafter	7.5%	7.5%	7.5%	7.5%

Cancellations, Rollovers and Transfers: It is assumed that .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, 80 percent of beneficiaries will attend a public university in Virginia, 8 percent will attend a private university in Virginia and 12 percent will attend a university in another state. 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 one year 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. The assumptions as to when participants will begin using contracts were adjusted slightly based on the experience study.

Expenses: The expenses included in the present value of future obligations are those relating to Annual Maintenance Expense per Contract of $52.39 and Annual Distribution Cost per Contract in Payment Status of $23.19. These expenses are 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, 2014, 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

	2014	2013	Change
prePAID contract payments receivable	$217,829,355	$228,378,342	$ (10,548,987)
Tuition benefits payable	$2,140,429,355	$2,189,078,342	$ (48,648,987)

9. 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). The three different benefit plans, Plan 1, Plan 2, and Hybrid have differing eligibility and benefit structures. Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, credible service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013. Plan 2 is structured similarly to Plan 1 with a different formula for the retirement benefit. Employees are eligible for VRS 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. The Hybrid Retirement Plan combines the features of a defined benfit plan and a defined contribution plan. The defined benefit is based on a member's age, credible 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. Most members hired on or after January 1, 2014 are in this plan. The VRS also administers life insurance for employees and retirees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth, not VA529, has overall responsibility for determining contributions to these plans.

Upcoming GASB Pronouncements: GASB Statement No. 68, *Financial Reporting for Pensions,* was issued to improve the accounting and financial reporting for pensions by state and local governments. The standard will change the accounting perspective from a funding basis to reporting pension liability and expense. A significant change in reporting through the implementation of this standard will be an additional liability on the Statement of Net Position representing VA529's proportionate share of the unfunded pension liability associated with its pension plan. VA529 will adopt this pronouncement in the fiscal year ending June 30, 2015.

10. 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.

11. 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, 2014, $8 million had been deposited in the SOAR account. Amounts deposited, plus earnings thereon, remain in the account until distributed. Amounts will be 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, 2014, the SOAR Virginia account had a balance of $8.31 million. During fiscal year 2014 $33,000 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, 2014 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
1,079	$876,921	$1,130,000	$2,006,921

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

12. 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, 2014:

Program	Scholarship		Promotional	
	Accounts	Value	Accounts	Value
inVEST	294	$933,233	185	$958,645
prePAID	25	$442,196	24	$321,548
prePAID value represents the cancellation value of accounts at June 30, 2014 inVEST value represents the aggregate market value of the investments in the portfolios at June 30, 2014				

13. 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 2014 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 2014 after it receives all Schedule K-1s at the end of calendar 2014.

Supplementary Information

APPENDIX A

Mutual Funds by Program

Virginia529 prePAID℠

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
BlackRock, Inc.	T-Fund (Cash and Equivalents)
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Franklin Templeton Investments	Templeton Foreign Equity Series
The Vanguard Group, Inc.	Institutional Index Fund
The Vanguard Group, Inc.	Intermediate-Term Corporate Bond Index
The Vanguard Group, Inc.	Mortgage-Backed Securities Index

Virginia529 inVEST℠

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Franklin Templeton Investments	Templeton Foreign Equity Series
Morgan Stanley Institutional Fund, 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
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	SMID Cap Value Domestic Equity

Appendix C
Investment Details by Program as of June 30, 2014
Virginia529 prePAID℠

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	$ 194,182,658	8.1%
Capital Research & Management Co.	International Core	American Funds EuroPacific Growth	126,232,708	5.3%
Donald Smith & Co.	Small Cap Value	N/A	53,722,637	2.2%
Franklin Templeton Investments	International Value	Templeton Foreign Equity Series	125,572,239	5.2%
The Vanguard Group, Inc.	Large Cap Domestic Blend	Institutional Index	109,742,948	4.6%
Thompson, Siegel & Walmsley, LLC	Small/Mid Cap Value	N/A	86,157,200	3.6%
Westfield Capital Management Co., LP	Mid Cap Growth	N/A	123,727,164	5.2%
Total Equities			*819,337,554*	*34.2%*
Core Fixed Income				
BlackRock, Inc.[2]	Cash Equivalents	T-Fund	187,367	0.0%
Invesco Advisers, Inc.[3]	Stable Value	N/A	116,599,948	4.9%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	209,275,700	8.7%
State Street Global Advisors	Inflation Protected Securities	N/A	118,125,995	4.9%
The Vanguard Group, Inc.	Intermediate Corporate Bonds	Intermediate-Term Corporate Bond Index	74,039,598	3.1%
The Vanguard Group, Inc.	Mortgage-Backed Securities	Mortgage-Backed Securities Index	72,739,341	3.0%
Treasurer of Virginia	Cash Equivalents	N/A	847,669	0.0%
VA529 Transition Account	N/A	N/A	723,318	0.0%
Total Core Fixed Income			*592,538,936*	*24.7%*
Non-Core Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	105,668,998	4.4%
Ferox Capital, LLP	Convertible Bonds	N/A	68,820,374	2.9%
Prudential Investment Management, Inc.	High Yield Bonds	N/A	233,583,240	9.7%
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	71,454,738	3.0%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	172,416,104	7.2%
Total Non-Core Fixed Income			*651,943,454*	*27.2%*
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	26,146,440	1.1%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	1,351,566	0.1%
Aurora Investment Management, LLC	Hedge Fund of Funds	N/A	123,202,940	5.1%
Aventura Holdings, LLC	Private Real Estate	N/A	7,219,869	0.3%
Commonfund	Private Equity Fund of Funds	N/A	3,709,029	0.2%
Harmonic Capital Partners	Hedge Fund	N/A	84,540,144	3.5%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	19,939,302	0.8%
UBS Realty Investors, LLC	Private Real Estate	N/A	68,388,556	2.9%
Total Alternative Investments			*334,497,846*	*13.9%*
Grand Total			*$ 2,398,317,790*	*100.0%*

[1]May not total 100% due to rounding. [2]BlackRock, Inc. operating cash in the amount of $28,499,720 is not included in the total above. [3]Stable value assets shown at contract value.

Investment Details by Program as of June 30, 2014

Virginia529 inVEST℠

Investment Manager	Asset Class	Mutual Fund (if applicable)	Aggregate Fair Value[1]
Age-Based Evolving Portfolios			
Aberdeen Asset Management, Inc.	Emerging Markets Equity	Emerging Market Equity Fund	$ 122,460,676
Capital Research & Management Co.	International Core Equity	American Funds EuroPacific Growth	127,569,503
Franklin Templeton Investments	International Value Equity	Templeton Foreign Equity Series	126,195,063
Invesco Advisers, Inc.	Stable Value	N/A	489,201,125
Morgan Stanley Institutional Fund, Inc.	Global REITs	Institutional Global Real Estate Fund	139,295,391
Prudential Investment Management, Inc.	High Yield Bonds	N/A	80,111,719
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	101,554,262
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	133,165,642
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	215,798,403
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	273,965,097
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	67,407,847
Total Age-Based Evolving Portfolios			*1,876,724,728*
Static Portfolios			
Parnassus Investments	Socially Responsible Large Cap Core Equity	Core Equity Fund	18,497,531
The Vanguard Group, Inc.	80% Equities 20% Fixed Income	LifeStrategy Growth Fund	364,746,892
The Vanguard Group, Inc.	60% Equities 40% Fixed Income	LifeStrategy Moderate Growth Fund	159,506,813
The Vanguard Group, Inc.	20% Equities 80% Fixed Income	LifeStrategy Income Fund	51,152,692
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	21,426,432
The Vanguard Group, Inc.	Real Estate Investment Trust	REIT Index Fund	30,396,426
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	23,059,408
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	67,550,408
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	199,313,187
Total Static Portfolios			*935,649,789*
Grand Total			*$ 2,812,374,517*

Cash held with the Treasurer of Virginia as well as with BNY Mellon (custodian) in the amount of $2,921,078 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, 2014, 39 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 December 2013 the Board approved the addition of the American Funds' Developing World Growth and Income Fund. This fund was available to investors in March 2014 and ended the fiscal year with approximately $484.21 million in assets. 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, 2014, approximately 2.12 million unique active accounts were open with net assets in excess of $47.5 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 39 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, 2014 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®	59,168	$ 1,656,144	02/28/14
EuroPacific Growth Fund®	35,959	1,749,158	03/31/14
The Growth Fund of America®	163,024	6,420,041	08/31/13
The New Economy Fund®	11,963	465,762	11/30/13
New Perspective Fund®	51,443	1,854,116	09/30/13
New World Fund®	17,951	1,052,548	10/31/13
SMALLCAP World Fund®	27,129	1,302,937	09/30/13
Growth-and-income funds			
American Mutual Fund®	25,252	862,879	10/31/13
Capital World Growth and Income Fund®	87,386	3,889,284	11/30/13
Developing World Growth and Income Fund℠	N/A	N/A	11/30/14
Fundamental Investors℠	42,017	2,181,213	12/31/13
International Growth and Income Fund℠	4,872	177,795	06/30/14
The Investment Company of America®	73,721	2,699,232	12/31/13
Washington Mutual Investors Fund℠	59,834	2,409,895	04/30/14
Equity-income funds			
Capital Income Builder®	51,017	2,970,588	10/31/13
The Income Fund of America®	95,322	1,866,731	07/31/13
Balanced funds			
American Balanced Fund®	155,151	3,783,250	12/31/13
American Funds Global Balanced Fund℠	7,625	230,152	10/31/13
Bond funds			
American High-Income Trust℠	48,326	542,312	09/30/13
The Bond Fund of America℠	118,643	1,471,454	12/31/13
Capital World Bond Fund®	29,782	604,383	09/30/13
Intermediate Bond Fund of America®	42,570	570,332	08/31/13
Short-Term Bond Fund of America℠	41,832	415,873	08/31/13
U.S. Government Securities Fund℠	19,544	267,192	08/31/13
American Funds Mortgage Fund℠	2,598	25,556	08/31/13
Money market fund			
American Funds Money Market Fund®	1,096,838	1,096,883	09/30/13
American Funds College Target Date Series funds			
American Funds College 2015 Fund℠	19,430	195,241	10/31/13
American Funds College 2018 Fund℠	27,433	291,540	10/31/13
American Funds College 2021 Fund℠	25,304	277,546	10/31/13
American Funds College 2024 Fund℠	20,403	230,023	10/31/13
American Funds College 2027 Fund℠	14,432	167,732	10/31/13
American Funds College 2030 Fund℠	12,040	143,838	10/31/13
American Funds College Enrollment Fund℠	6,766	66,953	10/31/13
American Funds Portfolio Series℠ funds			
American Funds Global Growth Portfolio℠	4,638	64,371	10/31/13
American Funds Growth Portfolio℠	9,498	132,743	10/31/13
American Funds Growth and Income Portfolio℠	15,885	202,129	10/31/13
American Funds Balanced Portfolio℠	11,814	146,761	10/31/13
American Funds Income Portfolio℠	6,463	73,918	10/31/13
American Funds Preservation Portfolio℠	5,877	58,242	10/31/13

Data compiled from American Funds audited fund statements

CollegeAmerica
529 Share Class Net Assets as of June 30, 2014 (dollars and shares in thousands)

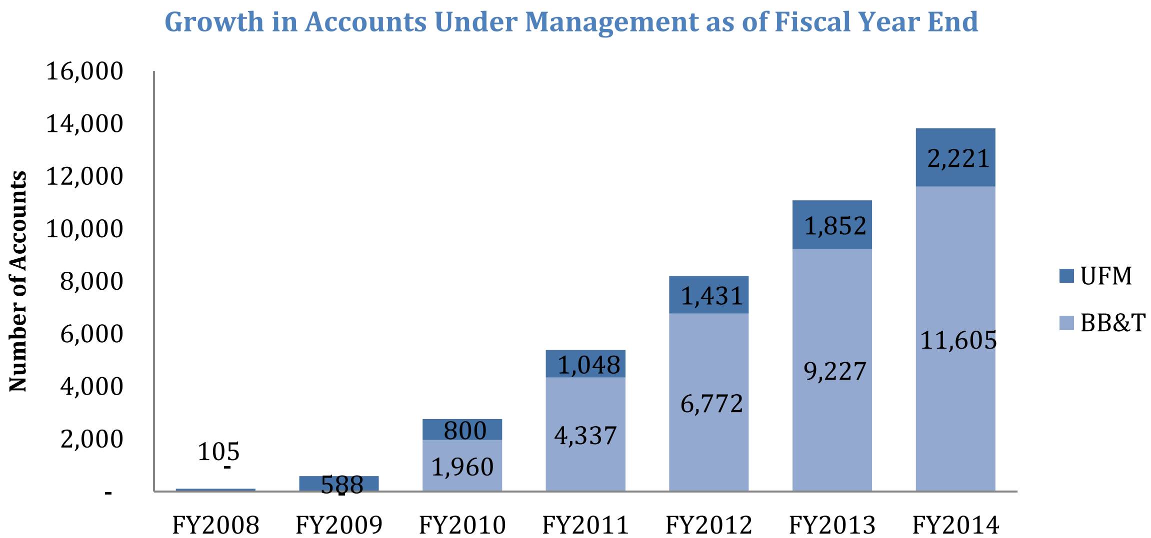
Fund	Shares	Net Assets
Growth funds		
AMCAP Fund®	64,577	$ 2,037,485
EuroPacific Growth Fund®	36,100	1,390,777
The Growth Fund of America®	143,952	6,248,459
The New Economy Fund®	24,552	578,656
New Perspective Fund®	56,216	2,227,017
New World Fund®	15,036	849,730
SMALLCAP World Fund®	22,746	1,089,371
Growth-and-income funds		
American Mutual Fund®	57,473	2,302,393
Capital World Growth and Income Fund®	72,994	3,467,914
Developing World Growth and Income Fund℠	16,078	484,205
Fundamental Investors℠	48,983	2,611,558
International Growth and Income Fund℠	7,515	346,210
The Investment Company of America®	87,377	2,952,970
Washington Mutual Investors Fund℠	56,107	2,308,547
Equity-income funds		
Capital Income Builder®	47,793	2,681,211
The Income Fund of America®	106,929	2,128,520
Balanced funds		
American Balanced Fund®	116,708	3,052,572
American Funds Global Balanced Fund℠	10,427	235,630
Bond funds		
American High-Income Trust℠	44,217	643,582
The Bond Fund of America℠	112,541	1,975,649
Capital World Bond Fund®	22,793	620,148
Intermediate Bond Fund of America®	45,479	1,209,136
Short-Term Bond Fund of America℠	37,111	398,308
U.S. Government Securities Fund℠	20,661	423,636
American Funds Mortgage Fund℠	9,614	103,844
Money market fund		
American Funds Money Market Fund®	903,623	1,006,432
American Funds College Target Date Series funds		
American Funds College 2015 Fund℠	25,452	273,537
American Funds College 2018 Fund℠	34,123	383,771
American Funds College 2021 Fund℠	33,296	389,436
American Funds College 2024 Fund℠	28,879	417,035
American Funds College 2027 Fund℠	21,871	382,030
American Funds College 2030 Fund℠	31,880	793,806
American Funds College Enrollment Fund℠	18,005	194,792
American Funds Portfolio Series℠ funds		
American Funds Global Growth Portfolio℠	23,123	153,207
American Funds Growth Portfolio℠	203,040	370,285
American Funds Growth and Income Portfolio℠	75,332	300,419
American Funds Balanced Portfolio℠	64,609	242,635
American Funds Income Portfolio℠	11,829	151,542
American Funds Preservation Portfolio℠	13,381	139,180
Total Assets		**$ 47,565,634**

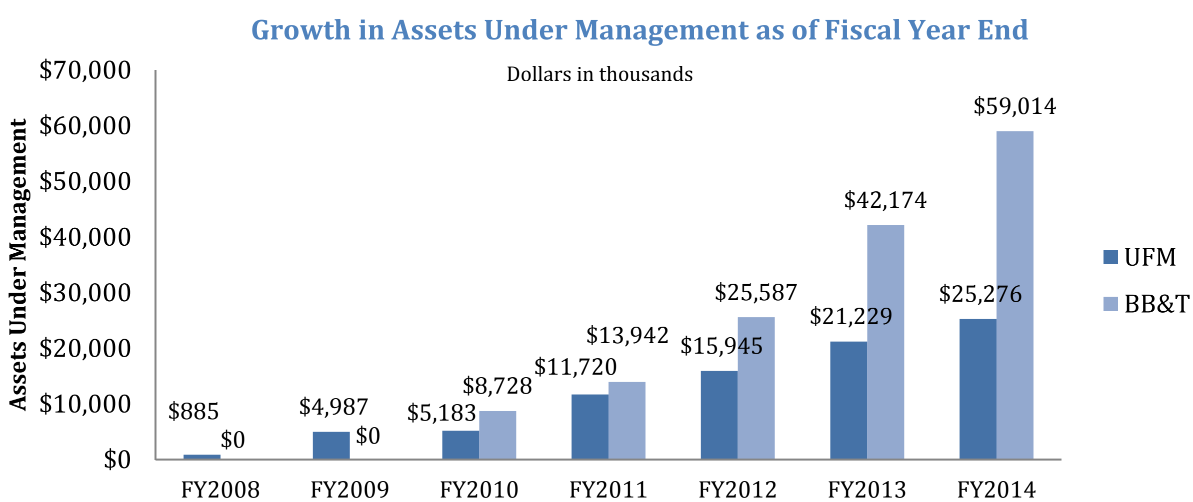
Data compiled from American Funds reports. Figures may not foot due to rounding

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 First Market Bank. 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 First Market Bank (UFM) 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, 2014 there were 13,826 unique active accounts with net assets in excess of $84 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.





VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia

BOARD MEMBERS
As of June 30, 2014

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Mr. Vincent D. Carpenter, Vice-Chairman

Mr. Peter A. Blake

Dr. Glenn DuBois

Ms. Manju Ganeriwala

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Mr. Philip R. Langham

Ms. Amy Nisenson

Ms. R. Fern Spencer

Mr. David A. Von Moll

Mr. John D. Whitlock

CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris

Attachment B

Actuarial Valuation Report

Virginia529 prePAID Program

for the year ended June 30, 2014

ACTUARIAL VALUATION
OF THE
VIRGINIA529 prePAID
AS OF JUNE 30, 2014

By:

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

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October 31, 2014

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 results of the actuarial valuation of the Virginia529 prePAID (prePAID) as of June 30, 2014.

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, 2014 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 2 of the 2014 Special Session I Acts of Assembly (2014 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 6.75% per year, net of investment related expenses (this is unchanged from the assumption used to prepare the prior year’s report); and,

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

	Universities	Community Colleges
Fall 2015 and thereafter	7.5%	7.5%

The tuition growth assumptions are unchanged from the prior year's report.

Summary of Results

The actuarial value of the obligations of the Virginia529 prePAID as of June 30, 2014 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	$2,114.8	n/a	n/a
Administrative Expenses	25.6	n/a	n/a
Grand Total	$2,140.4	$2,663.7	$523.3

As indicated above, the Virginia529 prePAID has assets that exceed the "best estimate" of the obligations by roughly $523.3 million or 24.4%. 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, 2014) 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 $25.6 million administrative expense obligation is equivalent to about $378 per contract.

Actuarial Gain/Loss Analysis

During the 2014 fiscal year, the actuarial reserve position of prePAID improved from a surplus of $219.5 million to a surplus of $523.3 million or 24.4% 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 higher than expected investment returns. Each of the factors affecting the change in the actuarial reserve/(deficit) is discussed below.

The actuarial surplus was expected to grow during the year by about $14.8 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 11.83% on a time-weighted basis and 11.77% on a dollar-weighted basis. For the previous valuation, a 6.75% rate of return was assumed. This produced a net actuarial gain of approximately $108.7 million.

The enrollment-weighted average university tuition and mandatory fee amount for the 2014-2015 school year increased by 5.6%, 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 4.7%, a smaller increase than the 7.5% rate assumed in the prior valuation. These smaller increases resulted in an actuarial gain of $27.7 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 11.83% (5.08% more than the 6.75% assumption). The higher than expected actual account balances resulted in an actuarial loss of approximately $8.2 million.

The Plan sold 3,795 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 $11.4 million from these new contracts.

prePAID received $42.3 million in administrative fee revenue from all the Plan programs, including CollegeAmerica. Total agency operating expenses were $19.5 million, of which $4.5 million was expected to be provided by the prePAID expense reserve. The balance of the fee revenue, $27.3 million, is an increase to the reserve.

The assumption for the reasonable rate was changed from 4.0% in all years to 0.08% for 2014-2015 and then 4.0% thereafter. The volatility and correlation assumptions for the investment returns and tuition increases were updated. The combined impact of these changes was a $17.4 million increase to the reserve.

Several demographic assumptions affecting the measurement of the obligations were modified based on a 2014 study that examined the experience of prePAID for the 10 year period ending June 30, 2013:

1. The assumption for the number of contracts that are cancelled or request a rollover prior to matriculation was increased from approximately 0.05% to 0.50% per year. This increased the reserve by approximately $12.2 million.

2. The assumptions for the proportion of contract units being redeemed for tuition at Virginia public universities, Virginia private colleges, out of state schools, or requesting a cancellation, transfer, or rollover were changed as follows:

	Previous Assumption	New Assumption
Virginia Public	80.0%	76.0%
Virginia Private	10.0%	7.6%
Out of State	10.0%	11.4%
Cancel/Transfer/Rollover	0.0%	5.0%

   This increased the reserve by approximately $48.9 million.

3. The assumptions for the beneficiary age at which units are first redeemed were modified slightly (see Appendix C). This decreased the reserve by approximately $5.1 million.

4. The assumption for the ratio of the average cost of a Virginia public university payout relative to enrollment-weighted average tuition was changed from 110% to 108%. The assumption for the ratio of the average cost of a Virginia community college payout relative to enrollment-weighted average community college tuition was changed from 100% to 101%. These two assumption changes increased the reserve by approximately $24.0 million.

Other experience gains added about $24.7 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, 2013	$ 219.5
Interest on the reserve at 6.75%	14.8
Investment gain (loss)	108.7
Tuition gain (loss)	27.7
Higher than expected actual account balances	(8.2)
Sales of new contracts	11.4
Administrative fee revenue from Virginia529	27.3
Change in demographic assumptions	80.0
Change in other assumptions	17.4
Other experience gains	24.7
Actuarial Reserve / (Deficit) as of June 30, 2014	$ 523.3

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, 2014	Probability of prePAID Funds Exceeding Obligation
80%	$1,712.3	7%
90%	1,926.4	25%
100%	2,140.4	50%
110%	2,354.5	74%
120%	2,568.5	87%
124%	2,663.7	91%*
130%	2,782.6	95%
140%	2,996.6	98%
150%	3,210.6	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, 2014 of $2,663.7 million is 124.4% of the actuarially determined "Best Estimate" Reserve amount of $2,140.4 million. As indicated in the above table, this prePAID fund balance is estimated to have a 91% 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 7.5% per year, and prePAID assets earn 6.50% each year. The starting Market Value of Invested Assets as of July 1, 2014 is $2,445.9 million. At the end of the 2039 Fiscal Year all tuition obligations associated with contracts already purchased are expected to have been paid resulting in a final cumulative surplus of $2,525.9 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 6.75% per year, and;

2) the tuition growth assumption for universities of 7.5% per year and the tuition growth assumption for community colleges of 7.5% 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

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Virginia529 prePAID

I. Statement of Assets as of June 30, 2014

	Investments	Market Value
1)	Equities	$ 965,558,654
2)	Fixed Income including Accrued Interest	1,327,096,896
3)	REIT Fund and Real Estate	75,088,562
4)	Cash & Cash Equivalents	60,620,393
5)	Prepaid Assets	67,296
6)	Other Receivables	3,930,522
7)	Accounts Receivable	12,323,672
8)	Property & Equipment	9,558,432
9)	Accounts Payable	(1,399,689)
10)	Accrued Liabilities	(6,707,603)
11)	Other Payables	(215,018)
	Total Market Value of Investments	$ 2,445,922,117
	Present Value of Installment Contract Receivables	217,829,355
	Value of Total Fund Assets	$ 2,663,751,472

II. Reconciliation of Investments

1)	Market Value of Investments at June 30, 2013	$ 2,180,163,752
2)	Contract Purchase Payments	128,291,622
3)	Application Fees	295,588
4)	Administrative Fee Revenue	42,333,292
5)	Interest and Dividends	55,746,736
6)	Realized and Unrealized Gains/(Losses)	202,705,920
7)	Tuition Payments, Refunds and Rollovers	(140,268,766)
8)	Administrative Expenses	(19,522,257)
9)	Investment Management Fees	(5,936,964)
10)	Net Transfers to the Commonwealth	(196,527)
11)	Net Effect of Changes in Accruals of Assets and Liabilities	2,309,720
12)	Market Value of Investments at June 30, 2014	$ 2,445,922,117

Time-weighted rate of return	11.83%
Dollar-weighted rate of return	11.77%

Appendix A

Virginia529 prePAID

Contract Data as of June 30, 2014 – Contracts Purchasing Tier I Units Only - Number of Contracts*

Matriculation Year	Total Years of Community College Purchased Total Years of University Purchased										Total by Payout Year	Percent of Total
	0	0	0	0	0	0	0	0	0	0		
	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5		
2000-2001	0	1	0	3	0	1	0	29	0	1	35	0.1%
2001-2002	0	3	0	2	0	0	0	50	0	2	57	0.1%
2002-2003	0	11	0	6	0	0	0	66	0	8	91	0.1%
2003-2004	0	5	0	14	0	4	0	114	0	5	142	0.2%
2004-2005	0	21	0	21	0	4	0	142	0	12	200	0.3%
2005-2006	0	34	0	41	0	6	0	266	0	20	367	0.6%
2006-2007	0	47	0	46	0	22	0	365	0	42	522	0.8%
2007-2008	0	45	0	74	0	13	0	485	0	44	661	1.0%
2008-2009	0	68	0	93	0	31	0	663	0	66	921	1.4%
2009-2010	0	84	0	112	0	44	0	932	0	93	1,265	2.0%
2010-2011	0	173	0	253	0	64	0	2,626	0	116	3,232	5.0%
2011-2012	0	233	0	296	0	107	0	2,857	0	127	3,620	5.6%
2012-2013	0	362	0	550	0	129	0	2,956	0	141	4,138	6.4%
2013-2014	0	473	1	639	0	158	1	2,988	0	126	4,386	6.8%
2014-2015	1	635	2	620	0	167	2	3,020	0	141	4,588	7.1%
2015-2016	1	575	3	666	1	125	3	2,962	0	120	4,456	6.9%
2016-2017	12	596	4	594	1	165	1	2,827	0	127	4,327	6.7%
2017-2018	56	636	9	578	5	165	2	2,628	1	144	4,224	6.6%
2018-2019	42	597	18	578	3	116	3	2,541	1	158	4,057	6.3%
2019-2020	56	515	13	527	6	122	1	2,262	0	136	3,638	5.7%
2020-2021	56	444	13	430	4	107	2	1,906	0	109	3,071	4.8%
2021-2022	66	486	14	462	16	118	3	1,884	1	127	3,177	4.9%
2022-2023	74	434	14	433	10	79	0	1,355	1	50	2,450	3.8%
2023-2024	53	398	14	314	9	75	2	1,230	0	54	2,149	3.3%
2024-2025	77	339	8	298	8	66	1	976	3	72	1,848	2.9%
2025-2026	74	295	18	244	6	39	2	839	0	43	1,560	2.4%
2026-2027	81	271	6	208	1	28	1	623	1	24	1,244	1.9%
2027-2028	68	266	15	210	6	38	2	547	1	30	1,183	1.8%
2028-2029	51	196	7	149	5	15	2	424	0	16	865	1.3%
2029-2030	54	172	7	105	0	9	1	325	0	11	684	1.1%
2030-2031	68	106	14	93	5	14	0	223	0	8	531	0.8%
2031-2032	84	77	9	70	1	4	0	152	1	9	407	0.6%
2032-2033	20	29	2	23	0	1	0	61	0	3	139	0.2%
Total	994	8,627	191	8,752	87	2,036	29	41,324	10	2,185	64,235	
Percent of Total	1.5%	13.4%	0.3%	13.6%	0.1%	3.2%	0.0%	64.3%	0.0%	3.4%		

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

Appendix B
(Page 1 of 4)

Virginia529 prePAID

Contract Data as of June 30, 2014 – Contracts Purchasing Tier II Units Only - Number of Contracts*

	Total Years of Community College Purchased Total Years of University Purchased												Total by	Percent
Matriculation	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	10	**Payout**	**of**
Year	0	0	0	0	0	0	0	0	0	0	0	0	**Year**	**Total**
2000-2001	0	1	0	5	0	0	0	0	0	0	0	0	6	0.2%
2001-2002	0	0	0	18	0	0	0	0	0	0	0	0	18	0.5%
2002-2003	0	2	0	13	0	0	0	0	0	0	0	0	15	0.5%
2003-2004	0	2	0	7	0	1	0	0	0	0	0	0	10	0.3%
2004-2005	0	4	0	21	0	3	0	0	0	0	0	0	28	0.8%
2005-2006	0	4	0	42	0	2	0	0	0	0	0	0	48	1.5%
2006-2007	0	1	0	28	0	4	0	0	0	0	0	0	33	1.0%
2007-2008	0	4	0	50	0	6	0	0	0	0	0	0	60	1.8%
2008-2009	0	3	0	40	0	4	0	0	0	0	0	0	47	1.4%
2009-2010	0	1	0	58	0	8	0	0	0	0	0	0	67	2.0%
2010-2011	0	20	0	82	0	6	0	0	0	0	0	0	108	3.3%
2011-2012	0	18	0	109	0	18	0	0	0	0	0	0	145	4.4%
2012-2013	1	37	0	167	0	28	0	0	0	0	0	0	233	7.1%
2013-2014	0	42	0	153	0	21	0	0	0	0	0	0	216	6.5%
2014-2015	0	57	0	174	0	32	0	0	0	0	0	0	263	8.0%
2015-2016	0	44	0	164	0	17	0	0	0	0	0	0	225	6.8%
2016-2017	2	53	0	145	0	12	0	2	0	0	0	0	214	6.5%
2017-2018	3	46	0	128	0	18	0	1	0	0	1	2	199	6.0%
2018-2019	7	35	0	101	1	16	0	0	0	0	0	2	162	4.9%
2019-2020	5	39	0	89	0	19	0	2	0	0	1	1	156	4.7%
2020-2021	2	41	1	90	1	11	0	1	0	2	0	0	149	4.5%
2021-2022	4	42	2	91	1	11	0	1	0	0	0	1	153	4.6%
2022-2023	5	37	0	83	1	3	0	1	0	0	0	0	130	3.9%
2023-2024	7	41	1	65	0	9	0	1	0	0	0	1	125	3.8%
2024-2025	1	35	0	45	1	5	0	0	0	0	0	0	87	2.6%
2025-2026	2	33	1	39	0	4	0	0	0	0	0	2	81	2.5%
2026-2027	4	12	0	40	0	11	0	1	0	0	0	0	68	2.1%
2027-2028	6	16	0	34	0	5	0	0	0	1	0	0	62	1.9%
2028-2029	5	19	0	33	0	1	0	1	0	0	0	0	59	1.8%
2029-2030	5	11	0	34	0	2	0	0	0	0	0	0	52	1.6%
2030-2031	12	10	0	16	1	1	1	3	0	0	0	0	44	1.3%
2031-2032	8	6	0	12	0	1	0	0	0	0	0	0	27	0.8%
2032-2033	0	7	0	4	0	0	0	0	0	0	0	0	11	0.3%
Total	79	723	5	2,180	6	279	1	14	0	3	2	9	3,301	
Percent of Total	2.4%	21.9%	0.2%	66.0%	0.2%	8.5%	0.0%	0.4%	0.0%	0.1%	0.1%	0.3%		

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

Virginia529 prePAID

Contract Data as of June 30, 2014 – Contracts Purchasing Tier I and Tier II Units - Number of Contracts*

Matriculation Year	Total Years of Community College Purchased / Total Years of University Purchased																													Total by Payout Year	Percent of Total
	0.5	0.5	0.5	0.5	1	1	1	1	1	1	1	1	1.5	1.5	2	2	2	2	2	2	2.5	3	3	3	3	3	4	5	10		
	0.5	1	1.5	2	0.5	1	1.5	2	2.5	3	4	5	1	1.5	1	1.5	2	3	4	5	1.5	1	2	3	4	5	4	5	5		
2000-2001	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	1	0.0%
2001-2002	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	4	0.1%
2002-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	2	0	0	0	0	0	0	0	1	0	0	0	0	6	0.2%
2003-2004	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	6	1	0	0	0	0	0	0	0	0	0	0	0	9	0.3%
2004-2005	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	9	0	1	0	0	0	0	0	0	0	0	0	0	12	0.4%
2005-2006	0	0	0	0	0	0	0	1	0	0	0	0	0	0	2	0	15	0	1	0	0	0	0	0	0	1	0	0	0	20	0.7%
2006-2007	0	0	0	0	0	2	0	1	0	0	1	0	0	0	2	0	27	1	1	1	0	0	0	0	0	0	0	0	0	36	1.2%
2007-2008	0	0	0	0	0	2	0	0	0	1	0	0	0	0	0	0	30	1	0	0	0	1	0	0	0	0	0	0	0	35	1.2%
2008-2009	0	0	0	0	0	5	0	2	0	3	0	0	0	0	6	0	44	0	0	0	0	1	0	0	0	3	0	0	0	64	2.2%
2009-2010	0	0	0	0	0	9	0	0	0	2	0	0	0	0	2	0	69	2	0	1	0	1	0	0	0	1	0	0	0	87	3.0%
2010-2011	0	0	0	0	0	6	0	5	0	7	1	0	0	0	2	0	126	4	0	1	0	2	0	1	0	3	0	0	0	158	5.4%
2011-2012	0	0	0	0	0	9	0	8	0	6	0	0	0	0	7	0	142	1	2	0	0	1	1	0	0	3	0	0	0	180	6.1%
2012-2013	0	0	0	0	0	15	0	9	0	10	2	0	0	0	9	0	129	3	0	0	0	1	1	1	0	1	0	0	0	181	6.1%
2013-2014	0	0	0	0	0	18	0	11	0	18	2	0	0	0	4	0	155	3	1	1	0	0	2	1	0	2	0	0	0	218	7.4%
2014-2015	0	0	0	0	0	15	0	8	0	19	0	1	0	0	16	0	176	3	0	0	0	0	0	0	0	1	0	0	0	239	8.1%
2015-2016	0	0	0	0	0	16	0	5	0	6	0	0	0	0	21	0	137	1	0	0	0	2	0	1	0	3	0	0	0	192	6.5%
2016-2017	0	0	0	1	0	10	0	6	0	7	0	1	0	0	17	0	151	0	3	0	0	1	0	0	0	2	0	0	0	199	6.8%
2017-2018	1	1	1	0	1	22	0	5	0	7	0	0	2	0	9	0	145	5	1	0	0	1	0	0	0	1	0	0	0	202	6.9%
2018-2019	0	1	0	0	0	14	0	3	0	7	0	0	0	0	7	1	134	2	0	0	0	3	0	1	0	1	0	0	0	174	5.9%
2019-2020	1	0	0	0	0	23	0	3	0	8	1	1	0	0	8	1	133	3	0	0	0	1	0	0	0	2	0	0	0	185	6.3%
2020-2021	0	0	0	0	0	10	0	3	0	4	2	0	0	1	10	0	96	4	0	0	0	2	0	0	0	0	0	0	0	132	4.5%
2021-2022	1	1	0	0	0	11	0	0	1	4	2	0	0	0	6	0	93	1	0	1	0	3	0	1	0	4	0	0	0	129	4.4%
2022-2023	0	0	0	0	0	6	0	4	0	5	1	0	0	0	6	1	71	4	0	0	0	3	1	0	0	0	0	1	0	103	3.5%
2023-2024	0	0	0	0	1	3	0	3	0	7	2	0	0	0	8	0	62	3	1	0	0	0	0	0	0	2	0	0	0	92	3.1%
2024-2025	0	0	0	0	1	2	1	2	0	5	0	1	0	0	7	0	51	0	0	1	0	1	0	0	0	1	0	0	0	73	2.5%
2025-2026	0	0	0	0	1	2	2	7	0	3	0	0	0	0	4	0	36	4	0	0	0	0	0	0	0	1	0	0	0	60	2.0%
2026-2027	0	0	0	0	0	3	0	1	0	3	1	0	0	0	5	0	24	0	0	0	0	0	0	0	0	1	0	0	0	38	1.3%
2027-2028	1	0	0	0	1	3	0	2	0	2	1	0	0	0	3	0	25	1	0	1	0	0	1	0	0	0	0	0	0	41	1.4%
2028-2029	0	0	0	0	0	3	0	2	0	3	1	0	0	0	2	0	13	0	0	0	1	0	0	0	0	0	0	0	0	25	0.8%
2029-2030	0	0	0	0	1	2	0	2	0	1	0	0	0	0	0	0	13	0	0	0	0	0	0	0	0	0	0	0	0	19	0.6%
2030-2031	0	0	1	0	0	2	0	2	0	0	0	0	0	0	3	0	9	0	1	1	0	0	0	0	0	0	0	0	1	20	0.7%
2031-2032	2	0	0	0	2	0	0	0	0	1	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	10	0.3%
2032-2033	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	4	0.1%
Total	6	3	2	1	8	214	3	96	1	142	18	4	2	1	169	3	2,135	47	12	8	1	24	6	6	1	33	0	1	1	2,948	
Percent of Total	0.2%	0.1%	0.1%	0.0%	0.3%	7.3%	0.1%	3.3%	0.0%	4.8%	0.6%	0.1%	0.1%	0.0%	5.7%	0.1%	72.4%	1.6%	0.4%	0.3%	0.0%	0.8%	0.2%	0.2%	0.0%	1.1%	0.0%	0.0%	0.0%		

* Table only includes contracts with at least one semester of tuition remaining.
The table excludes 6 records that do not fit into any of the combinations shown.

Virginia529 prePAID

Participant Data as of June 30, 2014 – Remaining Years of Tuition

Expected Payout Year	University Years	Community College Years
2014-2015	20,069	1,236
2015-2016	17,811	1,059
2016-2017	16,845	913
2017-2018	16,136	875
2018-2019	14,473	734
2019-2020	13,800	715
2020-2021	12,756	661
2021-2022	11,653	595
2022-2023	10,287	533
2023-2024	8,917	468
2024-2025	7,660	398
2025-2026	6,349	335
2026-2027	5,264	277
2027-2028	4,386	236
2028-2029	3,576	199
2029-2030	2,831	163
2030-2031	2,233	137
2031-2032	1,708	103
2032-2033	1,186	74
2033-2034	726	44
2034-2035	407	25
2035-2036	192	14
2036-2037	71	8
2037-2038	28	4
2038-2039	6	1
Total	179,370	9,807

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 6.75%, 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%	4.00%	9.50%	6.00%	4.18%	9.00%	7.58%	7.64%
Standard Deviation	2.00%	2.00%	17.35%	10.45%	4.75%	15.05%	4.60%	7.10%
Correlation:								
Inflation	1.00	0.56	0.21	0.02	0.19	0.24	0.16	0.00
Reasonable Rate		1.00	0.21	0.15	0.44	-0.01	-0.01	-0.41
Global Equity			1.00	0.58	0.06	0.56	0.04	-0.04
Non-Core Fixed Income				1.00	0.55	0.34	0.39	0.39
Core Fixed Income					1.00	-0.24	0.25	0.25
Alternative Investments						1.00	-0.20	-0.14
University Tuition							1.00	0.80
CC Tuition								1.00

Based on the economic assumptions above, the expected long-term annualized compound rate of return on investments is 6.75%. The expected long-term annualized compound rate of tuition growth is 7.5% per year for university and community college tuition. The Reasonable Rate for 2014-2015 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, and 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 a 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 = $53.96
Annual Distribution Cost per Contract in Payment Status = $23.89

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 2014-2015

School	Tuition and Fees 2014-2015	Fall On Campus In-State Undergraduate FTE for 2014-2015	Percent Distribution
Christopher Newport	$11,646	4,822	3.69%
George Mason	$10,382	17,835	13.66%
James Madison	$9,662	13,114	10.05%
Longwood	$11,580	4,025	3.08%
Mary Washington	$10,312	3,805	2.91%
Norfolk State	$7,552	4,956	3.80%
Old Dominion	$9,250	16,004	12.26%
Radford	$9,360	8,183	6.27%
University of Virginia	$13,006	10,183	7.80%
UVA - Wise	$8,868	1,501	1.15%
Virginia Commonwealth - 2014 Students	$12,398	5,052	3.87%
Virginia Commonwealth - 2013 Students	$12,398	5,052	3.87%
Virginia Commonwealth - Returning Students	$10,635	10,104	7.74%
Virginia Military Institute	$15,518	921	0.71%
Virginia Tech	$12,017	17,402	13.33%
Virginia State	$8,002	3,442	2.64%
William & Mary - 2014 Students	$17,656	1,036	0.79%
William & Mary - 2013 Students	$15,656	1,036	0.79%
William & Mary - Returning Students	$14,274	2,071	1.59%
Weighted Average Tuition and Fees*	**$10,797**	130,542	100.00%

* Assumes that 2013 and 2014 students are each 25% of total FTE for William & Mary and Virginia Commonwealth.

Virginia529 prePAID

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

School	Tuition and Fees 2014-2015	Annualized In-State FTE Academic Year 2013-2014	Percent Distribution
Blue Ridge	$5,114	2,779	2.41%
Central Virginia	$4,544	2,607	2.26%
Dabney S. Lancaster	$4,432	714	0.62%
Danville	$4,432	2,518	2.18%
Eastern Shore	$4,448	491	0.43%
Germanna	$4,640	4,347	3.76%
J Sargeant Reynolds	$4,723	7,694	6.66%
John Tyler	$4,352	5,601	4.85%
Lord Fairfax	$4,475	3,907	3.38%
Mountain Empire	$4,448	1,841	1.59%
New River	$4,434	2,739	2.37%
Northern Virginia	$5,176	32,061	27.76%
Patrick Henry	$4,443	2,107	1.82%
Paul D Camp	$4,420	837	0.72%
Piedmont Virginia	$4,516	2,900	2.51%
Rappahannock	$4,534	1,866	1.62%
Richard Bland	$5,058	1,018	0.88%
Southside Virginia	$4,432	3,476	3.01%
Southwest Virginia	$4,416	1,738	1.50%
Thomas Nelson	$4,443	6,724	5.82%
Tidewater	$5,205	19,026	16.47%
Virginia Highlands	$4,448	1,588	1.37%
Virginia Western	$4,771	4,930	4.27%
Wytheville	$4,448	1,992	1.72%
Weighted Average Tuition and Fees	**$4,835**	115,501	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%

* 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:	6.4%	11.7%
Over last 10 years:	6.9%	9.2%
Over last 15 years	7.4%	10.0%
Over last 20 years:	5.4%	6.6%
Over last 25 years:	6.0%	7.5%

Virginia529 prePAID

Cash Flow Projection
(amounts in millions)

Fiscal Year	Beginning Balance	Installment Payments*	Tuition Benefits	Expenses	Investment Income	Ending Balance
2015	$2,445.9	$52.6	$224.3	$4.1	$149.6	$2,419.7
2016	2,419.7	44.6	214.0	4.0	148.1	2,394.4
2017	2,394.4	36.5	217.9	3.7	146.1	2,355.4
2018	2,355.4	29.6	225.2	3.5	142.9	2,299.2
2019	2,299.2	24.5	217.8	3.0	139.7	2,242.6
2020	2,242.6	20.1	223.5	2.7	135.4	2,171.9
2021	2,171.9	16.9	222.4	2.5	131.0	2,094.9
2022	2,094.9	13.7	219.1	2.2	125.9	2,013.2
2023	2,013.2	11.1	209.2	2.0	121.0	1,934.1
2024	1,934.1	8.6	196.2	1.7	116.5	1,861.3
2025	1,861.3	6.5	182.3	1.4	112.2	1,796.3
2026	1,796.3	4.9	163.7	1.2	108.9	1,745.2
2027	1,745.2	3.5	146.3	1.0	106.4	1,707.8
2028	1,707.8	2.4	131.5	0.8	104.7	1,682.6
2029	1,682.6	1.5	115.5	0.7	103.8	1,671.7
2030	1,671.7	0.8	98.4	0.5	103.9	1,677.5
2031	1,677.5	0.4	83.5	0.4	105.1	1,699.1
2032	1,699.1	0.1	68.5	0.3	107.1	1,737.5
2033	1,737.5	0.0	51.1	0.2	110.5	1,796.7
2034	1,796.7	0.0	33.4	0.1	115.1	1,878.3
2035	1,878.3	0.0	20.1	0.1	121.2	1,979.3
2036	1,979.3	0.0	10.2	0.0	128.1	2,097.2
2037	2,097.2	0.0	4.1	0.0	136.0	2,229.1
2038	2,229.1	0.0	1.7	0.0	144.8	2,372.2
2039	2,372.2	0.0	0.4	0.0	154.1	2,525.9

* Future installment payments for contracts as of June 30, 2014.

Virginia529 prePAID

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.

Virginia529 prePAID

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.

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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.

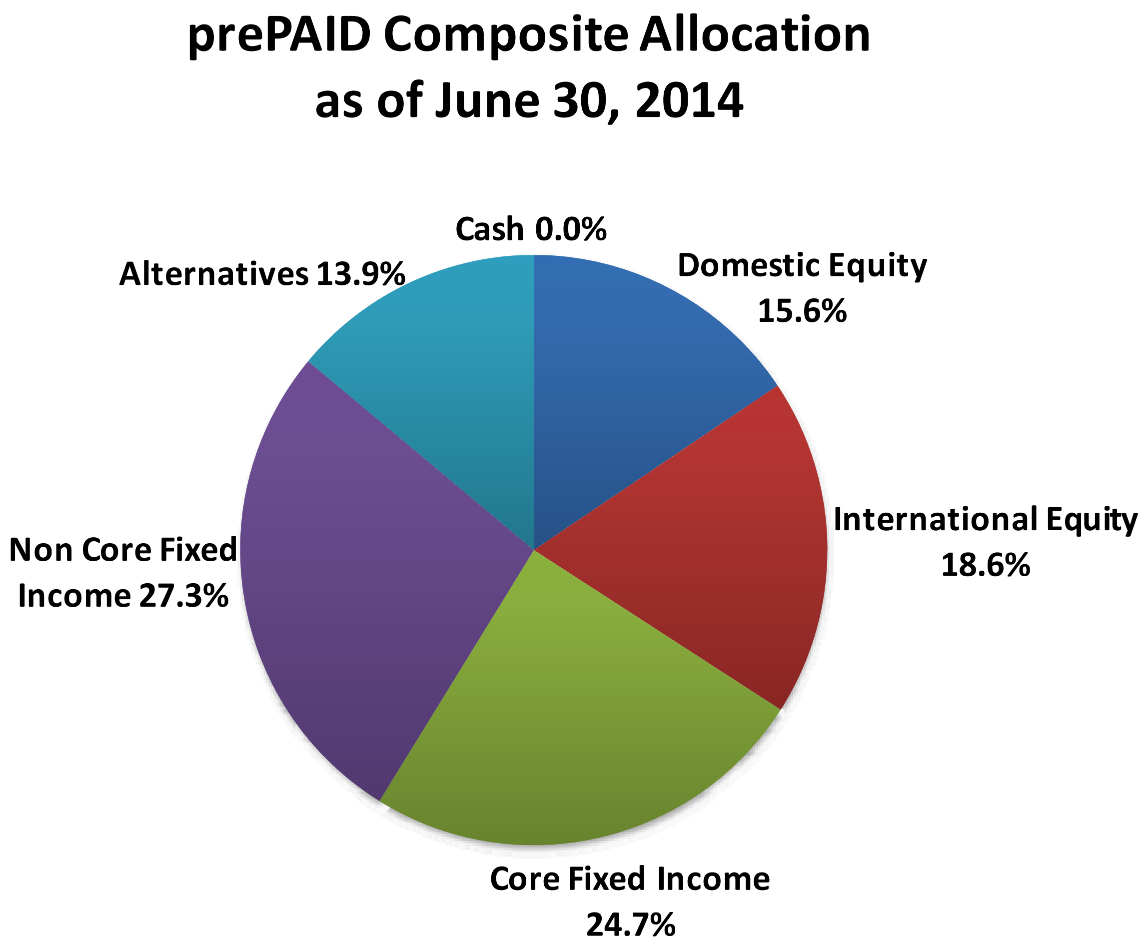
Attachment C

Asset Allocation and Performance

Virginia529 prePAID Program

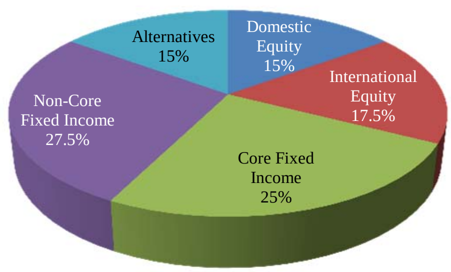
June 30, 2014

Total Plan
prePAID Allocation



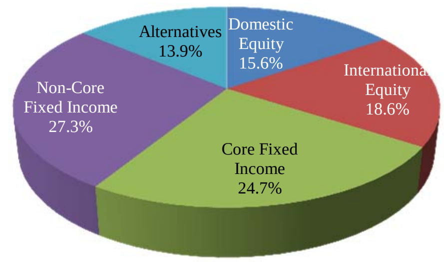
*May not add to 100% due to rounding

Target Allocation

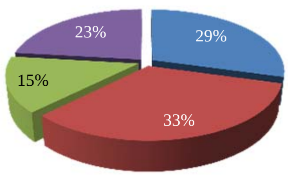


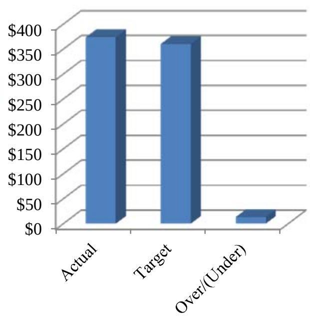
Asset Class	Over/(Under) Target	
	Dollars	% of Total Fund
Domestic Equity	13,387,812	0.6%
International Equity	25,593,230	1.1%
Core Fixed Income	(7,563,715)	-0.3%
Non-Core Fixed Income	(5,057,318)	-0.2%
Alternatives	(26,360,009)	-1.1%

Actual

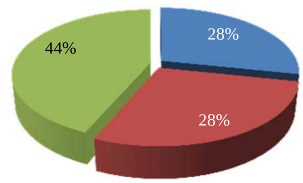


Domestic Equity

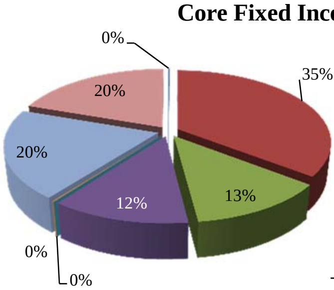


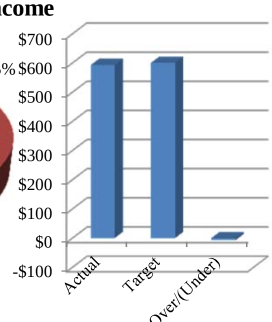


International Equity

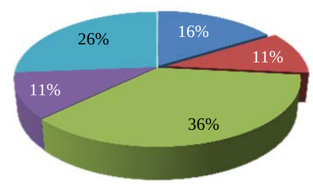


Core Fixed Income

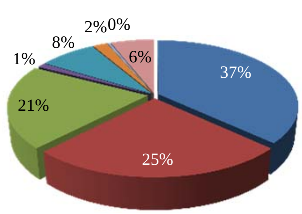


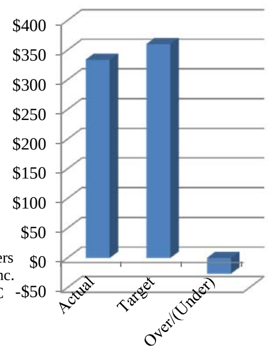


Non-Core Fixed Income



Alternatives





Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current Allocation	Target Allocation	Ending June 30, 2014 3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return Since Inception Return	Since
Total Fund	**$2,401,641,359**	**100.0%**	**100.0%**	**2.9%**	**4.7%**	**11.8%**	**7.0%**	**11.5%**	**6.7%**	**6.7%**	**Oct-97**
Total Fund less Private Equity	**$2,350,495,022**	**97.9%**	**--**	**2.9%**	**4.7%**	**11.9%**	**7.0%**	**11.6%**	**6.7%**	**6.8%**	**Oct-97**
prePAID Total Fund Index				*3.6%*	*5.6%*	*13.7%*	*8.2%*	*11.2%*	*6.0%*	*5.9%*	*Oct-97*
prePAID Total Equity	**$819,713,453**	**34.1%**	**32.5%**	**3.9%**	**6.2%**	**22.2%**	**10.7%**	**16.6%**	**8.2%**	**7.5%**	**Oct-97**
Total Equity Index				*5.2%*	*6.5%*	*23.6%*	*10.9%*	*14.8%*	*6.7%*	*5.6%*	*Oct-97*
prePAID Total Domestic Equity	**$373,725,848**	**15.6%**	**15.0%**	**3.8%**	**6.9%**	**27.1%**	**15.6%**	**20.7%**	**9.5%**	**8.3%**	**Oct-97**
Domestic Equity Policy Index				*4.9%*	*6.9%*	*25.2%*	*16.5%*	*19.3%*	*8.1%*	*6.6%*	*Oct-97*
Vanguard Institutional Index	$109,742,948	4.6%	7.5%	5.2%	7.0%	24.4%	16.5%	18.7%	7.8%	3.6%	Jan-00
S&P 500 Index (Total Return)				*5.2%*	*7.1%*	*24.6%*	*16.6%*	*18.8%*	*7.8%*	*4.0%*	*Jan-00*
Westfield Capital Management	$123,800,231	5.2%	2.5%	1.7%	5.2%	28.2%	14.7%	23.3%	12.7%	13.0%	Oct-03
Russell 2500 Growth				*2.9%*	*4.0%*	*26.3%*	*14.9%*	*21.7%*	*9.9%*	*10.9%*	*Oct-03*
Thompson, Siegel and Walmsley	$86,433,575	3.6%	2.5%	5.3%	9.3%	32.6%	19.3%	20.9%	10.4%	12.4%	Oct-03
TSW Custom Benchmark[1]				*4.2%*	*7.9%*	*24.9%*	*16.0%*	*21.1%*	*8.8%*	*10.5%*	*Oct-03*
Donald Smith and Company	$53,749,094	2.2%	2.5%	3.7%	7.0%	23.8%	11.5%	18.7%	11.5%	14.3%	Oct-03
Russell 2000 Value				*2.4%*	*4.2%*	*22.5%*	*14.6%*	*19.9%*	*8.2%*	*9.9%*	*Oct-03*
prePAID Total International Equity	**$445,987,605**	**18.6%**	**17.5%**	**4.1%**	**5.3%**	**17.0%**	**5.8%**	**11.6%**	**8.6%**	**7.0%**	**Oct-97**
*International Equity BM*****				*5.4%*	*5.7%*	*20.1%*	*4.9%*	*11.0%*	*7.9%*	*5.7%*	*Oct-97*
Capital Research American Funds	$126,232,708	5.3%	5.0%	3.0%	3.7%	22.3%	7.4%	12.0%	9.1%	9.1%	Nov-01
MSCI EAFE (Gross)				*4.3%*	*5.1%*	*24.1%*	*8.6%*	*12.3%*	*7.4%*	*7.9%*	*Nov-01*
Franklin Templeton	$125,572,239	5.2%	5.0%	2.1%	3.7%	22.3%	7.2%	11.4%	8.2%	6.8%	Aug-97
MSCI EAFE (Gross)				*4.3%*	*5.1%*	*24.1%*	*8.6%*	*12.3%*	*7.4%*	*5.2%*	*Aug-97*
Aberdeen Asset Management	$194,182,658	8.1%	7.5%	6.1%	7.3%	8.9%	3.1%	--	--	9.4%	Nov-09
MSCI EM (Emerging Markets)				*6.7%*	*6.3%*	*14.7%*	*-0.1%*	*9.6%*	*12.3%*	*5.8%*	*Nov-09*

*Total Fund Index: 35.0% MSCI ACWI Index, 3.3% NCREIF ODCE Index, 0.7% Russell 3000 + 3%, 6.2% Citigroup 3-Month T-Bill + 3.5%, 2.1% Citigroup 3-Month T-Bill +4%, 10.0% Barclays US Corporate High Yield Index, 7.7% BofA ML US Convertibles Index, 10.0% JPMorgan EMBI, 10.0% Barclays US Ag Index, 10.0% 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

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, 2014							
prePAID Alternatives	**$334,219,110**	**13.9%**	**15.0%**	**2.0%**	**2.3%**	**5.2%**	**4.3%**	**13.0%**	**--**	**4.3%**	**May-05**
Alternatives BM				*2.1%*	*3.7%*	*8.2%*	*7.1%*	*17.6%*	*--*	*5.1%*	*May-05*
Harmonic Capital Partners[1]	$84,540,144	3.5%	--	6.3%	-3.8%	-6.5%	--	--	--	3.7%	Jan-12
T-Bills + 4%				*1.0%*	*2.0%*	*4.0%*	*--*	*--*	*--*	*3.9%*	*Jan-12*
Aventura	$7,074,373	0.3%	--	3.6%	5.1%	8.1%	8.1%	1.8%	--	2.0%	Apr-08
NCREIF Property Index[2]				*2.7%*	*5.3%*	*11.2%*	*11.7%*	*7.9%*	*8.7%*	*3.9%*	*Apr-08*
Aurora Offshore	$123,202,940	5.1%	--	-0.1%	2.6%	6.2%	3.2%	--	--	3.5%	Mar-10
T-BILLS + 3.5%				*0.9%*	*1.8%*	*3.5%*	*3.6%*	*--*	*--*	*3.5%*	*Mar-10*
Private Advisors[3]	$19,939,302	0.8%	--	4.5%	8.0%	12.6%	1.0%	--	--	-1.7%	Oct-10
Russell 3000 + 3%				*5.4%*	*8.2%*	*28.2%*	*19.5%*	*--*	*--*	*21.3%*	*Oct-10*
Adams Street Partners[3]	$26,146,440	1.1%	--	1.3%	6.6%	8.6%	-2.5%	--	--	-0.5%	Jan-11
Russell 3000 + 3%				*5.4%*	*8.2%*	*28.2%*	*19.5%*	*--*	*--*	*18.9%*	*Jan-11*
Aether[3]	$1,351,566	0.1%	--	-3.2%	-3.2%	--	--	--	--	-3.2%	Dec-13
Russell 3000 + 3%				*5.4%*	*8.2%*	*28.2%*	*19.5%*	*--*	*--*	*11.4%*	*Dec-13*
Commonfund[3]	$3,709,029	0.2%	--	-3.7%	-3.7%	-7.4%	--	--	--	-20.7%	Nov-12
Russell 3000 + 3%				*5.4%*	*8.2%*	*28.2%*	*19.5%*	*--*	*--*	*28.4%*	*Nov-12*
UBS Trumbull	$68,255,316	2.8%	--	2.3%	4.3%	10.2%	9.8%	--	--	9.3%	Jan-11
NCREIF NFI ODCE[4]				*2.5%*	*5.8%*	*13.8%*	*13.1%*	*--*	*--*	*12.4%*	*Jan-11*
prePAID Non Core Fixed Income	**$655,562,415**	**27.3%**	**27.5%**	**3.0%**	**5.5%**	**10.0%**	**6.9%**	**10.9%**	**--**	**6.2%**	**May-05**
Non Core Fixed BM				*3.5%*	*6.8%*	*13.2%*	*9.2%*	*13.5%*	*--*	*7.2%*	*May-05*
Prudential High Yield	$236,980,569	9.9%	10.0%	2.2%	4.2%	9.0%	7.8%	--	--	9.2%	Nov-09
Barclays Capital High Yield				*2.4%*	*5.5%*	*11.7%*	*9.5%*	*14.0%*	*9.1%*	*11.4%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*2.4%*	*5.4%*	*11.2%*	*9.2%*	*12.4%*	*8.3%*	*10.5%*	*Nov-09*
Advent Capital Management	$105,890,630	4.4%	7.5%	0.6%	2.5%	--	--	--	--	6.8%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*2.6%*	*5.5%*	*17.2%*	*7.6%*	*11.3%*	*7.0%*	*14.3%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*1.0%*	*3.3%*	*8.8%*	*3.7%*	*6.5%*	*--*	*6.8%*	*Sep-13*
Ferox Capital	$68,820,374	2.9%	7.5%	1.1%	2.4%	--	--	--	--	6.2%	Aug-13
BofA Merrill Lynch Global 300 Convertible Index				*2.6%*	*5.5%*	*17.2%*	*7.6%*	*11.3%*	*7.0%*	*13.1%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*1.0%*	*3.3%*	*8.8%*	*3.7%*	*6.5%*	*--*	*6.8%*	*Aug-13*
Wellington Management	$172,416,104	7.2%	--	5.8%	9.9%	11.9%	7.9%	--	--	9.0%	Dec-09
JPMorgan EMBI Index				*5.4%*	*9.1%*	*11.0%*	*7.6%*	*10.4%*	*9.5%*	*8.8%*	*Dec-09*
Stone Harbor	$71,454,738	3.0%	--	4.4%	7.3%	4.8%	2.3%	--	--	3.3%	Apr-11
Stone Harbor Custom Benchmark[5]				*4.4%*	*7.3%*	*7.7%*	*4.3%*	*--*	*--*	*5.2%*	*Apr-11*
prePAID Core Fixed Income	**$592,146,380**	**24.7%**	**25.0%**	**1.7%**	**3.0%**	**3.6%**	**3.0%**	**5.5%**	**4.6%**	**5.5%**	**Oct-97**
Core Fixed Income Benchmark				*2.0%*	*3.6%*	*3.8%*	*3.2%*	*4.4%*	*4.6%*	*5.3%*	*Oct-97*
Vanguard Intermediate Corporate	$74,039,598	3.1%	10.0%	2.9%	6.1%	--	--	--	--	5.3%	Nov-13
Barclays US Corporate 5-10 Year				*3.0%*	*5.9%*	*8.0%*	*6.5%*	*9.1%*	*6.3%*	*5.2%*	*Nov-13*
Vanguard Mortgage Backed Securities	$72,739,341	3.0%	10.0%	2.3%	3.9%	--	--	--	--	2.9%	Nov-13
Barclays US MBS Float Adjusted				*2.2%*	*3.8%*	*4.6%*	*2.8%*	*3.9%*	*--*	*2.9%*	*Nov-13*
SSgA TIPS	$118,125,995	4.9%	10.0%	3.8%	5.8%	4.1%	3.4%	--	--	4.5%	Dec-10
Barclays Capital US TIPS				*3.8%*	*5.8%*	*4.4%*	*3.6%*	*5.6%*	*5.3%*	*4.1%*	*Dec-10*
Shenkman Capital Management	$209,731,131	8.7%	10.0%	1.0%	1.9%	--	--	--	--	4.2%	Sep-13
Credit Suisse Leveraged Loans				*1.5%*	*0.9%*	*6.1%*	*5.7%*	*8.8%*	*5.0%*	*5.0%*	*Sep-13*
INVESCO Institutional	$116,599,993	4.9%	5.0%	0.5%	0.9%	2.0%	2.6%	3.1%	3.8%	4.4%	Jan-00
Stable Value Custom BM				*0.3%*	*0.5%*	*1.0%*	*1.1%*	*1.1%*	*2.4%*	*3.4%*	*Jan-00*
BlackRock	$187,367	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%*	*1.5%*	*0.1%*	*Apr-10*

*Alternatives BM: 25% NCREIF ODCE Index, 17% Russell 3000 + 3%, 40% Citigroup 3-Month T-Bill + 3.5%, 18% 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

Name	Current Market Value	Current Allocation	Target Allocation	Ending June 30, 2014												Return Since Inception	
				3 Mo	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return	Since
Total Fund	**$2,401,641,359**	**100.0%**	**100.0%**	**2.9%**	*85*	**4.8%**	*80*	**12.0%**	*98*	**7.1%**	*94*	**11.7%**	*77*	**7.0%**	*62*	**7.0%**	**Oct-97**
Total Fund less Private Equity	**$2,350,495,022**	**97.9%**	**--**	**2.9%**	--	**4.8%**	--	**12.1%**	--	**7.2%**	--	**11.8%**	--	**7.0%**	--	**7.0%**	**Oct-97**
prePAID Total Fund Index				*3.6%*	*60*	*5.6%*	*54*	*13.7%*	*97*	*8.2%*	*87*	*11.2%*	*81*	*6.0%*	*92*	*5.9%*	*Oct-97*
prePAID Total Equity	**$819,713,453**	**34.1%**	**32.5%**	**4.0%**	--	**6.3%**	--	**22.5%**	--	**10.9%**	--	**16.9%**	--	**8.6%**	--	**7.8%**	**Oct-97**
Total Equity Index				*5.2%*	--	*6.5%*	--	*23.6%*	--	*10.9%*	--	*14.8%*	--	*6.7%*	--	*5.6%*	*Oct-97*
prePAID Total Domestic Equity	**$373,725,848**	**15.6%**	**15.0%**	**4.0%**	--	**7.2%**	--	**27.8%**	--	**16.2%**	--	**21.3%**	--	**10.0%**	--	**8.7%**	**Oct-97**
Domestic Equity Policy Index				*4.9%*	--	*6.9%*	--	*25.2%*	--	*16.5%*	--	*19.3%*	--	*8.1%*	--	*6.6%*	*Oct-97*
Vanguard Institutional Index	$109,742,948	4.6%	7.5%	5.2%	20	7.0%	42	24.4%	49	16.5%	28	18.7%	33	7.8%	27	3.6%	Jan-00
S&P 500 Index (Total Return)				*5.2%*	*20*	*7.1%*	*24*	*24.6%*	*30*	*16.6%*	*26*	*18.8%*	*27*	*7.8%*	*26*	*4.0%*	*Jan-00*
Westfield Capital Management	$123,800,231	5.2%	2.5%	1.9%	40	5.6%	22	29.1%	19	15.5%	35	24.1%	13	13.6%	6	13.9%	Oct-03
Russell 2500 Growth				*2.9%*	*27*	*4.0%*	*36*	*26.3%*	*36*	*14.9%*	*43*	*21.7%*	*42*	*9.9%*	*75*	*10.9%*	*Oct-03*
Thompson, Siegel and Walmsley	$86,433,575	3.6%	2.5%	5.5%	8	9.7%	4	33.5%	4	20.2%	9	21.8%	51	11.2%	33	13.3%	Oct-03
TSW Custom Benchmark [1]				*4.2%*	*24*	*7.9%*	*12*	*24.9%*	*63*	*16.0%*	*57*	*21.1%*	*63*	*8.8%*	*89*	*10.5%*	*Oct-03*
Donald Smith and Company	$53,749,094	2.2%	2.5%	3.9%	28	7.5%	13	24.9%	64	12.4%	94	19.7%	86	12.5%	13	15.3%	Oct-03
Russell 2000 Value				*2.4%*	*68*	*4.2%*	*64*	*22.5%*	*80*	*14.6%*	*78*	*19.9%*	*84*	*8.2%*	*96*	*9.9%*	*Oct-03*
prePAID Total International Equity	**$445,987,605**	**18.6%**	**17.5%**	**4.1%**	--	**5.3%**	--	**17.0%**	--	**5.8%**	--	**11.6%**	--	**8.6%**	--	**7.0%**	**Oct-97**
*International Equity BM*****				*5.4%*	--	*5.7%*	--	*20.1%*	--	*4.9%*	--	*11.0%*	--	*7.9%*	--	*5.7%*	*Oct-97*
Capital Research American Funds	$126,232,708	5.3%	5.0%	3.0%	70	3.7%	60	22.3%	47	7.4%	51	12.0%	53	9.1%	20	9.1%	Nov-01
MSCI EAFE (Gross)				*4.3%*	*29*	*5.1%*	*39*	*24.1%*	*34*	*8.6%*	*30*	*12.3%*	*47*	*7.4%*	*50*	*7.9%*	*Nov-01*
Franklin Templeton	$125,572,239	5.2%	5.0%	2.1%	85	3.7%	60	22.3%	47	7.2%	54	11.4%	66	8.2%	35	6.8%	Aug-97
MSCI EAFE (Gross)				*4.3%*	*29*	*5.1%*	*39*	*24.1%*	*34*	*8.6%*	*30*	*12.3%*	*47*	*7.4%*	*50*	*5.2%*	*Aug-97*
Aberdeen Asset Management	$194,182,658	8.1%	7.5%	6.1%	63	7.3%	29	8.9%	83	3.1%	19	--	--	--	--	9.4%	Nov-09
MSCI EM (Emerging Markets)				*6.7%*	*49*	*6.3%*	*46*	*14.7%*	*45*	*-0.1%*	*52*	*9.6%*	*50*	*12.3%*	*30*	*5.8%*	*Nov-09*

*Total Fund Index: 35.0% MSCI ACWI Index, 3.3% NCREIF ODCE Index, 0.7% Russell 3000 + 3%, 6.2% Citigroup 3-Month T-Bill + 3.5%, 2.1% Citigroup 3-Month T-Bill +4%, 10.0% Barclays US Corporate High Yield Index, 7.7% BofA ML US Convertibles Index, 10.0% JPMorgan EMBI, 10.0% Barclays US Aggregate Index, 10.0% 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, 2014													
prePAID Alternatives	**$334,219,110**	**13.9%**	**15.0%**	**2.0%**	--	**2.3%**	--	**5.2%**	--	**4.3%**	--	**13.1%**	--	**--**	--	**4.3%**	**May-05**
Alternatives BM				*2.1%*	--	*3.7%*	--	*8.2%*	--	*7.1%*	--	*17.6%*	--	--	--	*5.1%*	*May-05*
Harmonic Capital Partners[1]	$84,540,144	3.5%	--	6.3%	8	-3.8%	75	-6.5%	83	--	--	--	--	--	--	3.9%	Jan-12
T-Bills + 4%				*1.0%*	*51*	*2.0%*	*37*	*4.0%*	*49*	--	--	--	--	--	--	*3.9%*	*Jan-12*
Aventura	$7,074,373	0.3%	--	3.6%	--	5.1%	--	8.1%	--	8.1%	--	1.8%	--	--	--	2.0%	Apr-08
NCREIF Property Index[2]				*2.7%*	--	*5.3%*	--	*11.2%*	--	*11.7%*	--	*7.9%*	--	*8.7%*	--	*3.9%*	*Apr-08*
Aurora Offshore	$123,202,940	5.1%	--	-0.1%	91	2.6%	47	6.2%	71	3.2%	78	--	--	--	--	3.5%	Mar-10
T-BILLS + 3.5%				*0.9%*	*77*	*1.8%*	*67*	*3.5%*	*88*	*3.6%*	*75*	--	--	--	--	*3.5%*	*Mar-10*
Private Advisors[3]	$19,939,302	0.8%	--	4.5%	--	8.0%	--	12.6%	--	1.0%	--	--	--	--	--	-1.7%	Oct-10
Russell 3000 + 3%				*5.4%*	--	*8.2%*	--	*28.2%*	--	*19.5%*	--	--	--	--	--	*21.3%*	*Oct-10*
Adams Street Partners[3]	$26,146,440	1.1%	--	1.3%	--	6.6%	--	8.6%	--	-2.5%	--	--	--	--	--	-0.5%	Jan-11
Russell 3000 + 3%				*5.4%*	--	*8.2%*	--	*28.2%*	--	*19.5%*	--	--	--	--	--	*18.9%*	*Jan-11*
Aether[3]	$1,351,566	0.1%	--	-3.2%	--	-3.2%	--	--	--	--	--	--	--	--	--	-3.2%	Dec-13
Russell 3000 + 3%				*5.4%*	--	*8.2%*	--	*28.2%*	--	*19.5%*	--	--	--	--	--	*11.4%*	*Dec-13*
Commonfund	$3,709,029	0.2%	--	-3.7%	--	-3.7%	--	-7.4%	--	--	--	--	--	--	--	-20.7%	Nov-12
Russell 3000 + 3%				*5.4%*	--	*8.2%*	--	*28.2%*	--	*19.5%*	--	--	--	--	--	*28.4%*	*Nov-12*
UBS Trumbull	$68,255,316	2.8%	--	2.3%	99	4.3%	87	10.2%	83	9.8%	99	--	--	--	--	9.4%	Jan-11
NCREIF NFI ODCE[4]				*2.5%*	*68*	*5.8%*	*1*	*13.8%*	*2*	*13.1%*	*7*	--	--	--	--	*12.4%*	*Jan-11*
prePAID Non Core Fixed Income	**$655,562,415**	**27.3%**	**27.5%**	**3.0%**	--	**5.7%**	--	**10.2%**	--	**7.1%**	--	**11.2%**	--	**--**	--	**6.6%**	**May-05**
Non Core Fixed BM				*3.5%*	--	*6.8%*	--	*13.2%*	--	*9.2%*	--	*13.5%*	--	--	--	*7.2%*	*May-05*
Prudential High Yield	$236,980,569	9.9%	10.0%	2.2%	*68*	4.3%	*91*	9.2%	*92*	8.1%	*93*	--	--	--	--	9.5%	Nov-09
Barclays Capital High Yield				*2.4%*	*55*	*5.5%*	*63*	*11.7%*	*52*	*9.5%*	*52*	*14.0%*	*39*	*9.1%*	*42*	*11.4%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*2.4%*	*54*	*5.4%*	*65*	*11.2%*	*67*	*9.2%*	*67*	*12.4%*	*76*	*8.3%*	*71*	*10.5%*	*Nov-09*
Advent Capital Management	$105,890,630	4.4%	7.5%	0.8%	94	2.9%	90	--	--	--	--	--	--	--	--	7.2%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*2.6%*	*10*	*5.5%*	*19*	*17.2%*	*13*	*7.6%*	*7*	*11.3%*	*8*	*7.0%*	*53*	*14.3%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*1.0%*	*83*	*3.3%*	*86*	*8.8%*	*99*	*3.7%*	*88*	*6.5%*	*99*	--	--	*6.8%*	*Sep-13*
Ferox Capital	$68,820,374	2.9%	7.5%	1.1%	80	2.4%	94	--	--	--	--	--	--	--	--	6.1%	Aug-13
BofA Merrill Lynch All US Convertibles				*2.6%*	*10*	*5.5%*	*19*	*17.2%*	*13*	*7.6%*	*7*	*11.3%*	*8*	*7.0%*	*53*	*13.1%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*1.0%*	*83*	*3.3%*	*86*	*8.8%*	*99*	*3.7%*	*88*	*6.5%*	*99*	--	--	*6.8%*	*Aug-13*
Wellington Management	$172,416,104	7.2%	--	5.8%	22	9.9%	18	11.9%	31	7.9%	46	--	--	--	--	9.0%	Dec-09
JPMorgan EMBI Index				*5.4%*	*42*	*9.1%*	*44*	*11.0%*	*43*	*7.6%*	*56*	*10.4%*	*87*	*9.5%*	*91*	*8.8%*	*Dec-09*
Stone Harbor	$71,454,738	3.0%	--	4.4%	92	7.3%	94	4.8%	99	2.3%	99	--	--	--	--	3.3%	Apr-11
Stone Harbor Custom Benchmark5				*4.4%*	*92*	*7.3%*	*94*	*7.7%*	*96*	*4.3%*	*99*	--	--	--	--	*5.2%*	*Apr-11*
prePAID Core Fixed Income	**$592,146,380**	**24.7%**	**25.0%**	**1.8%**	--	**3.2%**	--	**3.7%**	--	**3.1%**	--	**5.6%**	--	**4.7%**	--	**5.6%**	**Oct-97**
Core Fixed Income Benchmark				*2.0%*	--	*3.6%*	--	*3.8%*	--	*3.2%*	--	*4.4%*	--	*4.6%*	--	*5.3%*	*Oct-97*
Vanguard Intermediate Corporate	$74,039,598	3.1%	10.0%	2.9%	--	6.1%	--	--	--	--	--	--	--	--	--	5.3%	Nov-13
Barclays US Corporate 5-10 Year				*3.0%*	--	*5.9%*	--	*8.0%*	--	*6.5%*	--	*9.1%*	--	*6.3%*	--	*5.2%*	*Nov-13*
Vanguard Mortgage Backed Securities	$72,739,341	3.0%	10.0%	2.3%	--	3.9%	--	--	--	--	--	--	--	--	--	2.9%	Nov-13
Barclays US MBS Float Adjusted				*2.2%*	--	*3.8%*	--	*4.6%*	--	*2.8%*	--	*3.9%*	--	--	--	*2.9%*	*Nov-13*
SSgA TIPS	$118,125,995	4.9%	10.0%	3.8%	28	5.8%	27	4.2%	52	3.5%	30	--	--	--	--	4.6%	Dec-10
Barclays Capital US TIPS				*3.8%*	*26*	*5.8%*	*27*	*4.4%*	*40*	*3.6%*	*26*	*5.6%*	*30*	*5.3%*	*18*	*4.1%*	*Dec-10*
Shenkman Capital Management	$209,731,131	8.7%	10.0%	1.2%	57	2.3%	67	--	--	--	--	--	--	--	--	4.5%	Sep-13
Credit Suisse Leveraged Loans				*1.5%*	*9*	*2.8%*	*15*	*6.1%*	*30*	*5.7%*	*61*	*8.8%*	*36*	*5.0%*	*85*	*5.0%*	*Sep-13*
INVESCO Institutional	$116,599,993	4.9%	5.0%	0.5%	46	1.0%	33	2.1%	32	2.6%	31	3.2%	30	3.9%	59	4.5%	Jan-00
Stable Value Custom BM				*0.3%*	*93*	*0.5%*	*93*	*1.0%*	*95*	*1.1%*	*99*	*1.1%*	*99*	*2.4%*	*99*	*3.4%*	*Jan-00*
BlackRock	$187,367	0.0%	0.0%	0.0%	64	0.0%	66	0.0%	25	0.0%	32	--	--	--	--	0.1%	Apr-10
Citigroup 3-Month T-Bill				*0.0%*	*12*	*0.0%*	*10*	*0.0%*	*12*	*0.1%*	*17*	*0.1%*	*16*	*1.5%*	*45*	*0.1%*	*Apr-10*

*Alternatives BM: 25% NCREIF ODCE Index, 17% Russell 3000 + 3%, 40% Citigroup 3-Month T-Bill + 3.5%, 18% 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

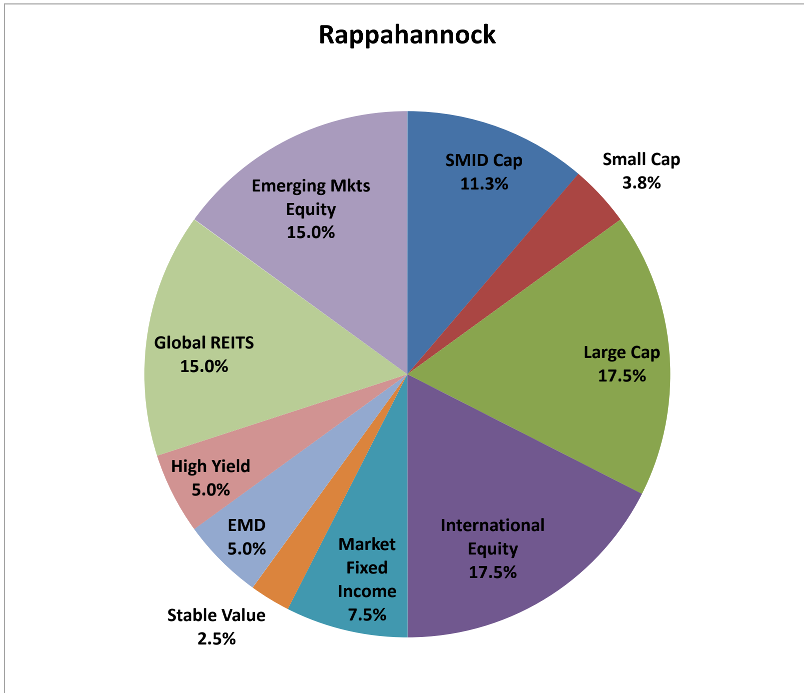
Asset Allocation and Performance

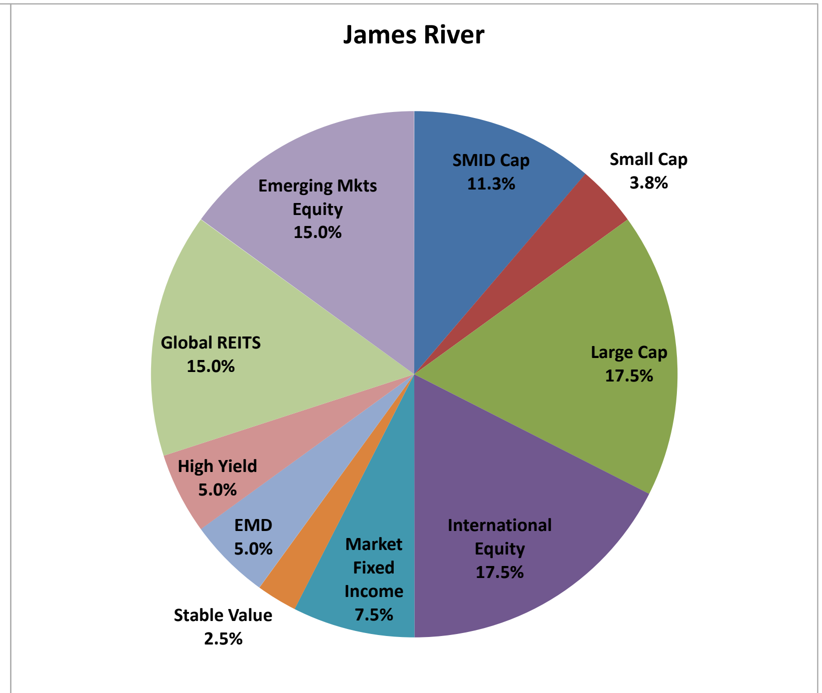
Virginia529 inVEST Program

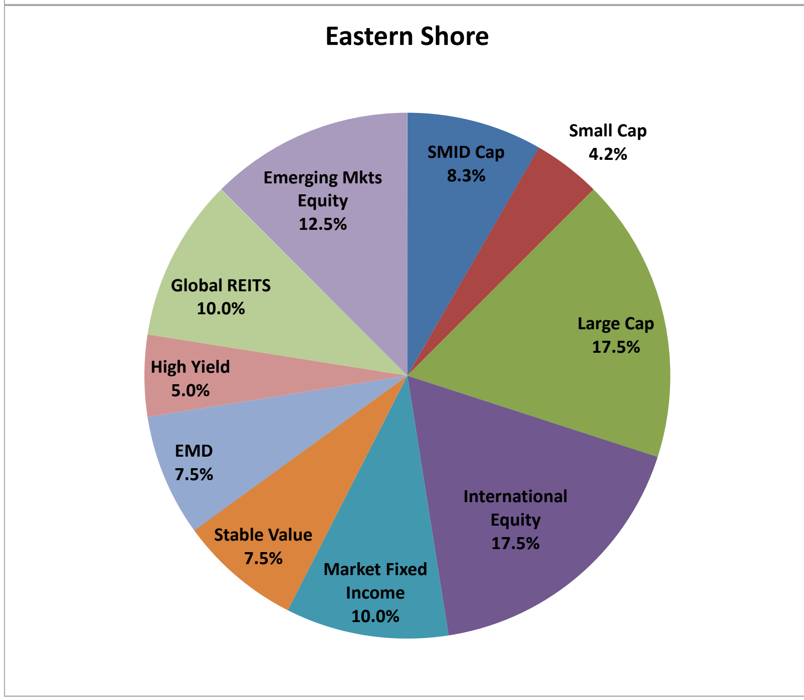
June 30, 2014

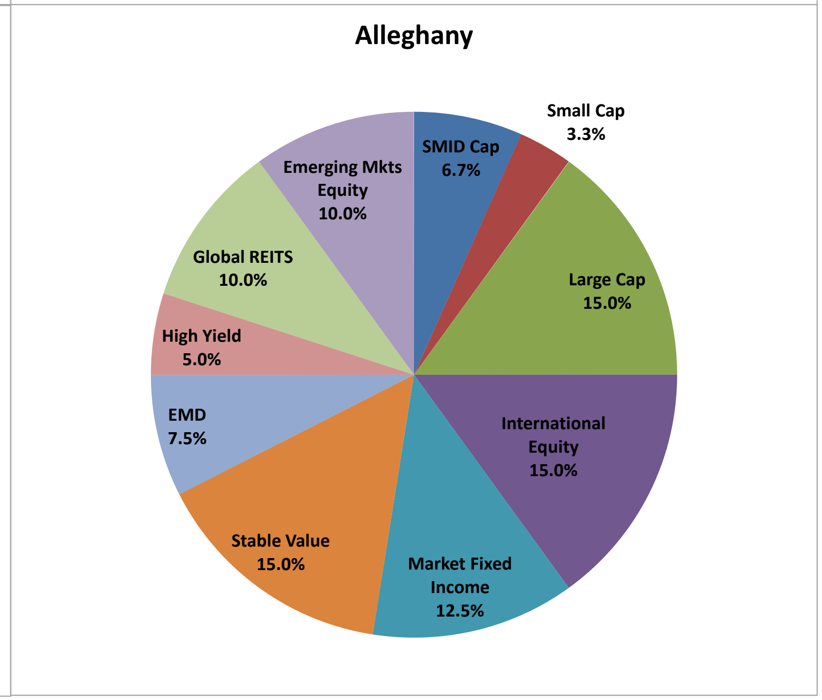
Fund Profile

Evolving Portfolios





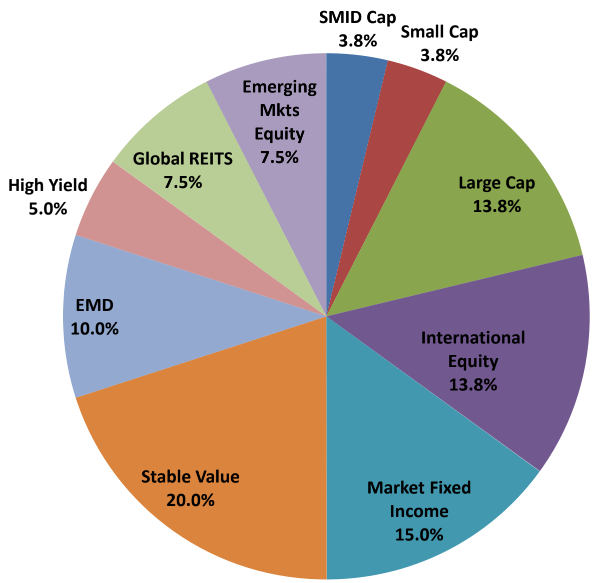




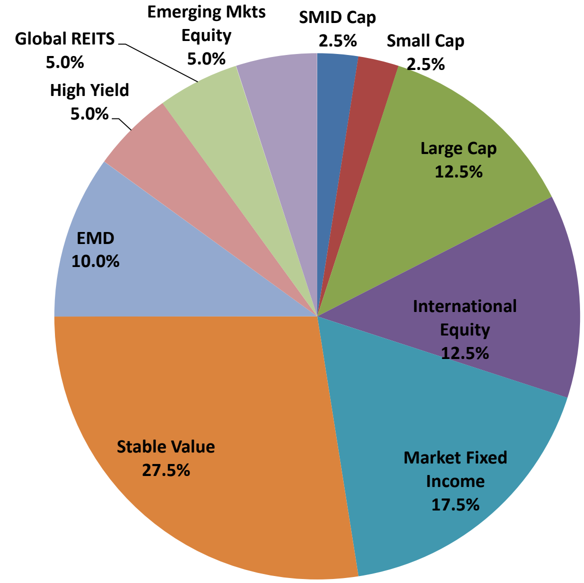
Fund Profile

Evolving Portfolios

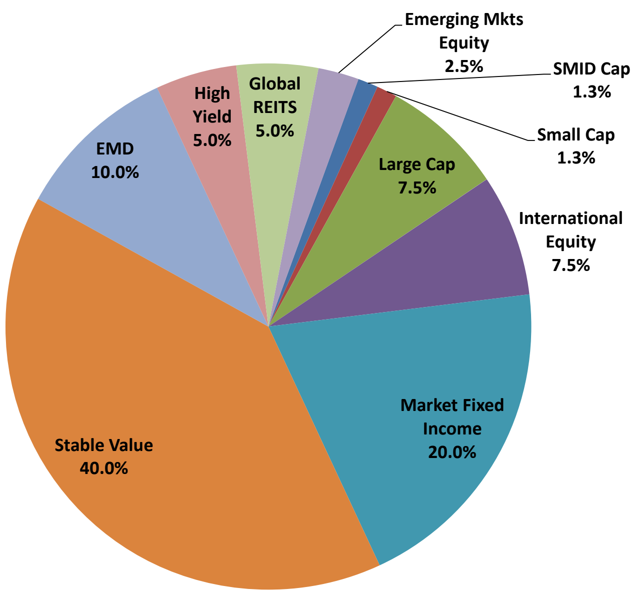
Chesapeake



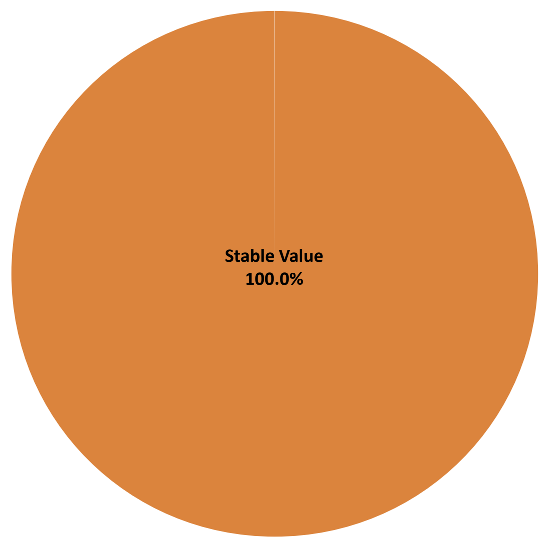
Potomac



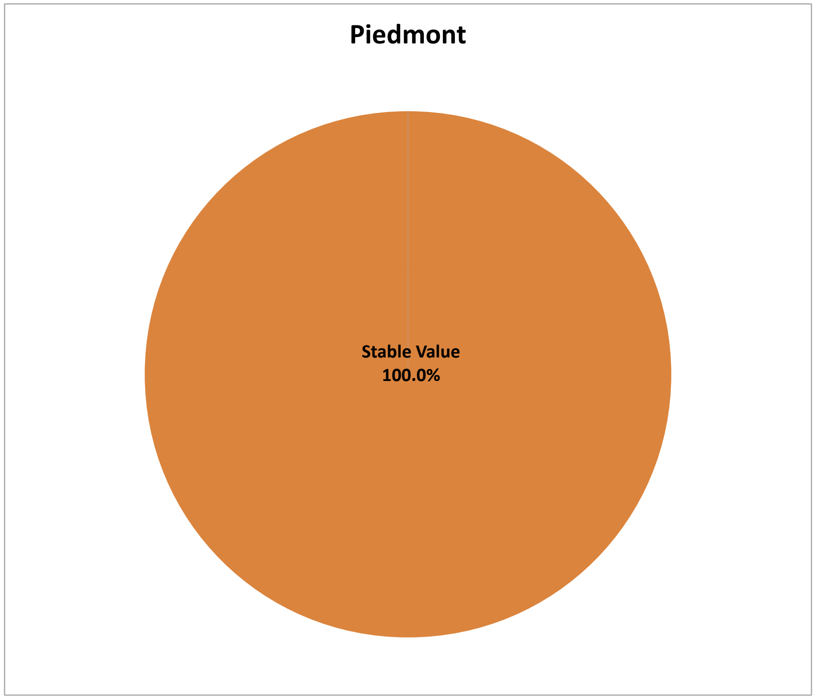
Southside



Blue Ridge

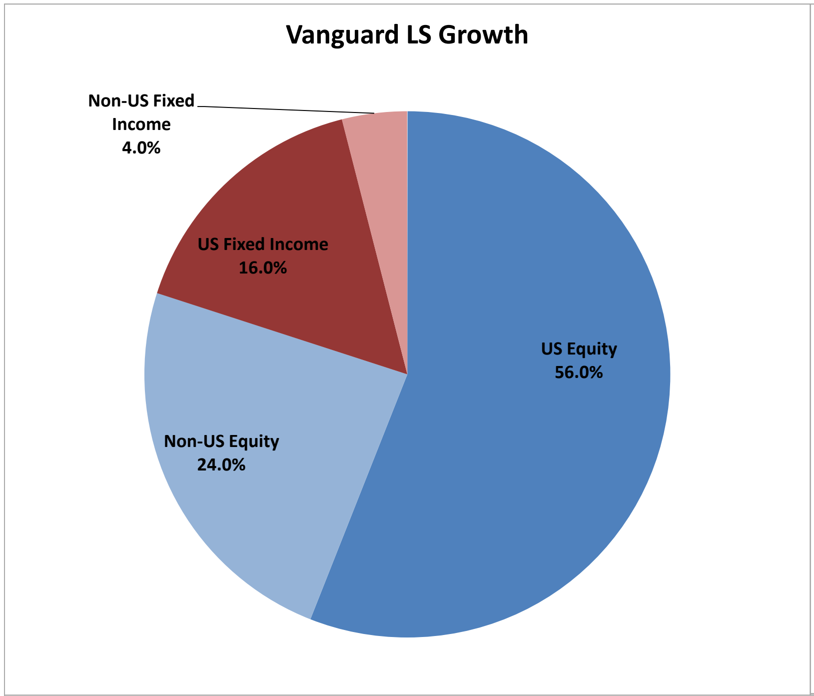


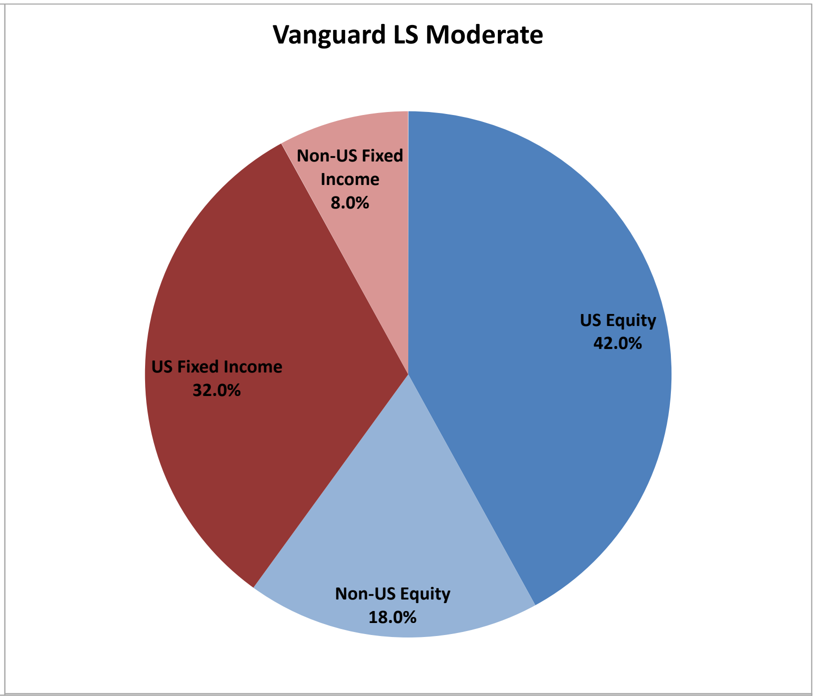
Fund Profile
Evolving Portfolios

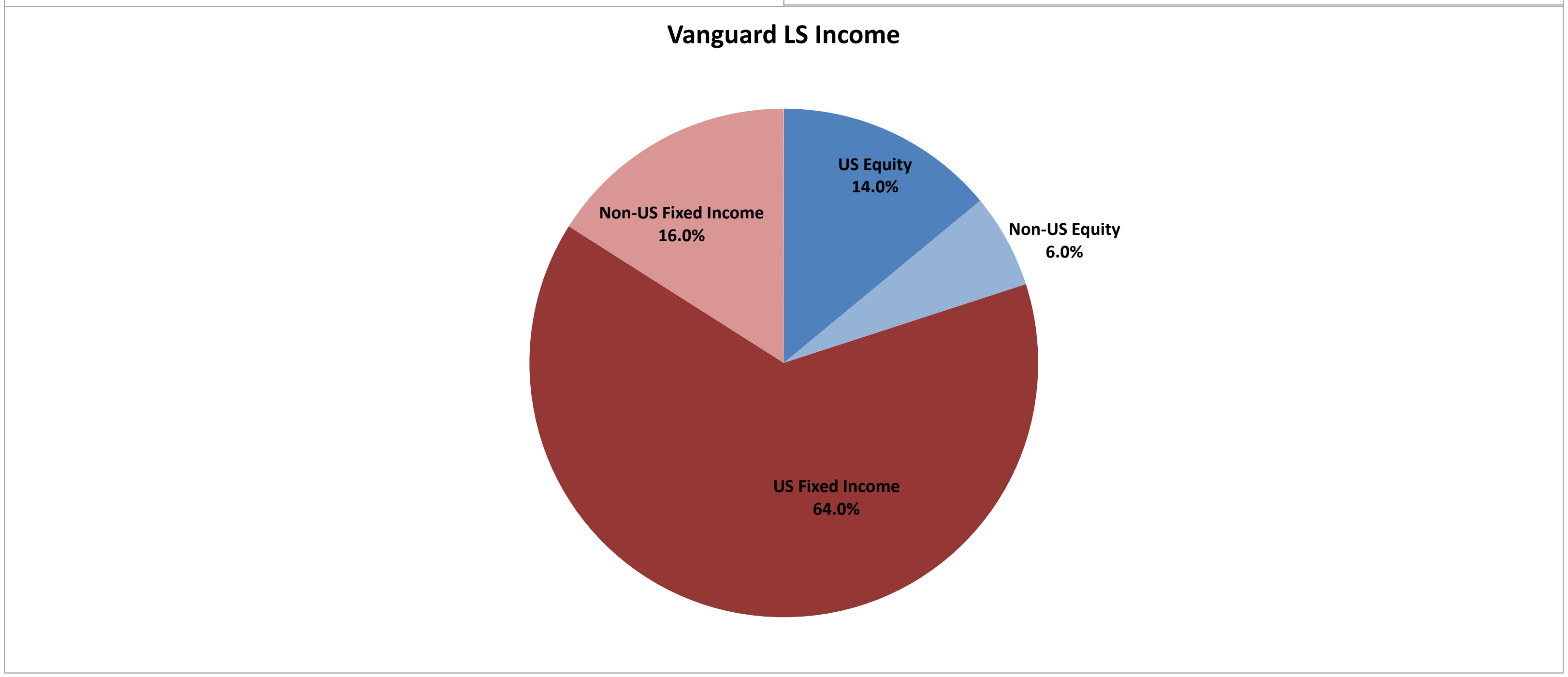


Fund Profile

Non-Evolving Portfolios







Virginia529 College Savings Plan

Virginia529 inVEST
Individual Manager Investment Performance
as of June 30, 2014
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 EVOLVING PORTFOLIOS - Underlying Managers									
Large Cap Domestic Equity									
Vanguard Institutional Index	2.07	5.23	7.11	24.57	16.56	18.84	7.80	3.97	Jan-00
S&P 500 Index	*2.07*	*5.23*	*7.14*	*24.61*	*16.58*	*18.83*	*7.78*	*3.96*	
Small/Mid Cap Domestic Equity									
Rothschild Asset Management	4.67	3.01	6.02	26.07	15.62	20.68	9.68	11.47	Jan-00
Russell 2500	*4.78*	*3.57*	*5.95*	*25.58*	*15.51*	*21.63*	*9.78*	*8.83*	
Vanguard Small Cap Index	5.00	3.78	6.49	26.54	16.22	22.30	10.22	8.68	Jan-00
Custom Small Cap Index [1]	*4.98*	*3.77*	*6.49*	*26.54*	*16.13*	*22.26*	*10.13*	*8.57*	
International Equity									
Templeton Inst. Foreign Equity Series	-0.13	2.13	3.71	22.31	7.26	11.44	8.19	5.85	Jan-00
MSCI EAFE	*1.00*	*4.35*	*5.14*	*24.09*	*8.58*	*12.27*	*7.42*	*3.75*	
Am. Funds Euro-Pacific Growth	0.95	2.96	3.71	22.36	7.43	12.01	9.13	10.94	Jan-03
MSCI EAFE	*1.00*	*4.35*	*5.14*	*24.09*	*8.58*	*12.27*	*7.42*	*9.98*	
Aberdeen Emerging Markets Fund	1.59	6.08	7.27	8.89	3.40			3.41	Jan-11
MSCI Emerging Markets Index	*2.70*	*6.71*	*6.32*	*14.68*	*-0.06*			*0.25*	
Global REITs									
Morgan Stanley Global REIT Fund	1.19	7.82	11.19	13.61	8.84			8.78	Jan-11
FTSE EPRA/NAREIT Developed RE Index	*1.36*	*7.88*	*12.21*	*14.38*	*10.19*			*10.52*	
Fixed Income									
INVESCO / PRIMCO	0.12	0.36	0.71	1.45	2.11	2.86	3.81	4.41	Jan-00
Stable Value Custom Benchmark	*0.09*	*0.26*	*0.52*	*1.04*	*1.05*	*1.08*	*2.38*	*3.36*	
Stone Harbor Emerging Market Debt	0.27	4.96	8.70	8.57	5.25			5.81	Jan-11
JP Morgan EMBI Global Diversified	*0.36*	*4.76*	*8.66*	*11.63*	*7.40*			*7.74*	
Prudential High Yield Bond Fund	0.77	2.17	4.18	8.95	7.54			7.20	Jan-11
Barclay's Corporate High Yield	*0.84*	*2.41*	*5.46*	*11.73*	*9.48*			*9.59*	

Virginia529 College Savings Plan

Virginia529 inVEST
Individual Manager Investment Performance
as of June 30, 2014
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	**1.89**	**4.28**	**6.09**	**20.08**	**10.99**	**14.63**	**7.02**	**6.47**	**Jan-02**
Aggressive Benchmark	*1.93*	*4.40*	*6.30*	*20.57*	*11.68*	*14.74*	*7.42*	*6.88*	
Vanguard LifeStrategy Mod. Growth	**1.44**	**3.68**	**5.57**	**15.99**	**9.19**	**12.30**	**6.58**	**6.18**	**Jan-02**
Moderate Benchmark	*1.52*	*3.83*	*5.80*	*16.69*	*9.70*	*12.33*	*6.92*	*6.56*	
Vanguard LifeStrategy Income	**0.58**	**2.45**	**4.52**	**8.13**	**5.04**	**7.16**	**5.03**	**4.86**	**Jan-02**
Conservative Benchmark	*0.69*	*2.70*	*4.76*	*9.16*	*5.63*	*6.90*	*5.19*	*5.07*	
Parnassus Core Equity	**2.07**	**7.49**	**8.41**	**27.28**	**18.50**			**16.68**	**Nov-09**
S&P 500 Index	*2.07*	*5.23*	*7.14*	*24.61*	*16.58*			*17.10*	
Van. Total Stock Market Fund	**2.55**	**4.86**	**6.99**	**25.19**	**16.49**	**19.44**		**8.06**	**Aug-05**
Custom Total Stock Index [2]	*2.55*	*4.87*	*7.00*	*25.21*	*16.49*	*19.45*		*8.05*	
Van. Total Bond Market Fund	**0.12**	**1.99**	**3.93**	**4.31**	**3.67**	**4.81**		**4.79**	**Sep-05**
Custom Total Bond Index [3]	*0.03*	*1.97*	*3.86*	*4.34*	*3.65*	*4.84*		*4.77*	
Van. Total Int'l Equity Fund	**1.74**	**5.03**	**5.88**	**22.46**	**5.91**	**11.08**		**6.00**	**Sep-05**
Custom Int'l Stock Index [4]	*1.86*	*5.21*	*6.24*	*22.84*	*7.57*	*11.44*		*5.50*	
Van. Infl. Protected Sec. Fund	**0.34**	**3.75**	**5.92**	**4.48**	**3.56**	**5.50**		**4.75**	**Sep-05**
Barclays Cap. Treas Infl. Note	*0.30*	*3.81*	*5.83*	*4.44*	*3.55*	*5.55*		*4.88*	
Vanguard REIT Index	**1.18**	**6.99**	**17.67**	**13.42**	**11.83**	**23.82**		**7.39**	**Sep-05**
MSCI U.S. REIT	*1.17*	*7.00*	*17.68*	*13.38*	*11.85*	*23.84*		*7.08*	

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.

Virginia529 inVEST
Monthly Portfolio Performance Summary
as of June 30, 2014

	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 EVOLVING PORTFOLIOS									
Rappahannock Portfolio	**1.63**	**4.42**	**6.58**					**6.58**	**Dec-13**
Rappahannock Benchmark	1.93	4.90	6.83					6.83	
James River Portfolio	**1.69**	**4.36**	**6.43**	**16.91**	**9.50**			**9.42**	**Jan-11**
James River Benchmark	1.93	4.90	6.83	18.08	9.41			9.45	
Eastern Shore Portfolio	**1.53**	**3.97**	**5.91**	**15.88**	**8.49**	**13.14**		**5.45**	**Feb-08**
Eastern Shore Benchmark	1.69	4.43	6.25	16.71	8.32	12.81		5.35	
Alleghany Portfolio	**1.34**	**3.67**	**5.51**	**14.14**	**7.84**	**12.44**		**5.93**	**Aug-05**
Alleghany Benchmark	1.43	3.99	5.76	14.61	7.63	11.67		5.38	
Chesapeake Portfolio	**1.14**	**3.40**	**5.18**	**12.72**	**7.25**	**11.65**	**6.36**	**6.26**	**Jan-02**
Chesapeake Benchmark	1.18	3.60	5.33	13.06	7.05	10.64	5.89	5.71	
Potomac Portfolio	**0.92**	**2.95**	**4.57**	**11.09**	**6.41**	**10.56**	**6.08**	**4.83**	**Jan-00**
Potomac Benchmark	0.93	3.09	4.69	11.24	6.20	9.28	5.54	3.51	
Southside Portfolio	**0.63**	**2.43**	**3.88**	**8.08**	**4.90**	**9.16**	**5.58**	**4.55**	**Jan-00**
Southside Benchmark	0.60	2.43	3.90	8.05	4.62	7.63	4.97	3.37	
Blue Ridge Portfolio	**0.11**	**0.32**	**0.64**	**1.30**	**1.45**	**6.14**	**4.23**	**3.82**	**Jan-00**
Blue Ridge Benchmark	0.07	0.22	0.44	1.34	1.20	4.29	3.49	2.70	
Piedmont Portfolio	**0.11**	**0.32**	**0.64**	**1.27**	**1.92**	**2.66**	**3.54**	**3.98**	**Jan-00**
Piedmont Benchmark	0.07	0.22	0.44	0.86	0.86	0.88	2.12	2.98	
STATIC PORTFOLIOS									
Aggressive Portfolio	**1.88**	**4.24**	**6.01**	**19.88**	**10.78**	**14.41**	**6.74**	**6.11**	**Jan-02**
Aggressive Benchmark	1.92	4.37	6.22	20.37	11.48	14.53	7.15	6.53	
Moderate Portfolio	**1.43**	**3.64**	**5.50**	**15.79**	**8.98**	**12.09**	**6.30**	**5.83**	**Jan-02**
Moderate Benchmark	1.50	3.80	5.73	16.50	9.51	12.12	6.65	6.21	
Conservative Portfolio	**0.57**	**2.41**	**4.44**	**7.94**	**4.84**	**6.95**	**4.75**	**4.51**	**Jan-02**
Conservative Benchmark	0.67	2.66	4.69	8.98	5.44	6.70	4.92	4.72	
Socially Targeted Portfolio	**2.06**	**7.45**	**8.33**	**27.07**	**18.29**			**16.48**	**Nov-09**
Socially Targeted Benchmark	2.06	5.20	7.06	24.40	16.38			16.89	
Total Stock Market Portfolio	**2.54**	**4.82**	**6.92**	**24.98**	**16.27**	**19.21**		**7.82**	**Aug-05**
Ttl Stock Mkt Benchmark	2.54	4.83	6.93	25.01	16.29	19.24		7.82	
Total Bond Market Portfolio	**0.11**	**1.95**	**3.86**	**4.13**	**3.47**	**4.61**		**4.57**	**Sep-05**
Ttl Bond Mkt Benchmark	0.02	1.94	3.79	4.16	3.46	4.64		4.55	
Ttl International Stock Portfolio	**1.73**	**4.99**	**5.81**	**22.25**	**5.71**	**10.87**		**5.77**	**Sep-05**
Ttl Int'l Stock Benchmark	1.85	5.18	6.17	22.64	7.37	11.22		5.26	
Inflation-Protected Securities Portfolio	**0.32**	**3.71**	**5.84**	**4.30**	**3.36**	**5.29**		**4.52**	**Sep-05**
Inflation-Protected Benchmark	0.29	3.77	5.75	4.26	3.36	5.35		4.65	
REIT Portfolio	**1.17**	**6.95**	**17.59**	**13.22**	**11.62**	**23.59**		**7.15**	**Sep-05**
REIT Benchmark	1.16	6.97	17.61	13.17	11.65	23.60		6.83	

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

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 inVEST[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 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 of Directors

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

[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.

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).

General Description of inVEST Investment Options

- **Age-based evolving 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. The asset allocations of the age-based portfolios shift every three years (with a two-year final transition phase) toward that of the portfolio(s) designated for investors age 18 and over, which has an allocation of 100% to stable value or an equivalent investment.

- **Static (Non-evolving) portfolios** are comprised of (i) balanced portfolios where the target asset allocation remains fixed and (ii) single asset class portfolios.
  - Static portfolios are provided so that an investor can construct their own custom portfolio.
  - Single asset class portfolios are to be comprised primarily of index funds, unless the Board determines it is appropriate to provide an actively managed strategy.

AGE-BASED EVOLVING PORTFOLIOS

Asset Allocation

As previously discussed, each age-based evolving 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 of each portfolio towards its target allocation will occur every calendar quarter, or when the target allocation deviates more than 5 percentage points away from its target, whichever comes first.

Portfolio Structure of Age-based Evolving 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 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 (equity allocation greater than 70%)
- Moderate (equity allocation between 40% and 70%)
- Conservative (equity allocation less than 40%)

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

- Aggressive - 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 - 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 - 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.

<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 may 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 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.

<u>Organizational Strength</u>
- Be supported by qualified personnel and appropriate resources.

<u>Performance Consistency</u>
- 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.

Watch List Status & Termination

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 10, 2014.

APPENDIX A: ASSET ALLOCATION

The table below outlines the evolving allocation of assets for the age-based evolving portfolios as of January 1, 2015.

	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

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

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 of Directors

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.

Actuary for prePAID

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.

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 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

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. However, in the absence of a compelling reason to do otherwise, the portfolio will be rebalanced as soon as practical should the allocations to the major groups (Equities, Alternatives, Non-Core Fixed Income, Core Fixed Income) fall outside their stated allowable ranges.

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 10, 2014.

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