COMMONWEALTH of VIRGINIA

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

Mary G. Morris
Chief Executive Officer

(804) 371-0766

December 1, 2017

Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street
SunTrust Building, Suite 2100
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, 2017, 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 – Unaudited Financial Statements for the year ended June 30, 2017
- Attachment B - Draft Actuarial Valuation Report for the Prepaid529 Program for the year ended June 30, 2017
- Attachment C – Asset Allocation and Performance of the Prepaid529 Program for the fiscal year ended June 30, 2017
- Attachment D – Asset Allocation and Performance of the Invest529 Program for the fiscal year ended June 30, 2017
- Attachment E - Investment Policies and Guidelines for the Prepaid529, Invest529 and ABLEnow 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 7, Subtitle II, Title 23.1 of the Code of Virginia, as amended (§23.1-700 through §23.1-713). VA529 does not receive 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 Prepaid529's contractual obligations, in the event of a funding shortfall.

VA529's primary mission is twofold: first to assist families and others in achieving their higher education goals through four college savings programs, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529), CollegeAmerica® and CollegeWealth®, as part of our statutory mandate to help make college more affordable and accessible; and second, to assist individuals with disabilities to save for qualified disability expenses without losing certain federal means-tested benefits through ABLEnow®, an ABLE disability savings program.

Information on VA529's 2017 program and fiscal highlights, account growth, and program changes may be found in the 2017 Unaudited Financial Statements under the Letter of Transmittal and Management's Discussion and Analysis sections. JLARC staff attended VA529 Board and Committee meetings and the Board's retreat during fiscal 2017. 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 Prepaid529 asset allocation categories in fiscal 2017. During fiscal 2017, VA529 conducted a review of the Invest529 age-based portfolio's asset allocation and glide path and determined that no change was necessary. VA529 regularly reviews the asset allocation of Prepaid529 and the Invest529 age-based portfolios and may consider changes as a result of its future reviews.

In fiscal 2017, as part of its rebranding effort, the names of the Invest529 age-based portfolios were changed from geographic regions of the Commonwealth to include the year the beneficiary would be matriculating into college. This change will align Invest529's age-based portfolio names with other defined contribution program target date portfolio names and help first time customers identify the portfolio that best suits their investment objectives.

In addition, changes in Invest529 include the addition of the FDIC-Insured Portfolio along with the new age-based portfolio (2036 Portfolio), opened on January 1, 2017. The 2015 Portfolio (formerly the Southside Portfolio) transitioned from 100 percent fixed income (82.5

percent stable value, 17.5 percent other fixed income) to 100 percent stable value, and the Blue Ridge Portfolio was closed since it had reached its full evolution.

A complete description of changes may be found in the 2017 Unaudited Financial Statements, which are 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 available to JLARC staff on the secure Board web site.

VA529 has assumed a long-term rate of return of 6.25 percent on the Prepaid529 investments. As of June 30, 2017, the total return since inception was about 6.3 percent net of fees and reflected Prepaid529's 10.7% percent performance during fiscal 2017. The actuarial funded status of Prepaid529 as of June 30, 2017 was 138%. A copy of the draft Actuarial Valuation Report for the Prepaid529 Program for the year ended June 30, 2017 is included as **Attachment B**.

Attachments C and D hereto contain detailed performance information on the Prepaid529 and Invest529 Programs as of June 30, 2017.

(iii) Investment Policies and Programs

VA529's Investment Advisory Committee reviews the Investment Policies and Guidelines for the Prepaid529, Invest529 and ABLEnow Programs annually. **Attachment E** hereto contains the Investment Policies and Guidelines for the Prepaid529 and Invest529 Programs most recently updated in June 2017, and the Investment Policies and Guidelines for the ABLEnow Program, most recently updated in December 2016.

(iv) Other Information

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 Prepaid529 obligations. With the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a position to be informed of future tuition and fee increases. However, changes in tuition and fee models at Virginia public higher education institutions and recently proposed legislation impacting tuition and fee models that impact Prepaid529 may have an adverse impact on program sustainability. In addition, unanticipated changes in program revenue may also have a negative impact on program sustainability.

In light of these and other issues, in fiscal 2016 VA529 undertook a sustainability study to consider all options for Prepaid529 including maintaining the current program unchanged;

maintaining the current program with minimal modifications (single-price model; single-tier pricing); closing Prepaid529 to new enrollment and managing existing contracts through depletion; considering a new structure, such as a weighted average payout program for new contracts; and/or considering a program with some risk sharing among VA529 and Virginia public higher education institutions. The sustainability study was completed and presented to the Board for consideration in October 2016. As a result, VA529's Board approved moving to a single-tier pricing model for the 2016-2017 enrollment period, and directed staff to review the design and implementation of an enrollment-weighted average tuition payout program to supplant the current Prepaid529 program. That study continued during fiscal 2017 and was presented to the Board for consideration in October 2017. The Board approved proceeding with legislation to revise Prepaid529's benefits to an enrollment-weighted average tuition payout structure.

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

Unaudited Financial Statements for the year ended June 30, 2017

Virginia College Savings Plan Annual Report

For the period ended on June 30, 2017

Virginia529℠

ABLEnow®

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9001 Arboretum Parkway, North Chesterfield, VA 23236

Mary G. Morris
Chief Executive Officer

(804) 371-0766

LETTER OF TRANSMITTAL

October 10, 2017

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, 2017, as required by Section 23.1-709 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 primary mission is twofold: first to assist families and others in achieving their higher education goals through four college savings programs, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529), CollegeAmerica® and CollegeWealth®, as part of our statutory mandate to help make college more affordable and accessible; and second, to assist individuals with disabilities to save for qualified disability expenses without losing certain federal means-tested benefits through ABLEnow®, an ABLE disability savings program.

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.

PREPAID529 ACTUARIAL VALUATION AND OUTLOOK

VA529's most recent actuarial valuation report for the Prepaid529 program was prepared by Milliman, Inc. as of June 30, 2017 and compares the value of the current and projected assets of Prepaid529 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 Prepaid529's actuarial valuation report are the long-term rates of investment return and future tuition growth. The report indicated an improvement in Prepaid529's actuarially determined funded position from the position as of June 30, 2016 primarily due to higher than expected investment returns. We are pleased to report that Prepaid529 was 138.4 percent funded on an actuarial basis as of June 30, 2017.

VA529 continues to remain optimistic that its asset allocation and investment strategies will result in the Prepaid529 portfolio meeting or exceeding performance expectations over the long term. VA529 has assumed a long-term rate of return of 6.25 percent on Prepaid529 investments. As of June 30, 2017, the total return since inception was 6.3 percent, net of fees, and reflected the higher than expected 10.7 percent overall performance during fiscal 2017. Virginia529 has adopted a long-term target asset allocation strategy for Prepaid529 as set forth in its Investment Policy and Guidelines. As of June 30, 2017, the Prepaid529 portfolio was within about 0.7 percent of its target allocation in the four major categories.

Despite continued international geopolitical and domestic political uncertainties, the U.S. equity bull market continued in fiscal 2017 with the major indices setting all time record highs several times during the year. The S&P 500 gained 17.90 percent for the year and the Russell 2000 gained 24.60 percent reflecting significant returns for both large and small cap stocks. International markets, both developed and emerging, fared very well as reflected in the MSCI EAFE and MSCI emerging markets indexes up 20.27 and 23.75 percent, respectively. Fixed income also performed well although U.S. Treasuries remained fairly flat. The Bloomberg Barclays Aggregate Index finished the year down -.31 percent. However, the Prepaid529 portfolio benefited from its exposure to high-yield bonds, senior secured loans and emerging market debt. These three classes returned 12.7, 6.3 and 5.6 percent, respectively, for the year.

The year began with the aftershocks from the June 2016 Brexit vote in which the majority of the citizens in the United Kingdom voted to leave the European Union. Global markets sold off as a result of the unexpected outcome but quickly rebounded after markets absorbed the news, recognizing that central banks would intervene if and as necessary and that the transition would take considerable time to implement.

Following the election of President Trump in November 2016, domestic markets rallied in part based on the expectation that changes in regulatory and other policies, corporate-tax rate cuts, and cash repatriation would be beneficial for U.S. businesses. The rally continued through June 30th despite the failure of Congress to pass legislation to support the administration's agenda.

The U.S. Treasury yield curve flattened during 2017, as short-term rates rose and intermediate and long-term rates declined. The Federal Reserve (Fed) raised rates three times during fiscal 2017 raising the target federal funds rate in quarter of a percentage point increments from a ¼ to ½ percent target range at the beginning of the year to 1 to 1¼ percent at year-end - the first increase coming in December 2016, and the last increase coming at its June 2017 meeting. These moves reflected improved labor market gains and reduced unemployment. Just as important as the increase in the target federal funds rate was the Fed's announcement during its June 2017 meeting that it would "begin implementing a balance sheet normalization program" during calendar 2017 in which it would begin reducing its extensive balance sheet holdings of agency debt, agency mortgage-backed securities and U.S. Treasury bonds by decreasing reinvestment of principal payments from those holdings. This is a significant move and may have implications for fixed income markets as we move into 2018. The Fed maintained its target federal funds rate during the summer of 2017 and did not raise the target rate at its September 2017 meeting. Notwithstanding the Fed's actions, accommodative monetary policies continue globally, and may continue to be the norm over the short-to mid-term.

As we head into fiscal 2018, investors continue to move towards higher yielding corporate bonds and equities in search of yield. Through the summer of 2017, U.S. equity markets continued to set record highs with the Dow Jones Industrial Average, S&P 500 and Nasdaq composite all setting new highs at some point during the first quarter. On the jobs front the unemployment rate remained low ending 2017 at 4.40 percent but wage growth continued to be tepid and the labor-force participation rate, or share of the population working or looking for a job, remained low at 62.8 percent.

Worries continue to abound with regard to geopolitical turmoil throughout the world and particularly in the Middle East, North Korea, and the emerging markets; low interest rates failing to ignite inflation to the extent central banks intended; uncertainties of the timing of additional Fed rate hikes; U.S. Government debt levels and growing deficit spending; tepid wage growth and a lagging recovery. At the end of September, U.S. equity markets remain up from fiscal year-end. It is difficult to estimate how these and other factors may impact the performance of Prepaid529 during the remainder of fiscal 2018.

The other significant factor in Prepaid529's ability to meet its future obligations is the future growth in tuition and mandatory fees. 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), state support for Virginia's public higher education system has been declining as evidenced by state budget reductions in eight of the past ten years. Following increases in state funding during the 2012-14 biennium, Virginia experienced revenue shortfalls and budget reductions that resulted in larger tuition increases during the 2014-16 biennium.

During its 2016 Session, the Governor and General Assembly provided about $223 million in additional general funds for operating and financial aid to higher education during the 2016-18 biennium. In addition, the Governor and General Assembly provided about $48 million in additional support for undergraduate need-based student aid. As a result, the average tuition and mandatory E&G fees for instruction-related activities for in-state undergraduate students increased by about 4.6 percent for the 2016-17 academic year. This represented some of the lowest increases in the last decade. However, during fiscal 2016, the Commonwealth experienced a significant revenue shortfall and budget reductions were imposed during the balance of the 2016-18 biennium. General fund support to public higher education was reduced by 3.8 percent on average for fiscal 2018 resulting in a 5.4 percent increase in tuition and mandatory E&G fees for in-state undergraduate students enrolling in the fall of 2017.

Also according to SCHEV, substantial general fund budget reductions in eight of the past ten years has adversely impacted the affordability and accessibility of Virginia's public higher education system. The State's contribution to the cost of public 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 2018. The Commonwealth's contribution is 20 percentage points lower than the target of 67 percent identified in its official tuition policy.

In the summer of 2017, the Governor announced that general fund revenue rose during fiscal 2017, and slightly exceeded the official revenue forecast and resulted in a small revenue surplus of $136 million for fiscal 2017. However most of this revenue surplus was already committed, thereby limiting the expectation of any additional general fund support to higher education through the balance of the biennium.

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

In assessing Prepaid529's financial condition and in pricing Prepaid529 contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 5.0 percent for the 2018-2019 academic year, and 6.5 percent thereafter for four-year and two-year institutions. Additional budget shortfalls and corresponding reductions in general fund support to Virginia's public higher education institutions may result in higher tuition and fee increases in future academic years. Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term Prepaid529 obligations. With the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a position to be informed of future tuition and fee increases. However, changes in tuition and fee models at Virginia public higher education institutions that impact Prepaid529 may have an adverse impact on program sustainability. In addition, unanticipated changes in program revenue may also have a negative impact on program sustainability.

2017 PROGRAM HIGHLIGHTS

- **VA529 Plan and Program Rebranding**

In February 2017, VA529 launched a major rebranding and website redesign effort intended to improve our customer's experience and to update the brand with a newer modern design. In addition, we updated our program names; VA529 prePAID was changed to Prepaid529 and VA529 inVEST was changed to Invest529. The simplified program names and spelling will assist customers and vendors alike.

- **CollegeWealth Program Changes and Introduction of the Invest529 FDIC-Insured Portfolio**

CollegeWealth was launched in 2007 as a stand-alone program offering FDIC-insured interest-bearing savings accounts through Virginia community banks to provide a program for risk-averse customers who were most comfortable saving for college in a bank savings account. In 2009, we re-launched the program with Union Bank & Trust (Union) and BB&T after most of the community banks determined they could not meet the program's operational requirements. With Union and BB&T, VA529 was able to offer a bank savings product on a national scale and provide choice to customers.

Despite attempts to effectively market the program by both the banks and VA529, CollegeWealth's existence as a separate program hampered growth as consumers were not able to find it among the options available. The program's structure also presented operational challenges for both VA529 and the participating banks. In early calendar 2016, VA529 decided to create an FDIC-Insured portfolio in Invest529, discontinue CollegeWealth as a stand-alone program, cease opening new CollegeWealth accounts, and attempt to migrate the CollegeWealth accounts into the new Invest529 FDIC-Insured Portfolio. The Invest529 FDIC-Insured Portfolio is invested in an omnibus savings account at Union.

In January 2017, VA529 formally notified Union and BB&T that CollegeWealth would be terminated as an active program under the terms of their respective contracts. In April 2017, 3,350 CollegeWealth accounts held at Union were transitioned to the new Invest529 FDIC-Insured Portfolio. BB&T decided to retain its existing accounts, although it could not open new accounts after April 22, 2017. As of June 30, 2017, 15,512 CollegeWealth accounts remained at BB&T representing about $78.8 million in deposits. As we move into fiscal 2018, many of the BB&T CollegeWealth account holders are moving their accounts into the new Invest529 FDIC-Insured Portfolio. As of September 30th, 1,590 of these accounts had moved leaving only 13,569 accounts remaining representing about $57 million in deposits in BB&T CollegeWealth.

- **ABLEnow Launch**

VA529's statutory mission was expanded in 2015, with the passage of the Virginia ABLE Act that gave VA529 responsibility for the development and administration of an ABLE disability savings program. In December 2016, VA529 successfully launched ABLEnow, a direct-sold, defined contribution program to allow individuals with disabilities to save for "qualified disability expenses" without losing certain federal means-tested benefits. Qualified expenses include education, including higher education, housing, transportation, obtaining and maintaining employment, health and wellness, and other personal support expenses. ABLEnow is designed in partnership with PNC Bank, N.A. using a health savings account model providing accounts with the ability to have both an interest-bearing checking account and low-cost investment options. As of June 30, 2017, ABLEnow had 1,517 active accounts and over $2.8 million in assets under management.

- **Account Growth and Transaction Volume**

During fiscal 2017, VA529 experienced varying account growth by program as shown in the table below. Invest529's 15.4 percent growth rate depicts continued strong growth and corresponds to an additional 33,353 accounts opened during the fiscal year. ABLEnow is not shown since it launched in fiscal 2017.

Fiscal 2017 Growth in Accounts[1]	
Prepaid529	5.6%
Invest529	15.4%
CollegeAmerica	2.6%

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

Transaction volume also continued to increase as participants utilized their college savings accounts. During fiscal 2017, the Plan processed 49,202 Invest529 distribution requests and 22,109 Prepaid529 payments to institutions, representing a 25 percent increase and 3 percent decrease over the prior fiscal year, respectively.

- **Other Invest529 and CollegeAmerica Investment Updates**

In fiscal 2017, as part of its rebranding effort, the names of the Invest529 age-based portfolios were changed from geographic regions of the Commonwealth to include the year the beneficiary would be matriculating into college. For example, the James River Portfolio became the 2030 Portfolio. This change will align Invest529's age-based portfolio names with other defined contribution program target date portfolio names and help first time customers identify the portfolio that best suits their investment objectives.

In addition, the FDIC-Insured Portfolio along with the new age-based portfolio (2036 Portfolio) were opened on January 1, 2017. The 2015 Portfolio (formerly the Southside Portfolio) transitioned from 100 percent fixed income (82.5 percent stable value, 17.5 percent other fixed income) to 100 percent stable value, and the Blue Ridge Portfolio was closed since it had reached its full evolution. The final evolution for all portfolios is to 100 percent stable value. The Piedmont Portfolio, the portfolio comprised of stable value investments into which all of the age-based portfolios ultimately evolve, was renamed the Stable Value Portfolio and re-characterized as a static portfolio. Stable value comprised just under 23 percent of Invest529's assets under management as of June 30, 2017. The age-based portfolios continue to be the most popular of the diversified Invest529 investment options.

In October 2016, Invest529 was upgraded from a Silver to a Gold rating from Morningstar citing the program's strong underlying managers, reduced fees, thoughtful asset allocation of the age-based portfolios including a mix of passive and active strategies, and open architecture. Morningstar, a leading provider of independent investment research, introduced its ratings on 529 plans in 2010 and evaluates college savings plans on five key pillars – Process, Performance, People, Parent, and Price – which its analysts believe lead to plans that are more likely to outperform over the long term on a risk-adjusted basis. Morningstar evaluated 63 of the largest 529 plans in 2016. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Only three college savings programs received the coveted Gold rating. CollegeAmerica retained its strong Silver rating. Invest529 and CollegeAmerica are two of only thirteen plans that received one of the top two ratings.

During fiscal year 2017, no additional American Funds mutual funds were added to the CollegeAmerica investment options. As of June 30th, the CollegeAmerica program offered 43 American Funds mutual funds.

VA529's administrative fees for both Invest529 and College America were reduced effective July 1, 2016. Invest529's administrative fee was reduced from 15 basis points (.15 percent) to 10 basis points (.10 percent) on assets under management; a 33 percent reduction. The effective rate for CollegeAmerica, based on assets then under management, went from .88 percent to .70 percent or a 20 percent reduction. The Invest529 and CollegeAmerica fees are calculated and accrued daily and paid to VA529 on a quarterly basis. VA529 reduced fees to continue to offer low-cost programs in response to ongoing fee reductions in both the mutual fund and the 529 industries. The reduced fees lowered the cost of saving in the two programs in concert with VA529's mission to make college more accessible and affordable. The reductions reduced excess revenue in fiscal 2017 by about $6.2 million.

- **Operational and System Improvements**

During fiscal 2017 VA529 continued to make operational improvements to better serve our customers. While too numerous to list them all, we offer the following examples.

As reported in recent years, the Virginia Department of Accounts has replaced CARS with a new, more robust accounting system (Cardinal), and VA529 successfully interfaced and converted to Cardinal in February 2016. VA529 participated in the upgrade of Cardinal in fiscal 2017 once CARS was retired. In addition, in 2017, the Cardinal payroll project was begun in which state agencies will be transitioned from the current payroll system to a Cardinal payroll module. This upgrade is scheduled to be completed in fiscal 2019.

In 2017, VA529 completed the initial phase of an electronic document management system in which it is converting certain physical documents to electronic form and also implementing electronic transaction workflows to replace paper workflows. The initial phase included upgrading the existing document imaging system and converting all personnel records to electronic form. This is an ongoing project that will span future fiscal years.

VA529 continued to improve our customers' experience in accessing and initiating transactions online rather than via fax or paper. By migrating customer transactions online, VA529 reduces processing time and improves customer security since customers accessing their accounts online are verified by a customer identification program that provides enhanced customer verification and identification for online transactions.

- **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. The legislation was not the result of any problem or deficiency.

During fiscal 2017, JLARC's actuary, Gabriel Roeder Smith & Company (GRS) completed its second quadrennial actuarial audit of Prepaid529, which included a non-replication actuarial audit of Prepaid529's actuarial policy and practices, focusing on VA529 actuary's (Milliman, Inc.) June 30, 2016 actuarial valuation report. In their report, GRS agreed with Milliman's conclusion that Prepaid529 was actuarially sound, that data used in their 2016 valuation report was reasonable and appropriate, that Milliman followed generally accepted actuarial principles and practices, and that the pricing methodology was actuarially sound.

In addition, JLARC issued a report on Prepaid529's investment management in July 2017. The report found that Prepaid529 had a well-defined investment management structure that utilized staff, Investment Advisory Committee and consultant investment experience, and incorporated checks and balances. The report contained several recommendations including that VA529 conduct a review of Prepaid529's investment benchmarks, include a formal attribution analysis in its quarterly performance reports, create an investment director position, and make certain changes in the Investment Advisory Committee charter. As of the date of this report, VA529 had taken steps to address each of these recommendations.

Both reports may be found on JLARC's website at http://jlarc.virginia.gov/vcsp.asp. 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

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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 VA529's financial condition and results of operations for the fiscal year ended June 30, 2017. 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, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529), CollegeAmerica® and CollegeWealth®. Prepaid529 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 Prepaid529. Key factors used in the actuarial analysis include anticipated tuition increases (both short and long-term) as well as anticipated long-term investment performance. Invest529 is a defined contribution savings program, which allows participants to make contributions into their selected investment portfolio(s). Invest529 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 43 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 a participating bank, BB&T.

VA529 also operates the Commonwealth's IRC Section 529A program. The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act authorized states to offer tax-advantaged savings programs for individuals with disabilities. ABLEnow®, a defined contribution plan, is Virginia's tax-advantaged savings program for people with disabilities.

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, notes to the financial statements, and other information.

<u>Business Type Activities – Enterprise Fund</u>

All Prepaid529 activities and VA529's operating activities are accounted for in an enterprise fund (statutorily-created special nonreverting 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 Prepaid529 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 Prepaid529'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

Invest529 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.

Invest529 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 Invest529 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.

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.

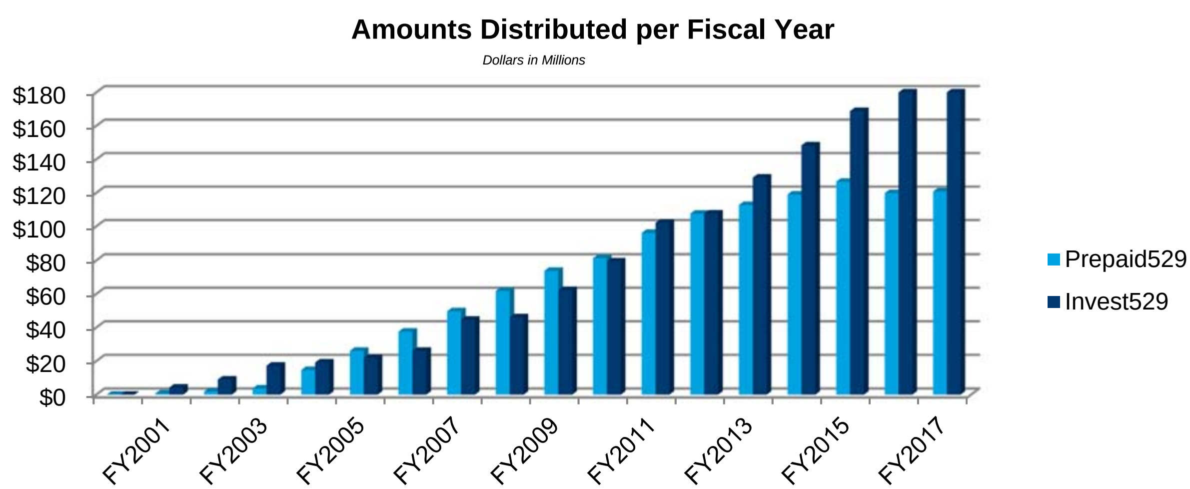
Other Information

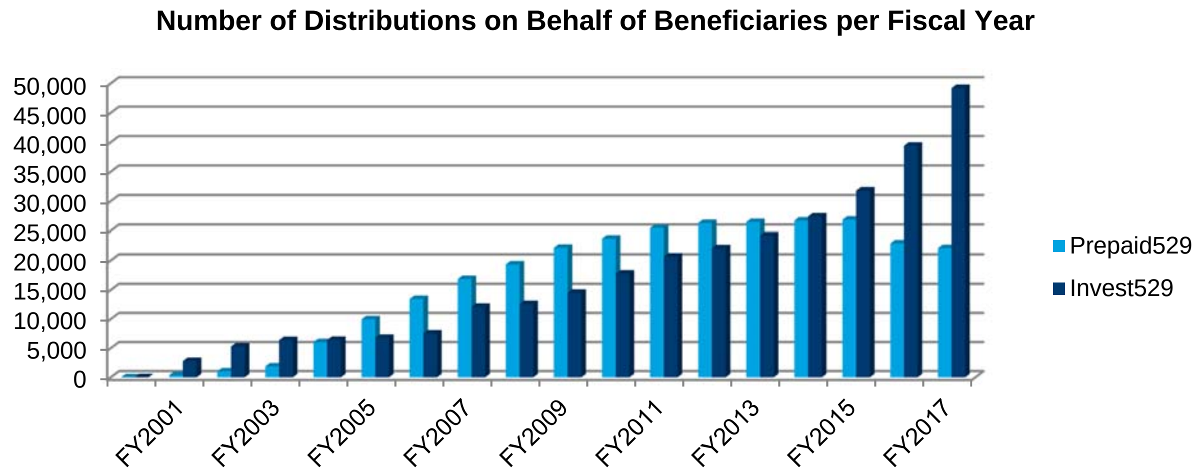
CollegeAmerica, CollegeWealth and ABLEnow are defined contribution savings programs and are presented as Other Information.

Fiscal 2017 Financial Highlights

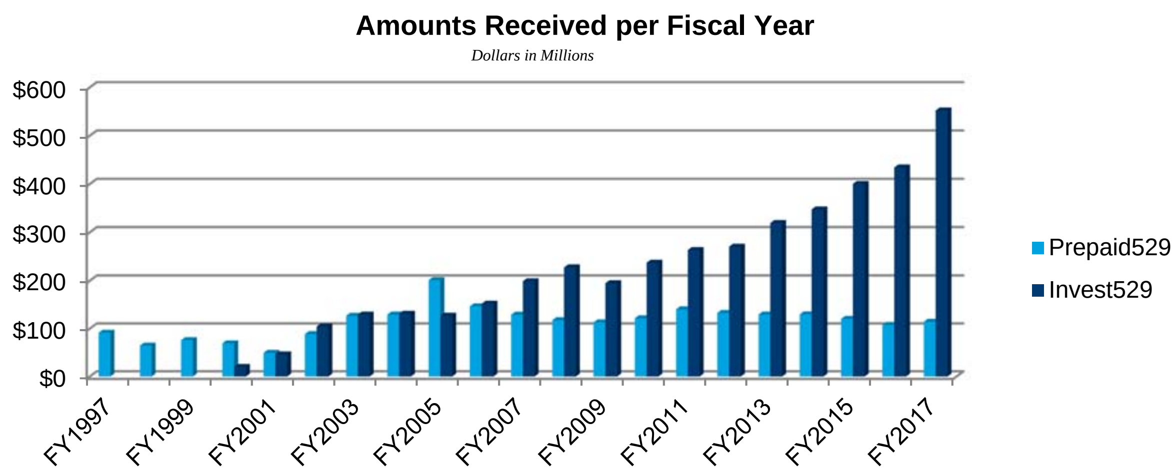
In aggregate, market movements had an overall net positive effect on fixed income and equity security prices in the Prepaid529, Invest529 and CollegeAmerica portfolios for the fiscal year ended June 30, 2017. Transaction activity also increased as customers continued to fund their college savings accounts and use them to pay higher education expenses.

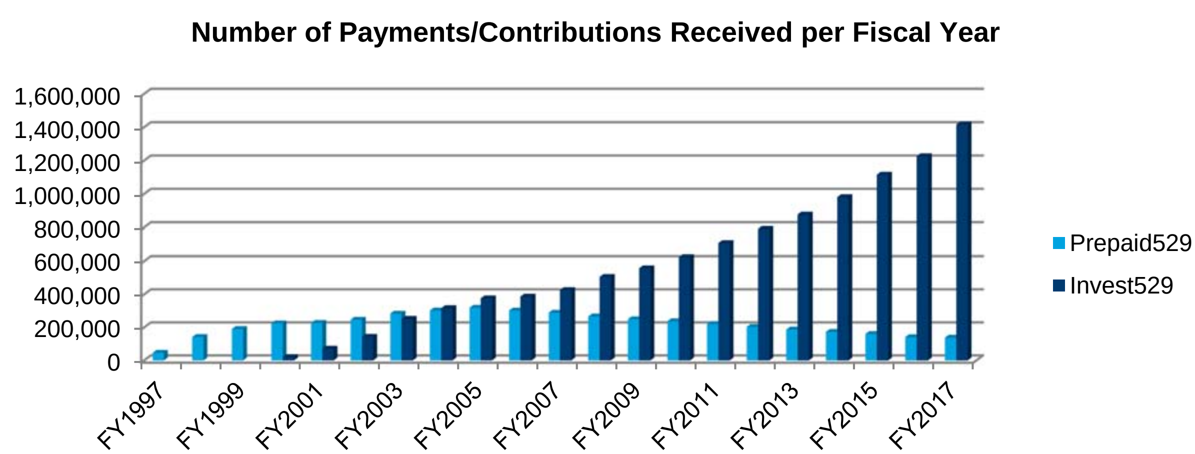
The two graphs below represent Invest529 and Prepaid529 distributions since fiscal year 2000.





The two graphs below represent Prepaid529 contract payments and Invest529 contributions received since fiscal year 1997 – Invest529 being introduced in fiscal 2000.





The graph below represents Invest529 and Prepaid529 accounts under management since fiscal year 1997 – Invest529 being introduced in fiscal 2000.

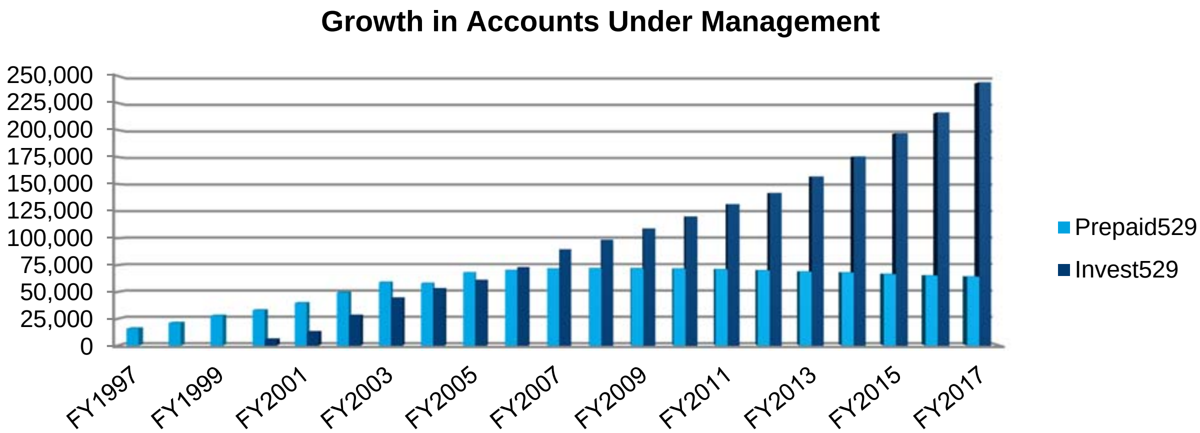


Table 1 demonstrates the numbers of students served, and the amounts paid from Prepaid529 directly to Virginia public universities and community colleges, and the amounts paid from Invest529 to account owners, beneficiaries, or to the respective university or community college attended during fiscal year 2017.

Table 1 Prepaid529 and Invest529 Payments to Virginia Public Universities and Community Colleges Fiscal Year 2017

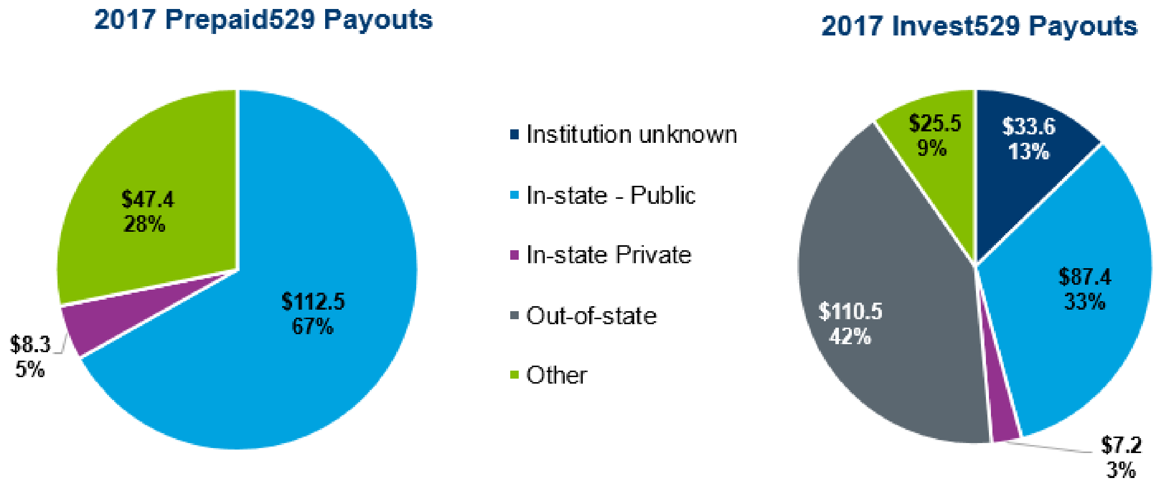
	Prepaid529		Invest529	
Public Universities	**Number of Students with Contracts**	**Payments to Universities**	**Number of Students with Accounts**	**Payments Associated with Universities**
Virginia Tech	1,861	$22,698,877	1,909	$19,039,891
University of Virginia	1,525	21,501,974	1,625	17,668,054
Virginia Commonwealth University	1,298	14,267,466	895	7,644,924
College of William & Mary	633	11,193,442	609	7,898,691
James Madison University	1,054	10,297,756	1,287	12,349,409
George Mason University	917	8,871,767	910	7,789,324
Christopher Newport University	440	5,325,438	349	3,714,853
Old Dominion University	431	3,366,364	400	2,938,502
Longwood University	329	3,355,414	193	1,655,877
Radford University	352	3,086,542	289	2,218,649
University of Mary Washington	280	2,962,146	344	3,336,753
Virginia Military Institute	72	1,181,816	55	551,722
University of Virginia's College at Wise	34	283,778	9	41,790
Virginia State University	15	107,996	19	79,612
Norfolk State University	8	44,111	12	74,909
Total Universities	**9,249**	**$108,544,887**	**8,905**	**$87,002,960**

	Prepaid529		Invest529	
Community Colleges	**Number of Students with Contracts**	**Payments to Community Colleges**	**Number of Students with Accounts**	**Payments Associated with Community Colleges**
Northern Virginia Community College	499	$1,527,533	689	$2,368,257
Tidewater Community College	132	421,161	94	255,383
J Sargeant Reynolds Community College	170	414,407	110	408,077
John Tyler Community College	130	281,269	82	216,367
Germanna Community College	86	228,869	72	224,077
Thomas Nelson Community College	57	156,042	48	165,956
Lord Fairfax Community College	53	144,998	59	152,177
Richard Bland College	21	124,703	12	53,174
Piedmont Virginia Community College	43	114,369	47	147,442
Virginia Western Community College	42	111,980	35	99,506
New River Community College	38	108,140	28	87,408
Blue Ridge Community College	40	94,420	27	113,398
Central Virginia Community College	19	52,542	23	70,356
Rappahannock Community College	12	30,699	9	29,981
Patrick Henry Community College	5	21,020	6	9,842
Dabney S Lancaster Community College	7	19,108	4	12,286
Danville Community College	9	17,646	1	3,629
Paul D Camp Community College	8	12,762	3	14,275
Southwest Virginia Community College	5	11,885	3	9,240
Southside Virginia Community College	7	11,363	5	17,528
Mountain Empire Community College	3	8,058	2	6,083
Wytheville Community College	5	7,422	2	1,632
Virginia Highlands Community College	3	5,445	2	5,373
Eastern Shore Community College	2	2,420	1	410
Total Community Colleges*	**1,396**	**$3,928,260**	**1,364**	**$4,471,856**

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

Chart 1 reflects the types of institution to which benefits are paid. Most Prepaid529 payments are made to in-state public institutions on behalf of the beneficiary pursuant to the contracts. Prepaid529 benefits paid for those students attending an out-of-state school are distributed by transferring benefits to an Invest529 account. Thus, Chart 1 below reflects no Prepaid529 benefits paid to out-of-state institutions. The majority of Invest529 payments are made directly to, or to reimburse account owners or beneficiaries for expenses paid to institutions, including out-of-state institutions. Other payments include rollovers to another state's plan, rollovers to another VA529 program, and refunds to the account owner.

Chart 1 VA529 Program Payouts by Institution Type (in millions)



Analysis of Enterprise Fund Financial Activities

The Enterprise Fund includes the activities of Prepaid529 as well as VA529's general operating activities. The Enterprise Fund ended the year with net position of $786.8 million.

Table 2 is a summary comparison of the Enterprise Fund's Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2017 as compared to the prior year.

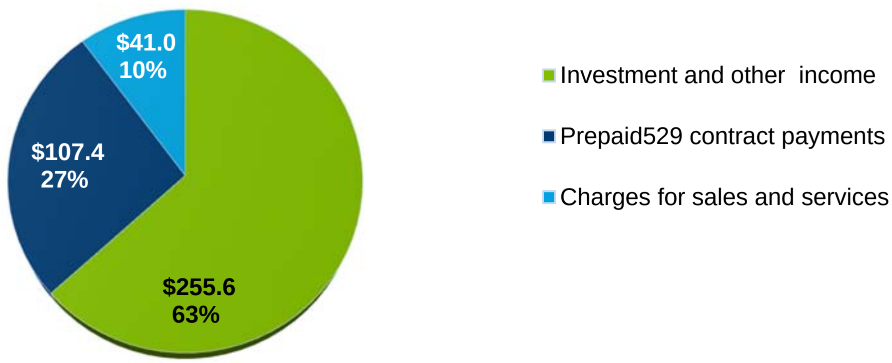
Table 2 – Enterprise Fund – Changes in Net Position (in millions)*

YEARS ENDED JUNE 30,	2017	2016	CHANGE
Operating revenues			
Charges for sales and services	$ 41.0	$ 48.7	$ (7.7)
Interest and dividends	129.4	54.2	75.2
Net increase in fair value of investment	126.2	(53.6)	179.8
Prepaid529 contract payments	107.4	97.2	10.3
Other	-	-	-
Net operating revenues	404.1	146.4	257.6
Operating expense			
Tuition benefits expense	180.8	82.0	98.9
Other operating expenses	25.3	20.6	4.7
Net operating expenses	206.1	102.6	103.5
Operating income (loss)	198.0	43.9	154.1
Transfer to the Commonwealth	(0.9)	(0.4)	(0.5)
Non operating revenue (expense) net	0.0	(0.2)	0.2
Change in net position	197.1	43.3	153.8
Net position, July 1, 2016	589.7	546.4	43.3
Net position, June 30, 2017	$786.8	$589.7	$197.1

*Amounts may not sum due to rounding

The Prepaid529 portfolio's asset allocation benefitted from the strong performance of U.S., international and emerging market equities, as well as certain fixed income classes as reflected in the rate of return for fiscal 2017 of 10.7 percent. For the fiscal year ended June 30, 2017, as a result of the investment performance, there was a net increase in the fair value of investments of approximately $126.2 million, versus the decrease in the prior fiscal year of $53.6 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 63 percent of enterprise fund revenue, as shown in Chart 2.

Chart 2
2017 Enterprise Fund Revenue
in millions



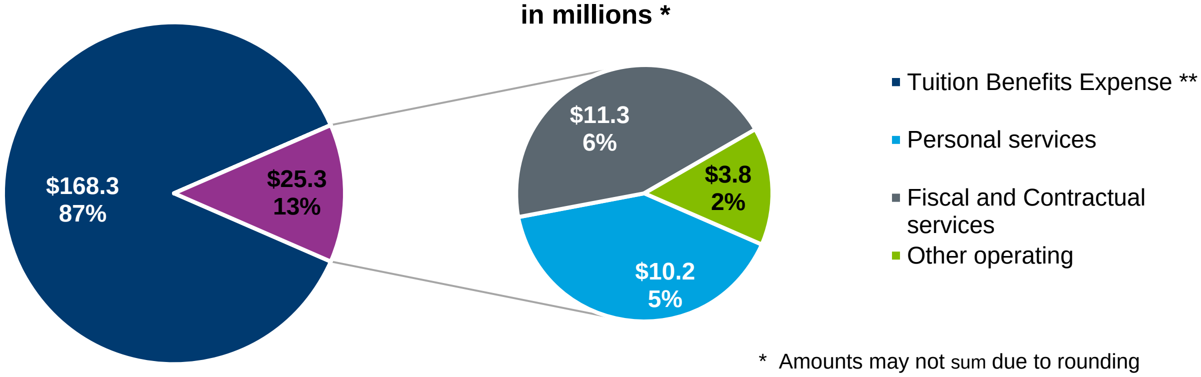
Prepaid529 contract payment revenue includes actual and actuarially estimated contract payments, and represents approximately 27 percent of enterprise fund revenue. Actual contract payments received from participants increased by $4.0 million over prior year receipts. In addition, actuarially determined Prepaid529 contract payment revenue increased by $6.3 million. Receipts for charges for sales and services decreased during fiscal year 2017 by $7.7 million. This decrease is attributable to a decrease in Invest529 and CollegeAmerica administrative fee revenue. VA529 reduced fees to continue to offer low-cost programs in response to ongoing fee reductions in both the mutual fund and 529 industries.

Table 2 also reflects tuition benefits expense, which is comprised of two components; actuarially determined and actual tuition benefits expenses. The net change in tuition benefits expense from fiscal year 2016 is $98.9 million. The actuarially determined tuition benefit expense is accrued for estimated expenses, as determined by VA529's actuary, and represents the net change in tuition benefits payable over the prior fiscal year end. This actuarially determined amount increased from the previous fiscal year end accrual by $93.7 million.

Actual tuition benefits expense represents actual distributions made during the fiscal year. This amount increased over the prior year by $5.1 million, or 3.2 percent. The increase in actual distributions is primarily attributable to increases in tuition and mandatory fees at the higher education institutions.

As shown in Chart 3, tuition benefit payments represent 87 percent of actual expenses of the Enterprise Fund. Of the $25.3 million expended for administration and operations expenses, 85 percent were for personal and contractual services.

Chart 3
2017 Enterprise Fund Expenses
in millions *



* Amounts may not sum due to rounding
** Does not include actuarial tuition benefits

Table 3 provides a comparison of administration and operations expenses between fiscal years 2017 and 2016.

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

YEARS ENDED JUNE 30,	2017	2016	CHANGE
Personal services	$ 10,240	$ 9,414	$ 826
Actuarial pension expense	1,339	1,007	332
Fiscal and contractual services	11,289	8,986	2,303
Supplies and materials	70	34	36
Depreciation	507	535	(28)
Rent, insurance, and other related charges	223	194	29
Expendable equipment	502	233	269
SOAR Virginia	1,000	-	1,000
Other	115	61	54
Administration and Operations Expenses	$25,285	$ 20,464	$ 4,821

Personal services expense increased by $826 thousand, or 8.8 percent, over the prior year's amount. That increase is attributable to newly added positions in fiscal 2017 as well as salary and incentive increases as provided in the VA529's Compensation Plan approved by the General Assembly. Expenses for fiscal and contractual services represent about 45 percent of fiscal 2017 administrative expenses. This expense category experienced an increase of $2.3 million, or 25.6 percent, over the prior year. The increase is primarily attributable to an increase in marketing expenses. VA529 increased the marketing budget for overall program outreach and marketing of the new ABLEnow program. The SOAR Virginia early commitment scholarship program was also funded for $1 million during fiscal 2017.

Table 4 – Enterprise Fund
Summary of Net Position (in millions)*

As of JUNE 30,	2017	2016	CHANGE
Assets and deferred outflows:			
Current assets	$ 141.1	$ 140.3	$ 0.8
Investments	2,576.2	2,355.3	220.9
Other noncurrent assets	155.1	160.7	(5.6)
Total assets	2,872.4	2,656.3	216.1
Total deferred outflows	2.5	1.8	0.7
Assets and deferred outflows	2,874.9	2,658.1	216.8
Liabilities and deferred inflows:			
Current liabilities	286.1	266.8	19.3
Noncurrent liabilities	1,801.7	1,800.8	0.9
Total liabilities	2,087.8	2,067.6	20.2
Total deferred outflows	0.3	0.8	(0.5)
Liablities and deferred inflows	2,088.1	2,068.4	19.7
Net Position			
Net investment in capital assets	3.3	3.3	(0.1)
Unrestricted	783.5	586.4	197.1
Total net position	$ 786.8	$ 589.7	$ 197.1

*Amounts may not sum due to rounding

Assets

Prepaid529 contract payments receivable, an actuarially determined amount, decreased by 2.1 percent, also contributing to the overall decrease in current assets.

Long-term investments increased by 9.3 percent, attributable to strong market conditions. Other noncurrent assets decreased by $5.6 million, due primarily 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

Current liabilities increased by $19.3 million. The total increase 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 Prepaid529. 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 2017, Prepaid529's actuarial position, as calculated by VA529's actuary and reported in the 2017 Actuarial Valuation Report, improved from an actuarial surplus of $589.7 million to a surplus of $786.8 million. This improvement is mostly attributable to higher than expected investment returns. Actuarial assumptions are discussed in Note 9 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, 2017 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, 2017. The final report is expected to be completed no later than mid-December 2017. 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 2017 Actuarial Valuation Report may be obtained from VA529.

Table 5 – Prepaid529
Statement of Changes in Actuarial Reserve (dollars in millions)

Actuarial Reserve / (Deficit) as of June 30, 2016	$589.7
Interest on the reserve at 6.25%	36.9
Investment gain / (loss)	97.5
Tuition gain / (loss)	8.1
Higher than expected actual account balances	(5.4)
Sales of new contracts	11.3
Administrative fee revenue from Virginia529	26.9
Change in methodology for contracts behind in payments	3.0
Change in bias factor for private colleges in Virginia	(1.6)
Change in reasonable rate and other assumptions	(3.0)
Other experience gains	23.4
Actuarial Reserve / (Deficit) as of June 30, 2017	$786.8

Prepaid529's overall funded status, as calculated by the actuary, as of June 30, 2017 was 138.4 percent. Chart 4 provides Prepaid529's funded status since 1997.

Chart 4
Prepaid529 Actuarially Funded Percentage as of June 30th

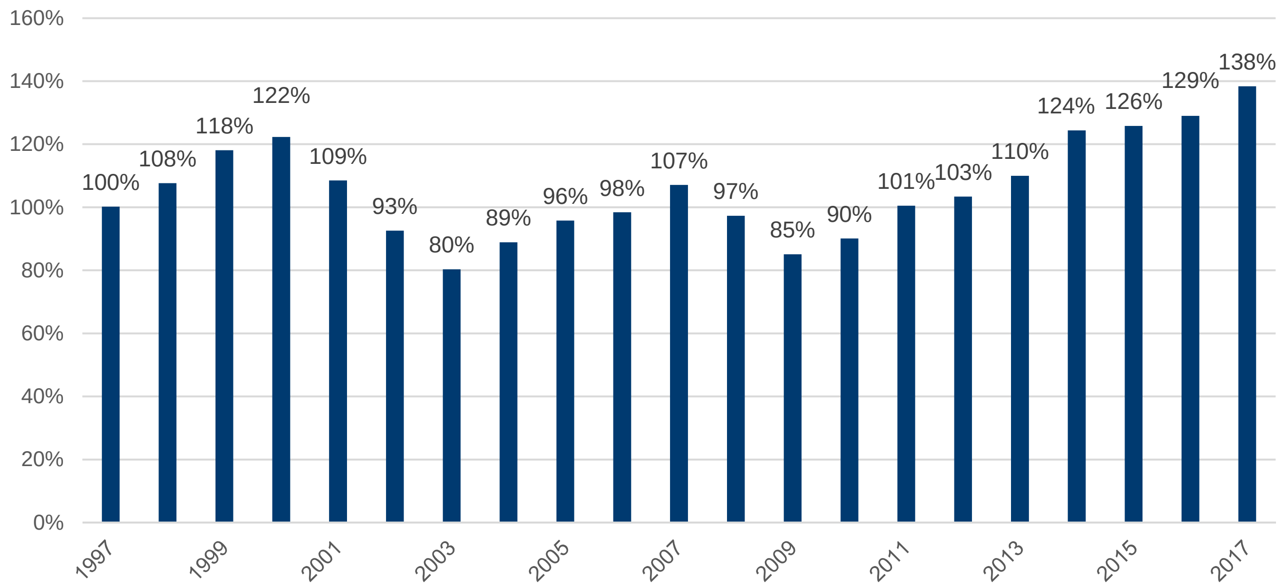


Table 6 represents the condensed Statement of Cash Flows for the Enterprise Fund for the fiscal years ended June 30, 2017 and 2016. VA529's year-end cash balance remained steady in the Enterprise Fund, only increasing by $.6 million.

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

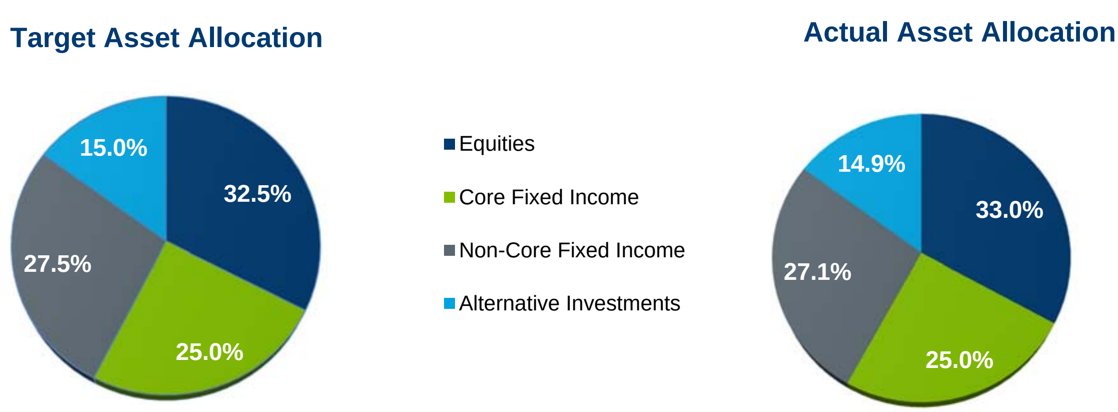
As of June 30,	2017	2016
Cash provided (used) by:		
Operating activities	($35.6)	($24.1)
Noncapital financing activity	(0.9)	(0.4)
Capital and related financing activities	(0.7)	(0.7)
Investing activities	37.8	19.0
Net increase (decrease) in cash	0.6	(6.2)
Cash – beginning of year	77.2	83.3
Cash – end of year	$77.8	$77.2

*Amounts may not sum due to rounding

In fiscal 2017, the Board revised its Investment Policies and Guidelines for Prepaid529 and Invest529. Changes primarily related to new Code of Virginia references as a result of recodification, updates of Appendix B to reflect manager changes and benchmark name changes as well as updates to reflect a re-categorization of the Invest529 Stable Value Portfolio as a static portfolio option versus previous presentation as a component of the age-based lineup. During the fiscal year the Board also approved newly developed Investment Policies and Guidelines for the ABLEnow program.

In fiscal 2017, the Investment Advisory Committee selected LGT Capital Partners and Neuberger Berman as additional private equity managers for Prepaid529, committing $30 million to Neuberger's Crossroads Fund XXI and $10 million to LGT's Crown Global Secondaries Fund IV. The remainder of the annual commitment to private equity was placed with an existing manager, Adams Street Partners, through a $12.5 million commitment to their Venture Innovation Fund. A complete list of Prepaid529 managers as of June 30, 2017 can be found in Appendices A and B.

Chart 5
Prepaid529 Asset Allocation as of June 30, 2017



Analysis of Fiduciary Fund (Invest529)
Financial Activities

Table 7 presents a summary of Invest529's assets and liabilities for fiscal 2017 and 2016. Cash decreased by $35.9 million from fiscal year 2016. VA529 engages various investment managers to invest the funds of the Invest529 program. The cash position fluctuates as these managers purchase and sell investments. Strong market conditions during the fiscal year resulted in a 20 percent increase in investments.

Table 7 – Invest529
Statement of Fiduciary Net Position (dollars in millions)

Fiscal year ended June 30	2017	2016	Change
Assets:			
Cash	$ 87.0	$ 122.9	$ (35.9)
Receivables	2.7	2.7	0.0
Investments	3,861.3	3,210.1	651.2
Total Assets	3,951.0	3,335.7	615.3
Liabilities	6.2	6.4	(0.2)
Net position held in trust	$ 3,944.8	$ 3,329.3	$ 615.5

Table 8 reflects the change in Invest529's net position for fiscal 2017. Additions to the fiduciary net position held in trust include contributions from participants as well as net investment income. Contributions represent amounts received from new and existing account holders. Contributions from Invest529 participants increased from the previous year by approximately $117.9 million and there were nearly 27,000 new Invest529 accounts opened during the fiscal year. Educational expense benefit payments made on behalf of participants represent 90% of Invest529 deductions. As anticipated, overall disbursements to Invest529 beneficiaries and institutions increased over the prior year by approximately 17.3 percent as more participants withdrew funds for higher education expenses.

Table 8 – Invest529
Change in Fiduciary Net Position (dollars in millions)

Fiscal year ended June 30	2017	2016	Change
Additions	$ 879.7	$ 484.8	$ 394.9
Deductions	264.2	228.2	36.0
Net Increase (decrease)	615.5	256.6	358.9
Net position held in trust, beginning	3,329.3	3,072.7	256.6
Net position held in trust, ending	$ 3,944.8	$ 3,329.3	$ 615.5

In October 2016, Invest529 received a Gold rating from Morningstar. Morningstar is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar introduced its ratings on 529 plans in 2010 and evaluates college savings plans on five key pillars – Process, Performance, People, Parent, and Price – which its analysts believe lead to plans that are more likely to outperform over the long term on a risk-adjusted basis. Morningstar evaluated 63 of the largest 529 plans in 2016. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Invest529 was one of three plans to receive a Gold rating.

In fiscal 2017, the Invest529 age-based portfolios evolved in accordance with the rebalancing policy along their scheduled glide paths, which emphasizes more income and preservation of capital as the portfolios proceed towards their final evolution. The next scheduled major step in the glide path evolution will occur on January 1, 2018 when the portfolios will hit their respective triennial target allocations as set forth in the Invest529 Program Description.

In fiscal 2017, the Board approved the addition of two new portfolios within the Invest529 program. The FDIC-Insured Portfolio was added as a new static investment option and the 2036 Portfolio was added to the age-based lineup to continue facilitation of the glide-path. Both portfolios were launched in January 2017. As of June 30, 2017, the two new portfolios had, in aggregate, over 5,700 accounts and $47.7 million in assets under management.

CollegeAmerica, CollegeWealth, and ABLEnow

Assets under management in CollegeAmerica increased during the fiscal year by approximately 14 percent from $50.8 billion to $57.9 billion. There were an additional 58,088 unique CollegeAmerica accounts at fiscal year-end compared to the prior fiscal year-end.

The Board approved the addition of two new CollegeAmerica investment options during the prior fiscal year, but were not available to investors until fiscal 2017. These two funds were the American Funds Corporate Bond Fund and the American Funds Emerging Markets Bond Fund and ended the fiscal year with assets under management of approximately $12 million and $2.7 million, respectively.

Assets under management in CollegeWealth decreased by 32 percent in fiscal year 2017 to approximately $78.9 million at year end. The program was closed to new participants during the fiscal year in conjunction with the opening of the Invest529 FDIC-Insured Portfolio. Assets at CollegeWealth participating bank Union Bank & Trust were transferred to the new FDIC-Insured Portfolio during the fiscal year. Remaining CollegeWealth assets represent those assets held in savings instruments at BB&T.

In December 2016, VA529 expanded its mission and launched ABLEnow, the Virginia-sponsored ABLE savings program for eligible individuals living with disabilities. As of June 30, 2017, more than 1,500 accounts had been opened with more than $2.8 million in assets under management.

CollegeAmerica, CollegeWealth and ABLEnow 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 Prepaid529 portfolio meeting or exceeding performance expectations over the long term. VA529 has assumed a long-term rate of return of 6.25 percent on the Prepaid529 investments. As of June 30, 2017, the total return since inception was about 6.3 percent net of fees and reflected Prepaid529's 10.7 percent investment performance during fiscal 2017. Global and domestic equity and fixed income markets continue to perform well into fiscal 2018 having a positive impact on Prepaid529 portfolio performance. Portfolio performance through the balance of fiscal 2018 will depend on many factors.

In assessing Prepaid529's financial condition and in pricing Prepaid529 contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 5 percent for the 2018-2019 academic year, and 6.5 percent thereafter for four-year universities as well as community colleges and two-year institutions. This long-term tuition and fee increase projection was established for the June 30, 2017 Prepaid529 valuation and 2017-2018 enrollment period pricing.

Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term Prepaid529 obligations. With the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a position to be informed of future tuition and fee increases. However, changes in tuition and fee models at Virginia public higher education institutions and recently proposed legislation impacting tuition and fee models that impact Prepaid529 may have an adverse impact on program sustainability. In addition, unanticipated changes in program revenue may also have a negative impact on program sustainability.

In light of these and other issues, in fiscal 2016 VA529 undertook a sustainability study to consider all options for Prepaid529 including maintaining the current program unchanged; maintaining the current program with minimal modifications (single-price model; single-tier pricing); closing Prepaid529 to new enrollment and managing existing contracts through depletion; considering a new structure, such as a weighted average payout program for new contracts; and/or considering a program with some risk sharing among VA529 and Virginia public higher education institutions. The sustainability study was completed and presented to the Board for consideration in October 2016. As a result, VA529's Board approved moving to a single-tier pricing model for the 2016-2017 enrollment period, and directed staff to review the design and implementation of an enrollment-weighted average tuition payout program to supplant the current Prepaid529 program. That study continued during fiscal 2017 and was presented to the Board for consideration in October 2017. The Board approved proceeding with legislation to revise Prepaid529's benefits to an enrollment-weighted average tuition payout structure.

The performance of participants' Invest529 and CollegeAmerica portfolios will depend on many of the same investment factors as those impacting Prepaid529. In Invest529, CollegeAmerica, CollegeWealth, and ABLEnow, 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 for these programs.

Financial Statements

VIRGINIA529
STATEMENT OF NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2017

	Administration and Operations	Prepaid529	Total Enterprise
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 1E and 2)	$ 2,931,068	$ 74,858,873	$ 77,789,941
Interest receivable	-	4,366,536	4,366,536
Prepaid529 contract payments receivable (Note 1G and 9)	-	47,774,420	47,774,420
Prepaid and other assets	399,728	-	399,728
Accounts receivable (Note 1H)	9,571,780	1,248,713	10,820,493
Total current assets	12,902,575	128,248,543	141,151,118
Noncurrent assets:			
Investments (Note 1E, 2, 3, and 4)	-	2,576,158,041	2,576,158,041
Prepaid529 contract payments receivable (Note 1G and 9)	-	146,793,615	146,793,615
Depreciable capital assets, net (Note 1K and 8)	8,305,475	-	8,305,475
Total noncurrent assets	8,305,475	2,722,951,656	2,731,257,131
Total assets	21,208,050	2,851,200,199	2,872,408,249
Deferred Outflows of Resources:			
Pension contributions made after measurement date (Note 10)	963,745	-	963,745
Pension Related (Note 10)	1,524,000	-	1,524,000
Total deferred outflows	2,487,745	-	2,487,745
Total Assets and Deferred Outflows of Resources	23,695,795	2,851,200,199	2,874,895,994
Liabilties and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	2,661,533	13,177	2,674,710
Pending trades payable	-	16,531,523	16,531,523
Due to program participants (Note 1L)	-	2,975,300	2,975,300
Obligations under securities lending	-	-	-
Tuition benefits payable (Note 7 and 9)	-	263,064,128	263,064,128
Compensated absences (Note 1M and 7)	560,844	-	560,844
Obligations under capital lease (Note 7)	320,314	-	320,314
Total current liabilities	3,542,692	282,584,128	286,126,820
Noncurrent liabilities:			
Tuition benefits payable (Note 7 and 9)	-	1,785,103,907	1,785,103,907
Compensated absences (Note 1M and 7)	156,943	-	156,943
Obligations under capital lease (Note 7)	4,704,340	-	4,704,340
Net pension liability (Note 10)	11,693,000		11,693,000
Total noncurrent liabilities	16,554,283	1,785,103,907	1,801,658,190
Total liabilities	20,096,975	2,067,688,035	2,087,785,010
Deferred inflows of resources:			
Pension Related (Note 10)	318,000	-	318,000
Total deferred inflows	318,000	-	318,000
Total Liabilities and Deferred Inflows of Resources	20,414,975	2,067,688,035	2,088,103,010
NET POSITION			
Net investment in capital assets	3,280,820	-	3,280,820
Unrestricted	-	783,512,164	783,512,164
Total net position	$ 3,280,820	$ 783,512,164	$ 786,792,984

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

VIRGINIA529
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2017

	Administration and Operations	Prepaid529	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1D)	$ 40,992,842	$ -	$ 40,992,842
Interest, dividends, rents, and other investment income	40,054	129,374,421	129,414,475
Net increase in fair value of investments	-	126,221,676	126,221,676
Prepaid529 contract payments (Note 1G)	-	111,635,076	111,635,076
Actuarial Prepaid529 contract payments (Note 9)	-	(4,190,743)	(4,190,743)
Other	87	-	87
Total operating revenues	41,032,984	363,040,429	404,073,413
Operating expenses:			
Personal services (Note 10)	10,239,674	-	10,239,674
Actuarial pension expense (Note 10)	1,339,000	-	1,339,000
Fiscal and Contractual services	11,289,368	-	11,289,368
Supplies and materials	70,181	-	70,181
Depreciation (Note 8)	507,171	-	507,171
Rent, insurance, and other related charges	222,568	-	222,568
Tuition benefits expense	-	168,252,232	168,252,232
Actuarial tuition benefits expense (Note 9)	-	12,559,257	12,559,257
Expendable equipment	502,162	-	502,162
SOAR Virginia (Note 12)	1,000,000	-	1,000,000
Other	115,099	-	115,099
Total operating expenses	25,285,223	180,811,489	206,096,711
Operating gain/loss	15,747,761	182,228,941	197,976,702
Nonoperating Revenues (Expenses)			
Interest expense	(240,171)	-	(240,171)
Other revenue	288,000	-	288,000
Loss on dispoal of capital asset	(12,521)	-	(12,521)
Transfers:			
Transfers to the General Fund of the Commonwealth	934,577	-	934,577
Interfund transfer in (out) (Note 1)	(16,461,223)	16,461,223	-
Change in net position	(1,612,731)	198,690,164	197,077,433
Net position - July 1, 2016	4,893,551	584,822,000	589,715,551
Net position - June 30, 2017	$ 3,280,820	$ 783,512,164	$ 786,792,984

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

VIRGINIA529
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2017

Cash flows from operating activities:		
Receipts for sales and services	$	42,603,490
Contributions Received		111,028,096
Internal Activity - Payments to Other Funds		(239,834)
Payments to Suppliers for Goods & Services		(1,076,598)
Payments to Employees		(11,269,765)
Other Operating Revenue		87
Payments for Contractual Services		(9,735,665)
Distributions		(166,057,018)
Other Operating Expenses		(1,115,099)
Net cash provided by (used for) operating activities	$	(35,862,307)
Cash flows from noncapital financing activities:		
Transfer to the General Fund of the Commonwealth		(934,577)
Net cash provided by (used for) noncapital financing activities	$	(934,577)
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	$	(123,481)
Payment of Principal and Interest on Capital Leases		(574,521)
Net cash provided by (used for) capital and related financing activiti	$	(698,002)
Cash flows from investing activities:		
Purchase of investments	$	(872,093,844)
Proceeds from sales or maturities of investments		849,182,480
Interest income on cash, cash equivalents, and investments		61,005,266
Net cash provided by (used for) investing activities	$	38,093,902
Net increase in cash and cash equivalents		599,016
Cash and cash equivalents - July 1, 2016		77,190,925
Cash and cash equivalents - June 30, 2017	$	77,789,941
Reconciliation of cash and cash equivalents:		
Per the Statement of Net Position:		
Cash and cash equivalents	$	77,789,941
Less:		
Securities Lending Cash Equivalents		-
Cash and cash equivalents per the Statement of Cash Flows	$	77,789,941

VIRGINIA529
STATEMENT OF CASH FLOWS (continued)
ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2017

Reconciliation of operating income to net cash provided by operating activities:		
Operating gain	$	197,976,702
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		507,171
Interest, dividends, rents and other investment income		(129,414,475)
Net decrease in fair value of investments		(126,221,676)
Changes in assets, liabilities, and deferred inflows and outflows:		
(Increase) decrease in receivables		1,003,669
(Increase) decrease in tuition contributions receivable		4,190,743
(Increase) Decrease in assets		(252,538)
Increase (decrease) in deferred outflows		(654,246)
Increase (decrease) in accounts payable		1,722,466
Increase (decrease) in amounts due to program participants		2,220,972
Increase (decrease) in current tuition benefits payable		12,591,670
Increase (decrease) in current compensated absences		145,597
Increase (decrease) current obligations under capital lease		(14,062)
Increase (decrease) in noncurrent tuition benefits payable		(32,413)
Increase (decrease) in noncurrent compensated absences		(24,574)
Increase (decrease) non current obligations under capital lease		(320,314)
Increase (decrease) in net pension liability		1,153,000
Increase (decrease) in deferred inflows		(440,000)
Net cash provided by (used for) operating activities	$	(35,862,307)

Noncash investing, capital, and financing activities:		
The following transaction occurred prior to the statement of net position date:		
Change in fair value of investments	$	126,221,676

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

VIRGINIA529
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
June 30, 2017

Assets:	
Cash and cash equivalents (Note 1E and 2)	$ 87,001,174
Receivables:	
Interest and dividends	2,612,618
Accounts receivable	102,773
Investments:	
Bonds	101,736,972
Mutual funds - Non Index	772,082,013
Mutual funds - Index	2,047,970,959
Stable Value	869,550,765
Equities	69,914,574
Total investments	3,861,255,283
Total Assets	3,950,971,848
Liabilities:	
Accounts payable	305,800
Pending trades payable	1,874,452
Due to program participants (Note 1L)	3,349,533
Program distributions payable	689,215
Total liabilities	6,219,000
Net position held in trust for program participants	$ 3,944,752,848

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

VIRGINIA529
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
June 30, 2017

ADDITIONS	
Contributions:	
From participants	$ 551,701,940
Total contributions	551,701,940
Investment income:	
Net increase in fair value of investments	201,133,181
Interest, dividends, and other investment income	130,479,160
Total investment income	331,612,342
Less investment expense	(3,585,057)
Net investment income	328,027,284
Total additions	879,729,225
DEDUCTIONS	
Educational expense benefits	238,714,552
Shares redeemed	24,956,838
Other Expenses	576,649
Total deductions	264,248,039
Changes in net position	615,481,186
Net position:	
July 1, 2016	3,329,271,662
June 30, 2017	$ 3,944,752,848

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 §23.1-700 through §23.1-713 of the *Code of Virginia*, as amended. VA529 operates the Commonwealth's Internal Revenue Code (IRC) §529 qualified tuition plan, which offers four programs, Prepaid529, Invest529, CollegeAmerica, and CollegeWealth. VA529 also operates the Commonwealth's IRC §529A disability savings option through the ABLEnow program.

Prepaid529 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. Prepaid529 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 126,033 accounts have been opened, with 64,072 contracts remaining active at year-end. The program had total assets invested from contributions, net earnings and other revenue of approximately $2.6 billion as of June 30, 2017. The program invests contract payments to meet future obligations. Operating costs are paid from program earnings and other revenue. VA529 does not receive any general fund appropriations. VA529's enabling legislation provides that all moneys remaining in its enterprise fund (a statutorily-created special nonreverting fund) at the end of a biennium shall not revert to the Commonwealth's general fund. Funds remaining may be used to pay VA529's obligations, including those of Prepaid529. VA529 annually assigns net operating revenue to Prepaid529 to support its funded status. Accordingly, net operating revenue of $16,461,223 was allocated within the enterprise fund to Prepaid529 for FY2017 via an interfund transfer. 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 Prepaid529's contractual obligations, in the event of a funding shortfall.

Invest529 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 21 investment portfolios. One additional portfolio remains open in the Invest529 program but is closed to new participants. Invest529 accounts are subject to investment risks, including the possible loss of principal. The Invest529 program is open year round and has no age or residency restrictions. Invest529 began operation in December 1999. As of June 30, 2017, 319,365 accounts had been opened, with 244,190 accounts remaining active at year end. These accounts had a net asset value of approximately $3.9 billion as of June 30, 2017. Investment management fees and Invest529 operating expenses are paid on a pro-rata basis by each Invest529 account owner and vary according to the portfolio selected. Invest529 accounts provide investors with the same federal and state tax benefits available to participants in the Prepaid529 program.

CollegeAmerica, a broker-sold IRC §529 college savings option, is a defined contribution college savings program and is administered by the American Funds pursuant to a contract using 43 of the American Funds mutual funds. CollegeWealth is also a defined contribution college savings program under which participants invest in FDIC-insured savings products offered through a participating bank. ABLEnow, Virginia's IRC §529A savings program, is a defined contribution disability savings program which allows individuals with disabilities to save for qualified disability expenses. ABLEnow is administered by PNC Bank, N.A. with low-cost, target risk mutual funds as investment options. 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 §23.1-702 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 Commonwealth's basic financial statements.

The following is a summary of significant accounting policies employed by 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, 2017. 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, 2016, CSS also provided services to Maryland, Texas, and Washington. On June 27, 2016, VA529 notified the three aforementioned states of its intent to terminate their respective contracts, and as of June 30, 2017, CSS had one remaining state for which services were being provided. Services will be provided under the terms of this remaining contract until final termination during fiscal year 2018. Once the final contract is terminated, CSS will be dissolved and CSS staff will be absorbed into the current Information Technology Division.

VA529's contracts with the 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 2017 Appropriation Act, revenue from operations performed for programs outside of Virginia in fiscal 2017, 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 Prepaid529 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 revenue collected to support VA529 operations, including administrative fee revenue and expenses of Invest529, CollegeAmerica, CollegeWealth, and ABLEnow are reflected in the enterprise fund.

VA529 reports the activity of the Invest529 program as a private-purpose trust fund, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating. The principal enterprise fund revenues of VA529 are Prepaid529 contract payments for program participants and investment income. VA529 enterprise fund expenses include tuition benefits expenses.

VA529's operating component is presented in a separate column, providing transparency in reporting operating position and activity. Operating revenues include administrative and other fees received from CSS as well as the Prepaid529, Invest529, CollegeAmerica, CollegeWealth, and ABLEnow 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. Beginning in fiscal 2016 investments were reported on a trade date basis. Investments in prior fiscal years were reported on a settlement date basis. The change to trade date accounting more accurately depicts VA529's financial position as of fiscal year end as all securities pending settlements at June 30, 2017 are incorporated in the reported values.

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. Prepaid529 Contract Payments

Prepaid529 contract purchasers may 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.

Prepaid529 contract payments receivable represent the actuarially determined present value of future payments due from contract holders.

Approximately 52.71 percent of contract holders of outstanding (active) contracts as of June 30, 2017 had elected to pay over time.

H. Accounts Receivable

Accounts receivable reflected in VA529's operating column of the enterprise fund reflect amounts due to VA529 at June 30th for administrative and other services provided. These amounts include second calendar quarter administrative fees collected on behalf of VA529 for the CollegeAmerica, CollegeWealth and ABLEnow 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 $20 billion. The fee is reduced to five basis points (.05 percent) for amounts in excess of $20 billion up to $100 billion with further reductions above $100 billion. This fee is calculated and accrued daily and paid to VA529 on a quarterly basis.

CollegeWealth's banking partner, Branch Banking & Trust (BB&T) pays VA529 an annual fee equal to ten basis points (.10 percent) of the average daily assets held in 529 bank accounts under the Program. These fees are calculated, accrued and paid to VA529 on a quarterly basis.

PNC Bank pays VA529 an annual fee equal to ten basis points (.10 percent) of the assets held in the investment options in the ABLEnow program. This fee is calculated and accrued daily and paid to VA529 on a quarterly basis.

I. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are a consumption of assets by VA529 that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of assets by VA529 that is applicable to a future reporting period. VA529 reported deferred inflows and outflows for the fiscal year relating to pensions in accordance with GASB Statement No. 68.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10, Retirement and Pension Plan for additional information.

J. Administrative Expenses and Budget

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

K. Capital Assets

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

Intangible assets are nonfinancial in nature, lack physical substance and have an initial useful life extending beyond a single reporting period. These assets may be acquired by purchase or license, through non-exchange transactions or internally generated. These assets are also capital assets and adhere to the same policies of other property, plant and equipment. VA529 has recorded one type of intangible asset, computer software. These assets were acquired through retail purchases and/or internally generated, and are reported in Note 8, Capital Assets.

L. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2017 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.

M. Accrued Leave Policy

Prior to January 1, 2016, employees accrued annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. Rates varied for regular part-time employees depending on normal work hours. The maximum accumulation was dependent upon years of service, but in no case did it exceed 54 days at the end of the leave year. All employees leaving the agency were 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.

Effective January 1, 2016, VA529 converted to a Paid Time Off (PTO) Policy with a defined leave year of January 1 through December 31. VA529 provides a bank of PTO for employees to use at their discretion. The PTO bank replaces separate leave types for vacation, sick leave, community service and various other leave types. The policy applies to all leave-eligible employees including regular full-time and regular part-time employees. The policy reduces both the maximum leave allowable for carry over at calendar year end and VA529's total liability for compensating absences at June 30.

When the Policy became effective, employees' existing annual leave balances converted to an annual bank up to the maximum carryover amount as dictated by VA529's previous annual leave policy. This bank will be available for employees' use throughout their remaining tenure with VA529 and will pay out upon termination according to the provisions below. Employees may use this time in lieu of or in addition to their PTO. However, they will not accrue any time in the annual bank after the December 24, 2015 accrual.

Employees accrue PTO at a rate of 8.3 to 13.3 hours semi-monthly, depending on their length of service. The maximum accumulation within the year is dependent upon years of service, but in no case may it exceed 40 days at the end of the calendar year. Regular part-time employees who retain eligibility for benefits receive a pro-rated accrual of PTO based on the number of hours regularly scheduled and state tenure. Employees may carryover up to 80 hours of unused PTO each year.

Employees are eligible annually for a partial payout of PTO time that was accrued but not used in the previous year. The pay out of unused leave will occur automatically at the end of the plan year provided certain conditions are met as specified in the PTO Policy. Eligible accrued but unused PTO will be paid out at 50 percent of the employee's current salary up to a maximum of three to ten days based on total state tenure. The payment will be made by February 1 of the subsequent leave year. Employees have the option to receive a taxable cash payment or they may defer their payment to their 457(b) deferred compensation retirement account.

All employees leaving the agency after January 1, 2016 were/are paid for accrued but unused 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. The maximum allowable payout includes both annual bank and PTO time that is accrued but unused. Employees having a negative PTO balance must pay VA529 the value of the borrowed leave as described in the PTO Policy.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2017, was computed using salary rates effective at that date and represents annual bank, PTO bank, overtime and disability credits held by employees up to the allowable ceilings, including the liability for VA529's share of Social Security and Medicare taxes on leave balances for which employees will be compensated.

N. Other Postemployment Benefits

VA529 eligible employees participate in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program (VSDP), and the Retiree Health Insurance Credit Program. All but one VA529 employee participates in the VSDP.

The Group Life Insurance Program provides members basic group life insurance upon employment. In addition to benefits provided to active members during employment, the VSDP provides inactive members with long-term disability and long-term care benefits. The Retiree Health Insurance Credit Program provides members health insurance credits to offset the monthly health insurance premiums for retirees who have at least 15 years of service.

VA529 also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. The plan provides the option for retirees who are not eligible to participate in Medicare to participate in the Commonwealth's healthcare plan for its active employees. VA529 does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates. This generally results in a higher rate for active employees. Therefore, VA529 effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of premiums for active employees.

Additional information related to all of these plans is available at the state-wide level in the Commonwealth's Comprehensive Annual Financial Report.

O. Prepaid529 – Investment in Real Estate

In 2008, VA529 established Aventura Holdings LLC, a limited liability company, to purchase a 48,500 square foot office building in Chesterfield County, Virginia; such purchase was funded from Prepaid529. The investment in Aventura is reflected in Prepaid529's assets at $7.4 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2017.

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 percent 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 7 below for a description of the Lease Agreement. Aventura has also established a renewal and replacement reserve funded from 27 percent of the annual rental payments received from VA529 to cover capital improvements to the building.

P. Pensions

VRS State Employee Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10, Retirement and Pension Plan for additional information.

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 §23.1-706 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, collective trust funds, hedge funds, private equity 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 Prepaid529 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 Invest529 and ABLEnow programs 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-appointed IAC provides objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Board's Statement of Investment Policy and Guidelines and the IAC's Charter. The Board has also selected a group of 30 external managers. See complete lists of Investment Managers in Appendices A and B. In addition, Prepaid529 contractual payments are considered Commonwealth revenue and as a result must pass through the State Treasury. Prior to being moved to VA529's custodian, these monies along with other minor balances may be invested with the State Treasurer as part of the Commonwealth's General Account. The Appropriation Act includes a provision for the allocation of interest on balances held at the State Treasury to VA529 and certain other agencies. Accordingly, VA529 received interest earnings on a quarterly basis from the Commonwealth based on its relative participation during the quarter.

Invest529 contributions are excluded as Commonwealth revenue and accordingly are deposited directly with VA529's financial institution, Wells Fargo Bank N.A.

The Board has authorized its partner, the American Funds, to offer a subset of their mutual funds to investors in CollegeAmerica. At fiscal year-end, 43 mutual funds were approved and available for investment 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 2017, VA529 extended investment commitments under limited partnership agreements for private equity investments in Prepaid529. At June 30, 2017, VA529's investment commitments amounted to $165 million.

Custodial Credit Risk

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, VA529's deposits may not be returned to it. VA529 does not hold deposits for CollegeAmerica, CollegeWealth, or ABLEnow. All deposits, except those in the FDIC-Insured Omnibus Account, of the Prepaid529 and Invest529 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, 2017, all investments of the Prepaid529 and Invest529 programs, except those investments in open-end mutual funds, certain collective trusts, private equity or hedge funds, were held in VA529's name by VA529's custodian, BNY Mellon Asset Servicing. Approximately 60 percent of total Prepaid529 investments (reported as enterprise fund assets) and 73 percent of total Invest529 investments (reported as a private-purpose trust fund) are invested in these vehicles. All investments of the CollegeAmerica program are invested in mutual funds. Investments in open-end mutual funds, collective trusts, private equity and hedge funds are not directly exposed to custodial credit risk because their existence is not evidenced by individual securities held by the custodian.

Interest Rate Risk – Fixed Income Securities

As of June 30, 2017, VA529 had fixed income investment securities held in Prepaid529 and Invest529 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.

Prepaid529		
Investment Type	**Fair Value**	**Effective Duration (years)**
Money Market Funds	$ 75,060,569	0.08
Bank Loans	229,840,131	0.13
Non-Agency Mortgage-Backed Securities	46,838,519	1.46
Mortgage-Backed Securities - Agency	20,244,683	3.20
Asset-Backed Securities	6,789,037	1.50
Corporate Bonds	245,655,910	4.15
Convertible Securities[1]	106,608,737	2.78
Bond Funds[1]	546,094,888	5.18
Treasury and Agency Futures Contracts	(80,390)	4.18
Stable Value[2]	126,604,030	3.52
Total	**$ 1,403,656,114**	**3.40**
Invest529		
Investment Type	**Fair Value**	**Effective Duration (years)**
Money Market Funds	$ 44,680,631	0.08
Bank Loans	977,295	0.14
Corporate Bonds	100,759,677	4.19
Bond Funds	619,694,729	6.22
Stable Value[2]	869,550,765	3.44
Total	**$1,635,663,097**	**4.45**

[1]Effective duration for convertible bonds and convertible bond funds is calculated using a methodology that takes into account the duration impact of equity warrants and rate-sensitive instruments. [2]Reported at contract value.

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

Credit Risk of Fixed Income Securities

VA529's Statements of Investment Policy and Guidelines require its fixed income securities managers to invest in holdings which, on average, are comprised of high quality securities and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the three major rating agencies. This requirement does not apply to VA529's managers who are instructed to manage a specific investment strategy (e.g., high yield fixed income), whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. VA529's fixed income investment securities held in Prepaid529 and Invest529 as of June 30, 2017 were rated by Standard & Poor's (S&P) and/or Moody's and the ratings are presented in the charts entitled credit quality by investment type.

Concentration of Credit Risk

At June 30, 2017, VA529 had no investment securities held in separately managed accounts in Prepaid529 and Invest529 in any one issuer that represented 5 percent or more of total investments.

Mutual Fund Risks

At June 30, 2017, VA529 participated in a number of open-end domestic and foreign equity and fixed income mutual funds and collective trusts in Prepaid529 and Invest529. 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 Prepaid529, Invest529, CollegeAmerica and ABLEnow 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, 2017, 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.

Prepaid529 Currency Exposures by Asset Class			
Currency	Convertible Bonds	Cash & Cash Equivalents	Total
British Pound Sterling	$ 3,166,580	$ 549,763	$ 3,716,343
Canadian Dollar	2,007,507	307,672	2,315,179
Euro	21,731,435	16,619	21,748,054
Hong Kong Dollar	1,295,403	192	1,295,595
Japanese Yen	13,065,926	4,326	13,070,252
Singapore Dollar		5,446	5,446
Swedish Krona		4	4
Swiss Franc		82	82
Total	**$ 41,266,851**	**$ 884,104**	**$ 42,150,955**

Note: Amounts shown in U.S. dollars using June 30, 2017 foreign exchange rates.

Counterparty Risk

Counterparty risk is the risk of loss arising from the failure of one party to a transaction to fulfill its contractual obligation to the other. VA529 has exposure to counterparty risk through its investments. Higher levels of this risk are attributable to VA529's investments in hedge funds, as these types of investments are subject to the potential usage of over-the-counter derivative transactions. Other potential examples of risk for over-the-counter transactions may include transaction costs/inefficiencies/errors, fraud or reputation risk. As of June 30, 2017 approximately 5 percent of Prepaid529 investments were invested in these vehicles.

Rating Agency	Invest529 Credit Quality by Investment Type				
	Corporate Bonds	Bank Loans	Money Market Funds	Bond Funds[2]	Stable Value[3]
S&P's Quality Rating					
AAA	-	-	$ 44,680,631	-	-
BBB	$390,698	-	-	-	-
BBB-	2,934,674	-	-	-	-
BB+	11,015,751	-	-	-	-
BB	13,129,841	-	-	-	-
BB-	16,507,941	$76,917	-	-	-
B+	21,981,805		-	-	-
B	14,608,478	174,781	-	-	-
B-	10,606,382	120,997	-	-	-
Less than B-	7,006,951	114,588	-	-	-
Moody's Quality Rating					
Aaa	400,000	-	-	-	-
Ba2	200,281	-	-	-	-
Ba3	385,125	-	-	-	-
B1	191,750	-	-	-	-
Unrated[1]	1,400,000	490,011	-	$ 619,694,729	$ 869,550,765

[1]Securities have not been rated by either Standard & Poor's or Moody's
[2]Funds are not rated directly by S&P, however the underlying investments weighted average credit quality rating is A
[3]Stable Value Contracts are not rated directly by S&P, however the underlying investments weighted average credit quality rating is AA

Rating Agency	Prepaid529 Credit Quality by Investment Type									
	Non-Agency Mortgage-Backed Securities	Asset-Backed Securities	Mortgage-Backed Securities - Agency	Bank Loans	Corporate Bonds	Convertibles	Money Market Funds	Bond Funds[2]	Treasury and Agency Futures Contracts	Stable Value[3]
S&P										
AAA	$ 6,725,537	$ 3,167,833	$ 357,795	-	-	-	$54,700,426	-	-	-
AA+	2,623,484	-	19,886,888	-	-	-	-	-	-	-
AA	5,653,784	-	-	-	-		-	-	-	-
A+	2,283,660	-	-	-	-	$ 7,464,000	-	-	-	-
A	2,331,955	802,495	-	-	-	7,261,904	-	-	-	-
A-	1,862,331	-	-	-	-	3,821,814	-	-	-	-
BBB+	641,697	-	-	-	-	5,096,797	-	-	-	-
BBB	2,271,924	-	-	-	-	3,829,009	-	-	-	-
BBB-	1,539,581	-	-	$12,495,505	$ 7,007,360	8,001,153	-	-	-	-
BB+	956,772	-	-	12,905,866	25,720,160		-	-	-	-
BB	216,479	-	-	21,320,385	31,540,319	1,289,315	-	-	-	-
BB-	459,982	-	-	31,739,021	39,106,810	1,692,035	-	-	-	-
B+		-	-	31,684,551	54,898,549	1,427,344	-	-	-	-
B	726,489	-	-	49,022,982	35,489,298		-	-	-	-
B-		-	-	8,111,669	26,191,136	1,170,402	-	-	-	-
Less than B-	1,911,727	-	-	7,351,301	16,685,200		-	-	-	-
Moody's										
Aaa	6,139,458	2,742,401	-	-	1,000,000	-	-	-	-	-
Aa1	8,655	-	-	-	-	-	-	-	-	-
Aa3	92,004	-	-	-	-	-	-	-	-	-
A2	-	-	-	322,636	-	2,940,680	-	-	-	-
A3	269,118	-	-	-	-	2,353,240	-	-	-	-
Baa1	697,900	-	-	-	-	1,024,612	-	-	-	-
Baa2	367,192	-	-	-	-	-	-	-	-	-
Baa3	516,891	-	-	-	-	-	-	-	-	-
Ba1	572,282	-	-	-	-	-	-	-	-	-
Ba2	-	-	-	-	425,563	-	-	-	-	-
Ba3	-	-	-	-	1,001,125	-	-	-	-	-
B1	136,307	-	-	-	455,406	-	-	-	-	-
B2	-	-	-	967,244	-	808,064	-	-	-	-
Less than B2	344,890	-	-	-	-	-	-	-	-	-
Unrated[1]	7,488,420	76,307	-	53,918,971	6,134,985	58,428,370	20,360,143	$546,094,888	$ (80,390)	$ 126,604,030

[1]Securities have not been rated by either Standard & Poor's or Moody's
[2]Funds are not rated directly by S&P, how ever the udnerlying investments w eighted average credit quality rating is A-
[3]Stable Value Contracts are not rated directly by S&P how ever the underlying investments w eighted average credit quality rating is AA

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, 2017, three separate account managers were permitted to use derivatives as shown in the table below.

Program	Manager	Asset Class
Prepaid529	PGIM Fixed Income*	High Yield Fixed Income
Invest529	PGIM Fixed Income*	High Yield Fixed Income
Prepaid529	Schroders Investment Management North America, Inc.	Mortgage-Backed Securities
Prepaid529	Advent Capital Management, LLC	Convertible Bonds

*Formerly Prudential Investment Management. In January 2017 Prudential Fixed Income was rebranded to PGIM Fixed Income.

(i) Derivatives held in PGIM Fixed Income Accounts

Pursuant to its investment management agreement, PGIM Fixed Income 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. Neither the Invest529 nor Prepaid529 PGIM Fixed Income accounts held any derivatives at June 30, 2017.

(ii) Derivatives held in Schroders Investment Management Account

Pursuant to its investment management agreement, Schroders Investment Management may invest in derivatives for hedging, and duration management. The portfolio's notional exposure to derivatives, as measured on a net market value basis, is limited to 10 percent of the market value of the account. U.S. Treasury futures used to hedge duration are excluded from the 10 percent limit. At June 30, 2017, the only derivatives held in the account were U.S. Treasury futures. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivatives – U.S. Treasury Futures Contracts

	Changes in Fair Value		Fair Value at June 30, 2017		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise Fund	Revenue	-$287,195	Investment	-$80,390	$36,586,727

(iii) Derivatives held in Advent Capital Management Account

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

Prepaid529 Currency Forwards				
Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
British Pound Sterling	$3,841,112	$650,505	($4,470,269)	($3,819,764)
Canadian Dollar	2,273,605	-	(2,360,565)	(2,360,565)
Euro	21,618,331	2,201,398	(24,091,868)	(21,890,470)
Hong Kong Dollar	1,303,291	936,482	(2,233,446)	(1,296,964)
Japanese Yen	13,183,537	-	(13,038,939)	(13,038,939)
U.S. Dollar	(42,219,875)	45,962,739	(3,742,864)	42,219,875
Total	-	$49,751,123	($49,937,950)	($186,827)

Note: Amounts shown in U.S. dollars using June 30, 2017 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 Prepaid529 and Invest529 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, 2017, 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
Prepaid529	American General Life	$25,248,169	2/21/2014	Open ended	1.75%
	Bank of Tokyo	25,047,775	6/1/2017	Open ended	2.35%
	RGA	25,297,907	6/22/2016	Open ended	2.35%
	State Street Bank	25,339,420	5/1/2002	Open ended	2.66%
	Voya Retirement & Annuity	25,670,759	12/3/2002	Open ended	2.66%
Invest529	American General Life	$152,138,631	1/16/2014	Open ended	1.54%
	Bank of Tokyo	100,963,379	1/5/2017	Open ended	2.13%
	Prudential Retirement Ins. & Annuity	154,720,847	1/30/2014	Open ended	2.16%
	RGA	152,866,547	8/28/2015	Open ended	2.02%
	State Street Bank	154,387,378	5/1/2002	Open ended	2.15%
	Voya Retirement & Annuity	31,787,774	12/3/2002	Open ended	2.90%
	Voya Retirement & Annuity	122,686,208	10/5/2012	Open ended	1.48%

At June 30, 2017, the fair value of the underlying investments for both Prepaid529 and Invest529 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, 2017.

In the Prepaid529 program, the fair value of the wrapped stable value investments at June 30, 2017, was $128,275,762.

Prepaid529 - Stable Value Components	**Fair Value**
Underlying Investments	$128,275,762
Wrap Contracts	-
Total	$128,275,762

In the Invest529 program, the fair value of the wrapped stable value investments at June 30, 2017, was $874,621,727.

Invest529 - Stable Value Components	**Fair Value**
Underlying Investments	$874,621,727
Wrap Contracts	-
Total	$874,621,727

4. Fair Value Measurement and Application

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

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

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

Level 3: Unobservable inputs

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

Prepaid529 investments measured at fair value as of June 30, 2017:

		Fair Value Measurements Using:		
Prepaid529 Investments By Fair Value	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash & Cash Equivalents				
Cash with the Treasurer of VA	$ 493,207	$ 493,207	-	-
Money Market Funds	75,060,569	75,060,569	-	-
Foreign Currencies	884,104	884,104	-	-
Total Cash & Cash Equivalents	76,437,880	76,437,880	-	-
Debt Securities				
US Treasury & Agency Securities	(80,390)	(80,390)		-
Corporate Bonds	245,655,910		$ 245,655,910	-
Convertible Bonds	106,608,737		106,608,737	-
Bond Funds	78,701,207	78,701,207		-
Bank Loans	229,840,131		229,840,131	-
Asset-Backed Securities	6,789,037		6,789,037	-
Mortgage-Backed - Agency	20,244,683		20,244,683	-
Mortgage-Backed - Non Agency	46,838,519		46,838,519	-
Total Debt Securities	734,597,834	78,620,817	655,977,017	-
Equity Securities				
Equities	272,374,883	268,859,797	3,515,086	-
Equity Real Estate	7,400,002			$ 7,400,002
Index Funds - Equity	109,829,261	109,829,261		-
International & Emerging Markets Funds	474,666,806	474,666,806		-
Total Equity Securities	864,270,952	853,355,863	3,515,086	7,400,002
Total Investments by Fair Value Level	$ 1,675,306,666	$ 1,008,414,560	$ 659,492,103	$ 7,400,002

Description of Prepaid529 investments measured at fair value:

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

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

Prepaid529 investments reported at NAV:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently	Redemption Notice Period
Hedge Funds				
Blackstone - Hedge Fund of Funds	$ 127,093,308	-	Semi-Annual	95 Days
Aurora - Hedge Fund of Funds	1,518,492	-	Quarterly	95 Days
Equity Real Estate				
UBS Realty Investors	88,376,454	-	Quarterly	60 Days
Private Equity Funds of Funds				
Private Advisors	36,967,402	$ 18,690,586		
Adams Street Partners	88,039,363	90,911,050		
LGT Capital Partners	603,419	9,550,000		
Neuberger Berman	8,737,430	21,300,000		
Aether Investment Partners	16,397,519	18,635,104		
Commonfund	15,558,159	6,400,000		
Common Trust Funds & Other				
Wellington Management	184,640,606	-	Monthly	10 Days
State Street Global Advisors	129,639,656	-	Daily	2 Days
Ferox Capital	75,545,621	-	Daily	2 Days
BlackRock	77,567,799	-	Daily	3 Days
Total Investments Measured at the NAV	850,685,226			
Total Investments at Fair Value and NAV	$ 2,525,911,892			

Description of investments measured at NAV:

1. Hedge Funds: This investment type includes two hedge funds. The Aurora Offshore Fund Ltd. II and Blackstone Partners Offshore Fund are diversified, multi-strategy hedge funds of funds. Underlying investment strategies include a range of asset classes and the funds are not restricted from participating in any market, strategy or investment. The Aurora Offshore Fund Ltd. II is liquidating and accordingly no redemptions may currently be initiated by investors. The remainder of this investment is expected to be returned in FY2018. The fair value of investments in this type has been determined using the NAV per share of the investments.

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

3. Private Equity Funds of Funds: This investment type includes private equity funds of funds managed by six managers. These investments cannot be redeemed from the fund. Capital is

generally expected to be called during the initial 4 to 5 years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 10th years. Secondaries funds of funds may have an accelerated capital call and return of capital profile. Investments with Adams Street Partners are diversified geographically through use of the U.S. and non-U.S. centric funds. VA529 is also diversified by vintage year with respect to these investments. VA529's investments in Commonfund's Natural Resources IX Fund and Aether Investment Partners' Real Assets III & IV, LP Funds seek to gain exposure to private investments in various natural resources sectors. VA529's investment in Private Advisors seeks to gain exposure to small company growth equity and buyout, distressed/turnaround, and opportunistic fund managers located in North America through investments in the Small Company Buyout Fund IV and Small Company Private Equity Fund VI & VII. Through the LGT Capital Crown Global Secondaries Fund IV, VA529 gains exposure to a global portfolio of private equity secondary investments. VA529 also invests in the Neuberger Berman Crossroads Fund XXI, an asset allocation fund of funds, which is diversified both geographically and strategically. The fair values of investments in this type have been determined using the March 31, 2017 NAV of VA529's ownership of the partnership, adjusted for cash flows (capital calls) through June 30, 2017.

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

Description of Invest529 investments measured at fair value:

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

Invest529 investments measured at fair value as of June 30, 2017:

Investments By Fair Value Level	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents				
Cash with Wells Fargo	$ 3,263,987	$ 3,263,987	-	-
Cash with Union Bank & Trust	41,419,373	41,419,373	-	-
Money Market Funds	44,680,631	44,680,631	-	-
Total Cash & Cash Equivalents	89,363,991	89,363,991	-	-
Debt Securities				
Corporate Bonds	100,759,677	-	$ 100,759,677	-
Bank Loans	977,295	-	977,295	
Emerging Markets - Debt	205,733,988	205,733,988	-	-
Index Funds - Debt	413,960,740	413,960,740	-	-
Total Debt Securities	721,431,701	619,694,729	101,736,972	-
Equity Securities				
Equities	69,914,574	69,914,574	-	-
Equity Real Estate	186,944,439	186,944,439	-	-
Index Funds - Equity	1,619,899,510	1,619,899,510	-	-
International & Emerging Markets Funds	393,514,294	393,514,294	-	-
Total Equity Securities	2,270,272,817	2,270,272,817	-	-
Total Investments by Fair Value Level	$3,081,068,509	$ 2,979,331,537	$ 101,736,972	$ -

5. Securities Lending Transactions

As of June 30, 2017, there are no investments and cash equivalents held by the Treasurer of Virginia that represent the Department's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program due to the suspension of the program as of October 31, 2016. Information related to the State Treasury's securities lending program 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. Accordingly, VA529 recorded interest of $10 for securities lending transactions in fiscal year 2017.

6. 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 2017 was $373,382.

As of June 30, 2017, VA529 had the following total future minimum rental payments due under the above leases.

Fiscal Year	Amount
2018	$215,375
2019	112,477
2020	16,487
2021	16,487
2022	16,487
Total future minimum rental payments	$377,313

7. 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 Prepaid529.

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
FY17	$ 574,521
FY18	588,884
FY19	603,606
FY20	618,696
FY21	634,164

(1) 2017 rent at $11.00 psf with a 2.5% annual escalator.

Future Minimum Lease Payments	Amount
FY 2022-2026	$ 3,416,708
FY 2027-2031	3,865,691
FY 2032-2036	4,373,675
FY 2037-2041	4,948,412
FY 2042-2043	1,075,082

(2) Future minimum lease payments calculated with a 2.5% annual escalator and are subject to change upon renegotiation of the lease. See Note 1N – Prepaid529 Investment in Real Estate.

Aventura has also established a renewal and replacement reserve funded from 27 percent 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, 2016 – June 30, 2017	$ 156,688
July 1, 2017 – June 30, 2018	160,605
July 1, 2018 – June 30, 2019	164,620
July 1, 2019 – June 30, 2020	168,735
July 1, 2020 – June 30, 2021	172,954
July 1, 2021 – June 30, 2022	177,278
July 1, 2022 – June 30, 2023	181,710
July 1, 2023 – June 30, 2024	186,252
July 1, 2024 – June 30, 2025	190,909

C. Compensated Absences

Compensated Absences represent the long-term liability for accrued annual, sick or disability credits, compensatory, overtime, on-call, and other leave for all leave-eligible employees employed on June 25, 2017. Long-term leave liability is further apportioned as current or noncurrent based on whether they are estimated to be due within one year or due greater than one year, respectively.

D. Pension Liability

Employees of VA529 are employees of the Commonwealth of Virginia. The employees participate in one of two defined benefit pension plans or a hybrid retirement plan administered by the Virginia Retirement System. The Commonwealth's actuarially determined Net Pension Liability is calculated as of the previous fiscal year end. VA529's proportion of this liability is based on its actuarially determined employer contributions to the pension plan. See Note 10 – Retirement and Pension Plan for additional information on this liability.

Changes in long-term liabilities are shown below:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 596,764	$ 586,143	$ 465,120	$ 717,787	$ 560,844
Tuition Benefits	2,035,608,778	180,811,489	168,252,232	2,048,168,035	263,064,128
Net Pension Liability	10,540,000	1,153,000		11,693,000	
Capital lease obligation	5,359,034		334,377	5,024,657	320,314
Total	$ 2,052,104,576	$182,550,632	$ 169,051,729	$ 2,065,603,479	$ 263,945,286

8. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2017.

Enterprise Fund	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Depreciable capital assets:				
Equipment	$1,701,312	123,481	111,318	$1,713,475
Software	1,038,466	-	-	1,038,466
Building*	8,800,000	-	-	8,800,000
Total Depreciable capital assets:	11,539,778	123,481	111,318	11,551,941
Less accumulated depreciation for:				
Equipment	1,165,210	165,128	98,796	1,231,542
Software	495,161	103,847		599,008
Building	1,177,720	238,196		1,415,916
Total accumulated depreciation	2,838,092	507,171	98,796	3,246,466
Net depreciable capital assets	8,701,685	(383,690)	12,522	8,305,473
Total net capital assets	$8,701,685	(383,690)	12,522	$8,305,473

*Asset purchased under a capital lease

9. Summary of Actuarial Assumptions and Methods

VA529's statute requires that it annually determine the actuarial soundness of Prepaid529. VA529 has assumed that actuarially sound, when applied to Prepaid529, means that VA529 has sufficient assets (including the value of future installment payments due under current Prepaid529 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 Prepaid529'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 2017, VA529's Board reviewed the rates of investment return and future tuition growth and made no change in these assumptions. The following assumptions were used in the actuarial valuation for June 30, 2017:

Investment Rate of Return: 6.25 percent per annum.

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

	Universities	Community Colleges
Fall 2018	5.0%	5.0%
Fall 2019 and thereafter	6.5%	6.5%

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

Attendance and Bias: It is assumed that of the remaining contracts that will be redeemed to pay for tuition, 76 percent of beneficiaries will attend a public university in Virginia, 7.6 percent will attend a private university in Virginia, 11.4 percent will attend a university in another state, and 5 percent will request a cancellation, transfer, or rollover to a savings plan. Weighted average tuition for four-year public universities and two-year community colleges in Virginia was adjusted with 8 percent and 1 percent loads, respectively, to add a bias for attendance at more expensive schools. The highest tuition for a public university in Virginia was assumed to be 176 percent of weighted average tuition. Out-of-state students are assumed to receive a benefit equal to the payments made on the contract plus interest at the composite reasonable rate of return.

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

Expenses: The expenses included in the present value of future obligations are those relating to Annual Maintenance Expense per Contract of $58.97 and Annual Distribution Cost per Contract in Payment Status of $26.11. These expenses were developed by VA529 staff and are assumed to increase annually at the rate of inflation plus 0.5 percent.

The actuarial Prepaid529 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, 2017, the accrual of the actuarially determined Prepaid529 contract payments receivable decreased over the prior year. The decrease in the receivable resulted in negative actuarial Prepaid529 contract payments reported as a reduction in operating revenue. The accrual of the tuition benefits payable increased over the prior year. The increase in the payable resulted in an increase in actuarial Prepaid529 tuition benefit expenses.

Actuarial Valuation Results

	2017	2016	Change
Prepaid529 contract payments receivable	$194,568,035	$198,758,778	$(4,190,743)
Tuition benefits payable	$2,048,168,035	$2,035,608,778	$12,559,257

10. Retirement and Pension Plan

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

Plan Description

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

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

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

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5 percent of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5 percent of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100 percent vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100 percent vested in the contributions that they make. Upon retirement or leaving covered

		employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50 percent vested and may withdraw 50 percent of employer contributions. • After three years, a member is 75 percent vested and may withdraw 75 percent of employer contributions. • After four or more years, a member is 100 percent vested and may withdraw 100 percent of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70 percent.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65 percent for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00 percent. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Defined Contribution Component:** Not applicable.

Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3 percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4 percent) up to a maximum COLA of 5 percent. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2 percent increase in the CPI-U and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7 percent on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65 percent on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4 percent of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, the 5.00 percent member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00 percent member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2017 was 13.49 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of $162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VA529 to the VRS State Employee Retirement Plan were $963,745 and $964,499 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, VA529 reported a liability of $11,693,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. VA529's proportion of the Net Pension Liability was based on its actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, VA529's proportion of the VRS State Employee Retirement Plan was 0.17742 percent as compared to 0.17215 percent at June 30, 2015.

For the year ended June 30, 2017, VA529 recognized pension expense of $1,339,000 for the VRS State Employee Retirement. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, VA529 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 50,000	$ -
Net difference between projected and actual earnings on pension plan investments	745,000	318,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	729,000	-
Employer contributions subsequent to the measurement date	963,745	-
Total	$ 2,487,745	$ 318,000

$963,745 reported as deferred outflows of resources related to pensions resulting from VA529's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
FY 2018	$ 305,000
FY 2019	170,000
FY 2020	426,000
FY 2021	305,000
FY 2022	-

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

		State Employee Retirement Plan
Total Pension Liability		$ 22,958,593
Plan Fiduciary Net Position		16,367,842
Employers' Net Pension Liability (Asset)		$ 6,590,751
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by VA529 for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents VA529's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00 percent, as well as what VA529's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
VA529's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 16,456,000	$ 11,693,000	$ 7,694,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

As of June 30, 2017, VA529 reported payables to the VRS State Employee Retirement Plan in the amount of $83,789. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end as a result of timing of payroll payment dates. Additional information regarding the VA529's pension liability can be found in the Required Supplementary Information section of this report.

11. 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 co-location agreements 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.

12. SOAR Virginia

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.

VA529's Board has funded an Invest529 account in the name of VA529 for the program. Amounts deposited, plus earnings thereon, remain in the account until distributed. Amounts are allocated to students once awarded pursuant to program rules. VA529 will not commit support in excess of amounts on-hand in the SOAR Virginia account. As of June 30, 2017, the SOAR Virginia account had a balance of $8.1 million. During fiscal year 2017, $288,614 was distributed to institutions on behalf of SOAR participants. Details as to the number of students enrolled in the program and amounts committed as of June 30, 2017 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
3,480	$3,643,385	$2,193,750	$5,837,135

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

13. Scholarship Program And Promotional Accounts

The VA529 scholarship program consists of Prepaid529 and Invest529 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 Prepaid529 and Invest529 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 Prepaid529 or Invest529 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, 2017:

	Scholarship		Promotional	
Program	**Accounts**	**Value**	**Accounts**	**Value**
Invest529	253	$913,600	214	$1,029,597
Prepaid529	23	$363,994	17	$242,605

Prepaid529 value represents the cancellation value of accounts at June 30, 2017
Invest529 value represents the aggregate market value of the investments in the portfolios at June 30, 2017

14. 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 2017 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 2017 after it receives all Schedule K-1s at the end of calendar 2017.

Required Supplementary Information

VA529 Pension Liability

Schedule of VA529's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2017, 2016 and 2015*

	2017	**2016**	**2015**
VA529's Proportion of the Net Pension Liability (Asset)	0.17742%	0.17215%	0.15817%
VA529's Proportionate Share of the Net Pension Liability (Asset)	$ 11,693,000	$ 10,540,000	$ 8,855,000
VA529's Covered Payroll	$ 7,061,526	$ 6,716,544	$ 6,188,569
VA529's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.59%	156.93%	143.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.

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

Schedule of VA529 Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	$ 963,745	$ 963,745	$ -	$7,365,537	13.08%
2016	$ 964,499	$ 964,499	$ -	$7,061,526	13.66%
2015	$ 810,765	$ 810,765	$ -	$6,716,544	12.07%

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

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

Supplementary Information

ADDITIONAL FINANCIAL INFORMATION

The following schedules provide additional information not included in the Basic Financial Statements:

- Appendix A - Mutual Funds by Program
- Appendix B - Separate Accounts, Commingled Funds & Alternative Managers by Program
- Appendix C – Investment Details by Program
- Appendix D – Schedule of Investment Expenses

APPENDIX A

Mutual Funds by Program

Prepaid529^{SM}

Investment Manager	Fund Name
Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
BlackRock, Inc.	T-Fund (Cash and Equivalents)
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Dimensional Fund Advisors, LP	Emerging Markets Core Equity
Stone Harbor Investment Partners LP	Emerging Market Debt Blend
Templeton Institutional Funds, Inc.	Templeton International Equity Series
The Vanguard Group, Inc.	Institutional Index Fund

Invest529^{SM}

Investment Manager	Fund Name
Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Dimensional Fund Advisors, LP	Emerging Markets Core Equity
Morgan Stanley Investment Management, Inc.	Institutional Global Real Estate Fund
Parnassus Investments	Core Equity Fund
Stone Harbor Investment Partners LP	Emerging Markets Debt Fund
Templeton Institutional Funds, Inc.	Templeton International Equity Series
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 Accounts, Commingled Funds & Alternative Managers by Program

Prepaid529^{SM}

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
BlackRock, Inc.	Intermediate Corporate Bonds
Blackstone Partners	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
Invesco Advisers, Inc.	Stable Value Fixed Income
LGT Capital Partners	Private Equity Secondaries
Neuberger Berman	Private Equity Fund of Funds
PGIM Fixed Income	High Yield Fixed Income
Private Advisors, LLC	Private Equity Fund of Funds
Schroders Investment Management North America Inc.	Mortgage Backed Securities
Shenkman Capital Management, Inc.	Senior Secured Bank Loans
State Street Global Advisors	Indexed US Inflation Protected Securities
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

Invest529^{SM}

Investment Manager	Investment Strategy
PGIM Fixed Income	High Yield Fixed Income
Rothschild Asset Management, Inc.	SMID Cap Value Domestic Equity
Union Bank & Trust	FDIC-Insured (Cash & Equivalents)

Appendix C
Investment Details by Program as of June 30, 2017
Prepaid529SM

Investment Manager	Asset Class / Strategy	Mutual Fund(s) (if applicable)	Aggregate Fair Value[3]	% of Total Fund[1]
Equities				
Aberdeen Asset Management, Inc.	Emerging Market	Emerging Market Equity	$ 135,573,732	5.15%
Capital Research & Management Co.	International Core	American Funds EuroPacific Growth	134,665,098	5.11%
Dimensional Fund Advisors, LP	Emerging Market	Emerging Markets Core Equity	67,838,518	2.57%
Donald Smith & Co.	Small Cap Value	N/A	68,414,620	2.60%
Templeton Institutional Funds, Inc.	International Value	Templeton International Equity Series	136,589,457	5.18%
The Vanguard Group, Inc.	Large Cap Domestic Blend	Institutional Index	109,829,261	4.17%
Thompson, Siegel & Walmsley, LLC	Small/Mid Cap Value	N/A	92,464,819	3.51%
Westfield Capital Management Co., LP	Mid Cap Growth	N/A	123,213,341	4.68%
Total Equities			*868,588,846*	*32.97%*
Core Fixed Income				
BlackRock, Inc.[2]	Cash Equivalents	T-Fund	2,281,440	0.09%
BlackRock, Inc.	Intermediate Corporate Bonds	N/A	77,567,799	2.94%
Schroders Investment Management, Inc.	Mortgage-Backed Securities	N/A	76,161,093	2.89%
Invesco Advisers, Inc.[3]	Stable Value	N/A	130,554,750	4.96%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	242,028,332	9.19%
State Street Global Advisors	Inflation Protected Securities	N/A	129,639,656	4.92%
Treasurer of Virginia	Cash Equivalents	N/A	493,207	0.02%
VA529 Transition Account	N/A	N/A	577,329	0.02%
Total Core Fixed Income			*659,303,606*	*25.03%*
Non-Core Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	115,871,684	4.40%
Ferox Capital, LLP	Convertible Bonds	N/A	75,545,621	2.87%
PGIM Fixed Income	High Yield Bonds	N/A	260,428,318	9.89%
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	78,701,207	2.99%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	184,640,606	7.01%
Total Non-Core Fixed Income			*715,187,436*	*27.15%*
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	88,039,363	3.34%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	16,397,519	0.62%
Aurora Investment Management, LLC	Hedge Fund of Funds	N/A	1,518,492	0.06%
Aventura Holdings, LLC	Private Real Estate	N/A	8,184,258	0.31%
Blackstone Partners	Hedge Fund of Funds	N/A	127,093,308	4.82%
Commonfund	Private Equity Fund of Funds	N/A	15,558,159	0.59%
LGT Capital Partners	Private Equity Secondaries		603,419	0.02%
Neuberger Berman	Private Equity Fund of Funds	N/A	8,737,430	0.33%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	36,967,402	1.40%
UBS Realty Investors, LLC	Private Real Estate	N/A	88,376,454	3.35%
Total Alternative Investments			*391,475,804*	*14.86%*
Grand Total			*$ 2,634,555,692*	*100.00%*

[1]May not sum to 100% due to rounding. [2]BlackRock, Inc. operating cash in the amount of $18,040,230 is not included in the total above. [3]Stable value assets shown at contract value.

Appendix C (cont.)

Investment Details by Program as of June 30, 2017

Invest529SM

Investment Manager	Asset Class / Strategy	Mutual Fund (if applicable)	Aggregate Fair Value[1]
Age-Based and Actively Managed Static Balanced Portfolios			
Aberdeen Asset Management, Inc.	Emerging Markets Equity	Emerging Market Equity Fund	$ 70,045,392
Capital Research & Management Co.	International Core Equity	American Funds EuroPacific Growth	129,298,197
Dimensional Fund Advisors, LP	Emerging Market	Emerging Markets Core Equity	69,745,300
Templeton Institutional Funds, Inc.	International Value Equity	Templeton International Equity Series	124,425,406
Invesco Advisers, Inc.	Stable Value	N/A	903,878,669
Morgan Stanley Investment Management, Inc.	Global REITs	Institutional Global Real Estate Fund	130,892,927
Prudential Investment Management, Inc.	High Yield Bonds	N/A	108,804,062
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	71,789,746
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	205,733,988
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	348,052,926
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	237,709,201
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	50,539,738
Total Age-Based Evolving Portfolios			*2,450,915,552*
Static Portfolios			
Parnassus Investments	Socially Responsible Large Cap Core Equity	Core Equity Fund	41,940,803
The Vanguard Group, Inc.	80% Equities 20% Fixed Income	LifeStrategy Growth Fund	484,476,371
The Vanguard Group, Inc.	60% Equities 40% Fixed Income	LifeStrategy Moderate Growth Fund	226,436,156
The Vanguard Group, Inc.	20% Equities 80% Fixed Income	LifeStrategy Income Fund	71,431,831
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	25,089,152
The Vanguard Group, Inc.	Real Estate Investment Trust	REIT Index Fund	56,051,512
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	40,818,662
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	84,310,851
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	423,054,559
Union Bank & Trust	FDIC-Insured (Cash & Equivalent)	N/A	41,419,373
Total Static Portfolios			*1,495,029,270*
Grand Total			*$ 3,945,944,822*

APPENDIX D

SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDING JUNE 30, 2017

Prepaid529		2017
Management Fees:		
Domestic Equity	$	2,057,959
International Equity		3,399,881
Domestic Fixed Income		2,267,125
International Fixed Income		1,506,907
Convertibles		1,413,133
Private Equity		2,429,190
Hedge Fund		1,527,370
Private Real Estate		698,550
Total Management Fees	**$**	**15,300,115**
Private Investment Performance Fees & Expenses	**$**	**1,339,009**
Custodial and Other Expenses:		
Custodial Fees	$	495,443
Legal Fees		13,254
Proxy Voting Services		6,441
Actuarial Services		120,138
Total Custodial and Other Expenses	**$**	**635,275**
Investment Consulting	**$**	**117,942**
Total Prepaid529 Investment Expenses	**$**	**17,392,341**

Invest529		2017
Management Fees:		
Domestic Equity	$	855,132
International Equity		2,606,377
Domestic Fixed Income		940,308
International Fixed Income		1,296,177
Diversified Single Funds		1,031,033
Real Estate Investment Trust		1,273,230
Total Management Fees	**$**	**8,002,257**
Custodial and Other Expenses:		
Custodial Fees	$	714,208
Proxy Voting Services		9,259
Total Custodial and Other Expenses	**$**	**723,467**
Investment Consulting	**$**	**169,533**
Total Invest529 Investment Expenses	**$**	**8,895,257**

Notes: Custodial, Proxy Voting Services, and Investment Consulting fees are allocated between Invest529 and Prepaid529 based on program Assets Under Management. Manager fees include both those fees that are charged directly on separately managed accounts as well as management fees that are implicit within a pooled vehicle’s net asset 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 is responsible for program oversight and review; however, VA529's staff has minimal day-to-day operational responsibility. VA529 has contracted these services with American Funds through February 15, 2040.

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, 2017, approximately 2.30 million unique active accounts were open with net assets in excess of $57.8 billion. American Funds defines unique active accounts as unique open account numbers at period end. Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected.

As of June 30, 2017, 43 American Funds mutual funds were approved by VA529 and available through the program. No new funds were added during the current fiscal year. A complete list of approved and available funds is shown in the tables on the following pages.

A separate audited report for each of the 43 funds available for investment 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, 2017 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®	72,783	$2,040,818	2/28/17
EuroPacific Growth Fund®	34,550	1,676,829	3/31/17
The Growth Fund of America®	193,296	8,241,022	8/31/16
The New Economy Fund®	16,323	584,711	11/30/16
New Perspective Fund®	57,745	2,125,387	09/30/16
New World Fund®	17,673	935,766	10/31/16
SMALLCAP World Fund®	31,754	1,457,422	09/30/16
Growth-and-income funds			
American Mutual Fund®	28,423	1,022,220	10/31/16
Capital World Growth and Income Fund®	84,647	3,761,450	11/30/16
American Funds Developing World Growth and Income Fund℠	3,744	33,617	11/30/16
Fundamental Investors®	48,860	2,655,971	12/31/16
International Growth and Income Fund℠	5,818	161,478	6/30/16
The Investment Company of America®	83,488	3,016,061	12/31/16
Washington Mutual Investors Fund℠	62,671	2,677,977	4/30/17
Equity-income funds			
Capital Income Builder®	51,871	2,980,560	10/31/16
The Income Fund of America®	98,078	2,122,261	7/31/16
Balanced funds			
American Balanced Fund®	177,120	4,386,439	12/31/16
American Funds Global Balanced Fund℠	10,610	314,221	10/31/16
Bond funds			
American High-Income Trust®	45,194	460,021	9/30/16
American Funds Inflation Linked Bond Fund®	1,116	10,813	11/30/16
The Bond Fund of America®	107,275	1,364,918	12/31/16
Capital World Bond Fund®	23,656	448,067	12/31/16
Intermediate Bond Fund of America®	40,464	550,023	8/31/16
Short-Term Bond Fund of America®	44,595	443,960	8/31/16
American Funds Strategic Bond Fund℠	752	7,556	12/31/16
U.S. Government Securities Fund®	15,627	220,163	8/31/16
American Funds Mortgage Fund®	3,177	32,454	8/31/16
American Funds Corporate Bond Fund℠	968	9,984	5/31/17
American Funds Emerging Markets Bond Fund℠	110	1,068	12/31/16
Money market fund			
American Funds U.S. Government Money Market Fund℠	1,449,912	1,450,306	09/30/16
American Funds College Target Date Series funds			
American Funds College 2018 Fund®	90,139	985,538	10/31/16
American Funds College 2021 Fund®	97,613	1,108,513	10/31/16
American Funds College 2024 Fund®	81,487	946,896	10/31/16
American Funds College 2027 Fund®	60,063	729,075	10/31/16
American Funds College 2030 Fund®	66,547	838,752	10/31/16
American Funds College 2033 Fund℠	21,141	213,187	10/31/16
American Funds College Enrollment Fund®	42,633	428,433	10/31/16
American Funds Portfolio Series℠ funds			
American Funds Global Growth Portfolio℠	15,331	217,860	10/31/16
American Funds Growth Portfolio℠	35,977	544,410	10/31/16
American Funds Growth and Income Portfolio℠	37,365	498,256	10/31/16
American Funds Balanced Portfolio℠	26,025	347,708	10/31/16
American Funds Income Portfolio℠	12,200	142,463	10/31/16
American Funds Preservation Portfolio℠	12,805	128,375	10/31/16

Data compiled from American Funds audited fund statements

CollegeAmerica
529 Share Class Net Assets as of June 30, 2017 (dollars and shares in thousands)

Fund	Shares	Net Assets
Growth funds		
AMCAP Fund®	73,557	$2,091,753
EuroPacific Growth Fund®	35,345	1,807,004
The Growth Fund of America®	201,724	9,334,506
The New Economy Fund®	16,603	684,300
New Perspective Fund®	58,608	2,381,865
New World Fund®	17,563	1,044,953
SMALLCAP World Fund®	31,595	1,619,025
Growth-and-income funds		
American Mutual Fund®	29,679	1,151,959
Capital World Growth and Income Fund®	86,482	4,218,306
American Funds Developing World Growth and Income FundSM	4,299	44,264
Fundamental Investors®	49,787	2,928,084
International Growth and Income Fund℠	5,847	186,949
The Investment Company of America®	83,059	3,221,416
Washington Mutual Investors Fund℠	64,066	2,703,937
Equity-income funds		
Capital Income Builder®	51,757	3,172,291
The Income Fund of America®	97,988	2,204,573
Balanced funds		
American Balanced Fund®	181,497	4,739,711
American Funds Global Balanced Fund℠	10,968	344,744
Bond funds		
American High-Income Trust®	45,299	472,465
American Funds Inflation Linked Bond Fund℠	2,026	19,579
The Bond Fund of America®	107,254	1,385,722
Capital World Bond Fund®	23,112	456,058
Intermediate Bond Fund of America®	41,070	550,746
Short-Term Bond Fund of America®	47,913	475,266
U.S. Government Securities Fund®	1,433	14,679
American Funds Strategic Bond Fund℠	15,180	208,725
American Funds Mortgage Fund®	3,397	34,350
American Funds Corporate Bond Fund℠	1,162	11,999
American Funds Emerging Markets Bond Fund℠	265	2,745
Money market fund		
American Funds U.S. Government Money Market Fund℠	1,637,049	1,637,049
American Funds College Target Date Series funds		
American Funds College 2018 Fund®	99,807	1,070,515
American Funds College 2021 Fund®	117,772	1,322,554
American Funds College 2024 Fund®	100,421	1,182,115
American Funds College 2027 Fund®	75,256	936,558
American Funds College 2030 Fund®	82,503	1,088,390
American Funds College 2033 Fund®	37,827	416,438
American Funds College Enrollment Fund®	40,235	398,358
American Funds Portfolio Series℠ funds		
American Funds Global Growth Portfolio℠	17,005	270,613
American Funds Growth Portfolio℠	43,980	733,066
American Funds Growth and Income Portfolio℠	42,437	605,660
American Funds Balanced Portfolio℠	28,789	408,332
American Funds Income Portfolio℠	12,980	159,102
American Funds Preservation Portfolio℠	13,564	134,384
Total Assets		**$57,875,108**

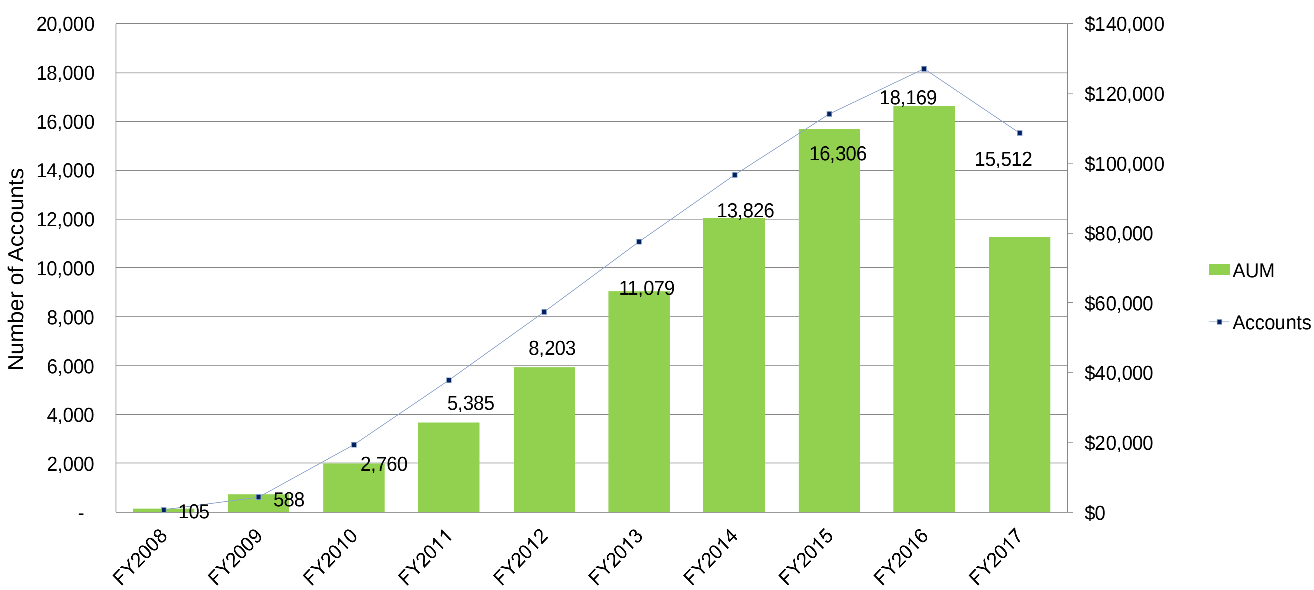
Data compiled from American Funds reports. Figures may not sum foot due to rounding.

CollegeWealth®

CollegeWealth is VA529's original FDIC-insured defined contribution 529 college savings program, currently closed to new participants and provided in partnership with BB&T. Each CollegeWealth college savings account with a value up to $250,000 (when combined with any other holdings of an individual at the bank) is insured by the FDIC. CollegeWealth began in the autumn of 2007 with Union Bank & Trust (UBT) as VA529's first banking partner. In the autumn of 2009, VA529 added Branch Banking and Trust (BB&T) Corporation as a banking partner in an effort to significantly expand the availability of CollegeWealth within and outside of the Commonwealth.

In January 2017, VA529 introduced an FDIC-Insured Portfolio option within the Invest529 program through an omnibus account with Union Bank & Trust. With this offering VA529 terminated the existing CollegeWealth offering through Union Bank & Trust and transferred all remaining assets to the Invest529 FDIC-Insured Portfolio. The transfer occurred on April 3, 2017 in the amount of $33,895,405 which represented 3,350 accounts. On April 23, 2017 the CollegeWealth program offered through BB&T was closed to new participants. As of June 30, 2017 there were 15,512 unique active accounts with net assets of $78.9 million remaining in the program. 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.

Assets and Accounts Under Management as of Fiscal Year End



ABLEnow®

ABLEnow, Virginia's IRC §529A savings option, was launched in December 2016. ABLEnow accounts were made possible by the federal Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act, which authorized states to establish tax-advantaged savings programs for individuals with disabilities and their families to save for "qualified disability expenses" without losing certain federal means-tested benefits. The Virginia ABLE Act of the 2015 Virginia Acts of Assembly amended VA529's enabling legislation, adding the ABLE program to its statutory mission.

ABLEnow is a defined contribution savings program with low-cost, target risk mutual funds (Vanguard Life Strategy Funds) as investment options administered through PNC Bank. VA529 is the program sponsor and manager, providing customer service for the program. VA529 has contracted with PNC Bank, N.A. to offer the ABLEnow program through November 29, 2021. The program offers an online portal to manage accounts and the ABLEnow Card - a debit card providing a simple, convenient way to pay for qualified disability expenses. Eligible individuals can start their ABLEnow account with no enrollment fee and no minimum contribution.

As of June 30, 2017, more than 1,500 accounts had been opened with more than $2.8 million in assets under management. More information on ABLEnow can be found at www.able-now.com.

VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia

BOARD MEMBERS
As of June 30, 2017

CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris

Committee Assignments

As of June 30, 2017

Audit and Actuarial Committee:

Board Members:

John D. Whitlock, Chairman
David A. Von Moll, Vice Chairman
Dr. Edward H. Bersoff
Peter A. Blake
Manju Ganeriwala
Shawn P. McLaughlin
Hon. Walter A. Stosch
Donna M. VanCleave, permanent designee for G. DuBois
Peter M. Vogt

Compensation Committee:

Board Members:

Dr. Edward H. Bersoff, Chairman
Donna M. VanCleave, Vice Chairperson
Shawn P. McLaughlin
Reggie Samuel

Investment Advisory Committee:

Board Members:

Manju Ganeriwala
Shawn P. McLaughlin
Reggie Samuel, Vice Chairman
David A. Von Moll

Non-Board Members:

Christopher J. Dion, Chairman
Sheila Corcoran
W. Massie Meredith, Jr.
Liza Scott

Ex Officio:

Mary G. Morris
Gary Ometer

Attachment B

Draft Actuarial Valuation Report

Prepaid529 Program

for the year ended June 30, 2017

PRELIMINARY DRAFT

ACTUARIAL VALUATION
OF
Prepaid529

AS OF JUNE 30, 2017

By:

ALAN H. PERRY, FSA, CFA
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October 31, 2017

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

Ladies & Gentlemen:

This report presents the preliminary draft results of the actuarial valuation of the Prepaid529 Program as of June 30, 2017.

Purpose

The main purposes of this report are:

- to calculate the actuarial present value of the obligations under Prepaid529 contracts purchased through June 30, 2017 and compare the value of those obligations with the assets in Prepaid529 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 Prepaid529 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 Prepaid529 at the end of a biennium shall remain in Prepaid529. Interest and income earned from the investment of such funds shall remain in Prepaid529.

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 Prepaid529, 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 Prepaid529 obligations, and the General Assembly has included the provision in subsequent Appropriation Acts, including Chapter 836 of the 2017 Virginia Acts of Assembly (2017 Appropriation Act).

Program Design

Prepaid529 is one of three Section 529 options currently offered by the Virginia College Savings Plan. Under Prepaid529, 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 Invest529 and other savings programs, contract holders have the option of rolling over the value of their Prepaid529 contract into a savings account. The value of the Prepaid529 contract for such rollovers is the accumulated contributions at the reasonable rate of interest set by Virginia529. This option to roll over the contract has effectively added a minimum benefit to the Program.

Statutory Requirements

The Code of Virginia, Title 23.1, Subtitle II, Chapter 7 provides limited guidance for establishing the actuarial basis to evaluate Prepaid529. The Code requires an annual audit of Prepaid529 and states in part that if the annual accounting and audit reveal that there are insufficient funds to ensure the "actuarial soundness" of Prepaid529, the "Board may adjust the terms of subsequent prepaid tuition contracts, arrange refunds for current purchasers to ensure actuarial soundness, or take such other action the Board deems appropriate."

"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 Prepaid529, 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 Prepaid529. On June 21, 2016 the Board reviewed the allocation strategy and recommended no changes to the allocation.

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 Prepaid529 investments will be allocated as shown below, based on the investment policy target allocations:

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

Actuarial Assumptions

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

- the investment return assumption of 6.25% per year, net of investment related expenses (this is the same as the assumption used to prepare the prior year's report); and,

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

	Universities	Community Colleges
Fall 2018	5.0%	5.0%
Fall 2019 and thereafter	6.5%	6.5%

The tuition growth assumptions are consistent with those used in the prior year's report.

Summary of Results

The actuarial value of the obligations of Prepaid529 as of June 30, 2017 is summarized below and compared with the total assets of Prepaid529.

	Present Value of Obligations For Future Payments	Value of Total Prepaid529 Assets	Actuarial Reserve/ (Deficit)
		(Amounts in Millions)	
Prepaid529:			
Tuition Obligations	$2,022.8	n/a	n/a
Administrative Expenses	25.4	n/a	n/a
Grand Total	$2,048.2	$2,835.0	$786.8

As indicated above, Prepaid529 has assets that exceed the "best estimate" of the obligations by roughly $786.8 million or 38.4%. 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, 2017) until all tuition benefits have been paid and the expenses associated with making those payments. It does not include the future expenses of Prepaid529 associated with general overhead and marketing attributable to future contracts. The $25.4 million administrative expense obligation is equivalent to about $397 per contract.

Actuarial Gain/Loss Analysis

During the 2017 fiscal year, the actuarial reserve position of Prepaid529 improved from a surplus of $589.7 million to a surplus of $786.8 million or 38.4% 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 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 $36.9 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 Prepaid529 investments (net of investment management fees) for the fiscal year was 10.70% on both a time-weighted and a dollar-weighted basis. For the previous valuation, a 6.25% rate of return was assumed. This produced a net actuarial gain of approximately $97.5 million.

The enrollment-weighted average university tuition and mandatory fee amount for the 2017-2018 school year increased by 4.5%, a smaller increase than the 5.0% rate assumed in the prior valuation. Enrollment-weighted tuition and mandatory fees at community colleges increased by about 3.3%, a smaller increase than the 5.0% rate assumed in the prior valuation. These smaller increases resulted in an actuarial gain of $8.1 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 10.70% (4.45% higher than the 6.25% assumption). The higher than expected actual account balances resulted in an actuarial loss of approximately $5.4 million.

The Plan sold 3,576 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 $11.3 million from these new contracts.

Prepaid529 received $42.4 million in administrative fee revenue from all the Plan programs, including CollegeAmerica. Total agency operating expenses were $22.8 million, of which $7.3 million was expected to be provided by the Prepaid529 program. The balance of the fee revenue, $26.9 million, is an increase to the reserve.

The bias factor for participants attending private colleges in Virginia was increased from 50% to 76%. This lowered the reserve by $1.6 million.

The methodology for valuing the present value of installment contract receivables for contracts that are behind in their scheduled payments was changed. We now assume that the scheduled monthly payment will be increased to an amount that will allow the full payment of the contract by June in the year of expected matriculation. The previous methodology assumed that the scheduled monthly payments would be made until the full amount under the contract had been paid.

The assumption for the reasonable rate was changed, from 1.25% for 2017-2018, 2.25% for 2018-2019 and 3.25% thereafter, to a fixed .57% for the first quarter of the current fiscal year and 1.25% for the remainder of the fiscal year. The assumptions for the rates in 2018-2019 and beyond are not changed. The volatility and correlation assumptions for the investment returns and tuition increases were updated. The combined impact of these changes was a $3.0 million decrease to the reserve.

Other experience gains added about $23.4 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, 2016	$ 589.7
Interest on the reserve at 6.25%	36.9
Investment gain / (loss)	97.5
Tuition gain / (loss)	8.1
Higher than expected actual account balances	(5.4)
Sales of new contracts	11.3
Administrative fee revenue from Virginia529	26.9
Change in methodology for contracts behind in payments	3.0
Change in bias factor for private colleges in Virginia	(1.6)
Change in reasonable rate and other assumptions	(3.0)
Other experience gains	23.4
Actuarial Reserve / (Deficit) as of June 30, 2017	$ 786.8

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 Prepaid529 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 Prepaid529.

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 Prepaid529 Fund Value at June 30, 2017	Probability of Prepaid529 Funds Exceeding Obligation
80%	$1,638.5	6%
90%	1,843.4	24%
100%	2,048.2	50%
110%	2,253.0	76%
120%	2,457.8	89%
130%	2,662.6	96%
138%	2,835.0	98%*
140%	2,867.4	99%
150%	3,072.3	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 Prepaid529 fund balance at June 30, 2017 of $2,835.0 million is 138.0% of the actuarially determined "Best Estimate" Reserve amount of $2,048.2 million. As indicated in the above table, this Prepaid529 fund balance is estimated to have a 98% probability of being adequate to satisfy all Prepaid529 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 5.0% for the next year and then 6.5% per year thereafter, and Prepaid529 assets earn 5.87% each year. The starting Market Value of Invested Assets as of July 1, 2017 is $2,640.4 million. At the end of the 2042 Fiscal Year all tuition obligations associated with contracts already purchased are expected to have been paid resulting in a final cumulative surplus of $3,272.5 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 Prepaid529 have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of Prepaid529 and reasonable expectations). Further, the actuarial assumptions in the aggregate are reasonable and are related to the experience of Prepaid529 and to reasonable expectations. The following actuarial assumptions were set by the Virginia College Savings Plan:

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

2) the tuition growth assumption for universities of 5.0% in Fall 2018 and 6.5% per year thereafter and the tuition growth assumption for community colleges of 5.0% for Fall 2018 and 6.5% per year thereafter.

Certification

Based on the foregoing assumptions, Prepaid529 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 Prepaid529 taking into account past experience and future expectations.

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

Third Party Distribution

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

Qualifications

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

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

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

Respectfully submitted,

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

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

Jill M. Stanulis, EA
Member American Academy of Actuaries

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Prepaid529

I. Statement of Assets as of June 30, 2017

	Investments	Market Value
1)	Equities	$ 1,151,786,041
2)	Fixed Income including Accrued Interest	1,328,595,545
3)	REIT Fund and Real Estate	95,776,456
4)	Cash & Cash Equivalents	77,789,941
5)	Prepaid Assets	399,728
6)	Property & Equipment	8,305,475
7)	Accounts Receivable	10,820,493
8)	Other Receivables	4,366,536
9)	Accounts Payable	(19,206,233)
10)	Other Payables	(2,975,300)
11)	Deferred Outflow	2,487,745
12)	Deferred Inflow	(318,000)
13)	Accrued Liabilities	(17,435,442)
	Total Market Value of Investments	$ 2,640,392,985
	Present Value of Installment Contract Receivables	194,568,035
	Value of Total Fund Assets	$ 2,834,961,020

II. Reconciliation of Investments

1)	Market Value of Investments at June 30, 2016	$ 2,426,559,071
2)	Contract Purchase Payments	114,409,452
3)	Application Fees	204,000
4)	Administrative Fee Revenue	42,435,386
5)	Interest and Dividends	66,634,108
6)	Realized and Unrealized Gains/(Losses)	197,934,711
7)	Tuition Benefits Paid	(120,349,915)
8)	Refunds Paid	(10,867,637)
9)	Net Rollovers	(36,422,907)
10)	Administrative Expenses	(22,838,606)
11)	Investment Management Fees	(8,755,903)
12)	Net Transfers to the Commonwealth	(934,577)
13)	Net Effect of Changes in Accruals of Assets and Liabilities	(7,614,197)
14)	Market Value of Investments at June 30, 2017	$ 2,640,392,985

Time-weighted rate of return	10.68%
Dollar-weighted rate of return	10.67%

Prepaid529

Contract Data as of June 30, 2017 – 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 0.5	0 1	0 1.5	0 2	0 2.5	0 3	0 3.5	0 4	0 4.5	0 5		
2000-2001	0	0	0	3	0	1	0	20	0	1	25	0.0%
2001-2002	0	3	0	2	0	0	0	34	0	0	39	0.1%
2002-2003	0	10	0	5	0	0	0	45	0	6	66	0.1%
2003-2004	0	3	0	8	0	1	0	65	0	1	78	0.1%
2004-2005	0	7	0	12	0	2	0	93	0	7	121	0.2%
2005-2006	0	19	0	23	0	3	0	167	0	12	224	0.4%
2006-2007	0	16	0	30	0	14	0	207	0	23	290	0.5%
2007-2008	0	30	0	46	0	9	0	244	0	21	350	0.6%
2008-2009	0	44	0	42	0	12	0	369	0	37	504	0.9%
2009-2010	0	50	0	51	0	23	0	493	0	41	658	1.1%
2010-2011	0	74	0	90	0	20	0	549	0	64	797	1.4%
2011-2012	0	75	0	87	0	25	0	693	0	63	943	1.6%
2012-2013	0	107	0	121	0	35	0	834	0	97	1,194	2.0%
2013-2014	0	126	0	159	0	50	1	1,239	0	104	1,679	2.9%
2014-2015	1	253	1	261	1	82	2	2,699	0	130	3,430	5.8%
2015-2016	0	272	1	409	2	118	6	2,768	0	114	3,690	6.3%
2016-2017	7	417	7	551	6	167	3	2,768	0	126	4,052	6.9%
2017-2018	51	621	12	574	11	165	9	2,619	1	144	4,207	7.2%
2018-2019	81	632	26	601	6	123	6	2,603	1	161	4,240	7.2%
2019-2020	156	616	32	586	14	140	3	2,377	1	138	4,063	6.9%
2020-2021	196	627	34	536	15	131	5	2,037	0	114	3,695	6.3%
2021-2022	230	672	41	549	27	155	5	2,056	2	133	3,870	6.6%
2022-2023	278	600	53	577	19	118	6	1,500	2	57	3,210	5.5%
2023-2024	287	570	33	450	18	106	7	1,359	1	63	2,894	4.9%
2024-2025	294	478	47	400	17	87	2	1,102	4	75	2,506	4.3%
2025-2026	263	444	34	380	17	59	6	944	1	51	2,199	3.7%
2026-2027	269	408	23	264	6	50	2	737	2	28	1,789	3.0%
2027-2028	242	380	39	304	11	56	5	682	2	38	1,759	3.0%
2028-2029	234	302	26	234	12	31	4	541	1	21	1,406	2.4%
2029-2030	230	282	23	183	6	17	2	432	0	22	1,197	2.0%
2030-2031	240	227	26	165	9	22	2	299	1	13	1,004	1.7%
2031-2032	250	198	18	116	7	11	4	234	2	13	853	1.5%
2032-2033	200	138	10	92	4	16	5	191	1	15	672	1.1%
2033-2034	164	111	20	77	6	11	3	144	0	9	545	0.9%
2034-2035	100	76	10	54	5	8	2	103	1	9	368	0.6%
2035-2036	45	32	1	26	4	10	0	57	0	3	178	0.3%
2036-2037	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total	3,818	8,920	517	8,068	223	1,878	90	33,304	23	1,954	58,795	
Percent of Total	6.5%	15.2%	0.9%	13.7%	0.4%	3.2%	0.2%	56.6%	0.0%	3.3%		

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<u>Contract Data as of June 30, 2017 – Contracts Purchasing Tier II Units Only - Number of Contracts</u>

Matriculation Year	Total Years of Community College Purchased / Total Years of University Purchased														Total by Payout Year	Percent of Total
	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6	8	10		
	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
2000-2001	0	1	0	4	0	0	0	0	0	0	0	0	0	0	5	0.2%
2001-2002	0	0	0	14	0	0	0	0	0	0	0	0	0	0	14	0.5%
2002-2003	0	2	0	8	0	0	0	0	0	0	0	0	0	0	10	0.4%
2003-2004	0	1	0	5	0	1	0	0	0	0	0	0	0	0	7	0.3%
2004-2005	0	2	0	15	0	1	0	0	0	0	0	0	0	0	18	0.7%
2005-2006	0	2	0	26	0	1	0	0	0	0	0	0	0	0	29	1.1%
2006-2007	0	1	0	21	0	1	0	0	0	0	0	0	0	0	23	0.8%
2007-2008	0	2	0	34	0	4	0	0	0	0	0	0	0	0	40	1.5%
2008-2009	0	3	0	29	0	2	0	0	0	0	0	0	0	0	34	1.3%
2009-2010	0	2	0	40	0	5	0	0	0	0	0	0	0	0	47	1.7%
2010-2011	0	13	0	44	0	2	0	0	0	0	0	0	0	0	59	2.2%
2011-2012	0	8	0	55	0	9	0	0	0	0	0	0	0	0	72	2.7%
2012-2013	1	13	0	57	0	11	0	0	0	0	0	0	0	0	82	3.0%
2013-2014	0	13	0	59	0	3	0	0	0	0	0	0	0	0	75	2.8%
2014-2015	0	22	0	84	0	17	0	0	0	0	0	0	0	0	123	4.5%
2015-2016	0	23	0	112	0	10	0	0	0	0	0	0	0	0	145	5.3%
2016-2017	0	27	0	108	1	11	0	1	0	0	0	0	0	0	148	5.5%
2017-2018	3	41	0	115	0	16	0	1	0	0	0	0	0	1	177	6.5%
2018-2019	8	35	1	103	1	16	0	0	0	1	0	0	0	1	166	6.1%
2019-2020	11	43	0	96	0	18	0	3	0	0	1	0	0	2	174	6.4%
2020-2021	9	42	1	100	1	10	0	0	0	0	0	0	0	0	163	6.0%
2021-2022	6	44	2	93	1	9	0	0	0	0	0	0	0	0	155	5.7%
2022-2023	11	38	0	85	1	3	0	1	0	0	0	0	0	0	139	5.1%
2023-2024	9	42	1	73	2	7	0	2	0	0	0	0	0	1	137	5.0%
2024-2025	9	39	1	51	1	4	0	1	0	0	0	0	0	0	106	3.9%
2025-2026	10	31	1	41	0	2	0	1	0	1	0	0	0	2	89	3.3%
2026-2027	8	12	0	43	0	8	0	1	1	0	0	0	0	0	73	2.7%
2027-2028	10	19	0	35	0	5	0	0	0	2	0	0	0	1	72	2.7%
2028-2029	11	21	1	40	1	2	0	1	0	0	0	0	0	0	77	2.8%
2029-2030	10	12	0	41	0	3	1	1	1	0	0	0	0	0	69	2.5%
2030-2031	20	12	0	22	1	1	1	3	0	0	0	0	0	1	61	2.2%
2031-2032	20	6	2	16	0	2	0	0	0	0	0	0	0	0	46	1.7%
2032-2033	11	11	0	14	0	2	0	0	0	0	0	0	0	0	38	1.4%
2033-2034	11	6	1	8	0	1	0	3	0	0	0	0	0	0	30	1.1%
2034-2035	4	4	0	4	0	0	0	0	0	0	0	0	0	0	12	0.4%
2035-2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
2036-2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total	182	593	11	1,695	10	187	2	19	2	4	1	0	0	9	2,715	
Percent of Total	6.7%	21.8%	0.4%	62.4%	0.4%	6.9%	0.1%	0.7%	0.1%	0.1%	0.0%	0.0%	0.0%	0.3%		

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Contract Data as of June 30, 2017 – Contracts Purchasing Tier I and Tier II Units - Number of Contracts

Total Years of Community College Purchased
Total Years of University Purchased

Matriculation	0.5	0.5	0.5	0.5	0.5	0.5	1	1	1	1	1	1	1	1	1	1.5	1.5	1.5	1.5	1.5	1.5	2	2	2	2	2	2	2	2.5	2.5	3	3	3	3	3	4	4	5	10	Total by Payout	Percent of
Year	0.5	1	1.5	2	2.5	3.5	0.5	1	1.5	2	2.5	3	4	4.5	5	0.5	1	1.5	2	2.5	3	0.5	1	1.5	2	3	4	5	1.5	2.5	1	2	3	4	5	1	4	5	5	Year	Total
2000-2001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0.0%
2001-2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0.1%
2002-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0.2%
2003-2004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0.2%
2004-2005	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0.2%
2005-2006	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	10	0	0	0	0	0	0	0	0	0	1	0	0	0	0	13	0.5%
2006-2007	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	18	0	0	1	0	0	0	0	0	0	0	0	0	0	0	22	0.9%
2007-2008	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	16	1	0	0	0	0	1	0	0	0	0	0	0	0	0	20	0.8%
2008-2009	0	0	0	0	0	0	0	3	0	1	0	2	0	0	0	0	0	0	0	0	0	0	3	0	25	0	0	0	0	0	1	0	0	0	2	0	0	0	0	37	1.5%
2009-2010	0	0	0	0	0	0	0	4	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	33	1	0	1	0	0	0	0	0	0	1	0	0	0	0	41	1.7%
2010-2011	0	0	0	0	0	0	0	2	0	1	0	3	0	0	0	0	0	0	0	0	0	0	2	0	48	2	0	1	0	0	0	0	0	0	2	0	0	0	0	61	2.5%
2011-2012	0	0	0	0	0	0	0	5	0	4	0	2	0	0	0	0	0	0	0	0	0	0	5	0	56	0	1	0	0	0	0	0	0	0	2	0	0	0	0	75	3.0%
2012-2013	0	0	0	0	0	0	0	6	0	3	0	6	1	0	0	0	0	0	0	0	0	0	2	0	55	1	0	0	0	0	0	0	0	0	0	0	0	0	0	74	3.0%
2013-2014	0	0	0	0	0	0	0	6	0	4	0	9	2	0	0	0	0	0	0	0	0	0	2	0	80	3	1	1	0	0	0	0	1	0	2	0	0	0	0	111	4.5%
2014-2015	0	0	0	0	0	0	0	7	0	6	0	13	0	0	1	1	0	0	0	0	0	0	9	0	137	3	0	0	0	0	0	0	0	0	1	0	0	0	0	178	7.2%
2015-2016	0	0	0	0	0	0	1	10	0	1	0	6	0	0	0	0	0	0	0	0	0	0	13	0	131	1	2	0	0	0	3	0	1	0	2	0	0	0	0	171	6.9%
2016-2017	0	0	0	1	0	0	0	11	1	7	0	8	1	0	1	0	0	0	0	0	0	0	17	0	148	1	3	0	0	0	1	0	0	0	3	0	0	0	0	203	8.2%
2017-2018	1	1	1	0	0	0	1	25	0	6	0	7	0	0	0	0	2	0	0	0	1	0	10	0	151	5	1	0	0	0	1	0	0	0	1	0	0	0	0	214	8.6%
2018-2019	0	1	0	0	0	0	0	14	0	3	0	7	2	0	0	1	0	0	0	0	0	0	7	1	133	2	0	0	0	0	3	0	1	0	1	0	0	0	0	176	7.1%
2019-2020	1	0	2	0	0	0	0	24	0	3	0	9	0	0	1	0	0	0	0	0	0	1	9	1	134	3	0	0	0	0	1	0	0	0	2	0	0	0	0	191	7.7%
2020-2021	2	0	2	0	0	1	0	10	0	4	0	5	1	0	0	0	0	1	0	0	0	0	13	0	101	4	0	0	0	0	2	0	0	0	0	0	0	0	0	146	5.9%
2021-2022	1	1	0	0	1	0	0	11	0	0	2	6	2	0	0	0	0	0	0	0	0	0	6	0	93	1	0	1	0	0	3	0	1	0	4	0	0	0	0	133	5.4%
2022-2023	2	1	0	0	0	0	1	6	1	3	1	5	1	0	0	0	0	0	0	0	0	0	7	1	69	4	0	0	0	1	2	1	0	0	0	0	1	1	0	108	4.4%
2023-2024	2	0	0	0	0	0	1	4	0	4	0	9	1	0	0	0	1	0	0	1	0	2	9	0	67	3	1	0	0	0	0	0	0	0	2	0	0	0	0	107	4.3%
2024-2025	0	0	0	0	0	0	1	1	1	2	0	5	0	0	1	0	0	0	1	0	0	0	7	0	57	0	0	1	0	0	0	0	0	0	0	0	0	0	0	77	3.1%
2025-2026	1	1	0	0	0	1	1	2	2	7	0	3	1	0	0	0	0	0	0	0	0	0	3	0	43	4	0	0	0	1	0	0	0	0	1	0	0	0	0	71	2.9%
2026-2027	1	0	1	0	0	0	1	3	0	2	0	3	2	0	0	0	0	0	0	0	0	0	5	0	27	0	0	0	0	0	0	0	0	0	1	0	0	0	0	46	1.9%
2027-2028	2	1	0	0	0	0	1	4	0	2	0	2	1	0	0	0	0	0	0	0	0	0	4	0	29	1	0	0	0	0	0	1	0	0	0	0	0	0	0	48	1.9%
2028-2029	8	0	0	0	0	0	0	4	0	2	0	3	1	0	0	0	0	0	0	0	0	0	4	0	18	0	0	0	1	0	0	0	0	0	0	0	0	0	0	41	1.7%
2029-2030	1	1	0	0	0	0	1	2	0	1	0	1	0	0	0	0	0	0	0	0	0	0	1	0	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24	1.0%
2030-2031	0	0	1	0	0	0	0	2	0	2	0	1	0	0	0	0	0	0	0	0	0	0	4	0	13	0	1	0	0	0	0	0	0	0	1	0	0	0	0	25	1.0%
2031-2032	3	0	0	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	0.6%
2032-2033	3	0	0	1	0	0	0	0	1	1	0	1	0	0	0	0	0	0	0	0	0	0	1	0	5	0	1	0	0	0	0	0	0	0	0	0	0	0	0	14	0.6%
2033-2034	4	0	2	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	1	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16	0.6%
2034-2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0.1%
2035-2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
2036-2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total	32	7	9	3	1	2	11	169	6	69	3	118	16	0	4	3	3	1	1	1	1	4	150	3	1,744	41	11	6	1	2	18	2	4	0	29	0	1	1	0	2,477	
Percent of Total	1.3%	0.3%	0.4%	0.1%	0.0%	0.1%	0.4%	6.8%	0.2%	2.8%	0.1%	4.8%	0.6%	0.0%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	6.1%	0.1%	70.4%	1.7%	0.4%	0.2%	0.0%	0.1%	0.7%	0.1%	0.2%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%		

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Participant Data as of June 30, 2017 – Remaining Years of Tuition

Expected Payout Year	University Years	Community College Years
2017-2018	20,583	1,130
2018-2019	16,959	902
2019-2020	15,659	758
2020-2021	14,703	736
2021-2022	12,747	623
2022-2023	11,699	578
2023-2024	10,507	513
2024-2025	9,031	427
2025-2026	7,646	362
2026-2027	6,459	303
2027-2028	5,502	261
2028-2029	4,644	230
2029-2030	3,845	200
2030-2031	3,171	171
2031-2032	2,546	135
2032-2033	2,003	109
2033-2034	1,572	87
2034-2035	1,215	61
2035-2036	889	38
2036-2037	570	24
2037-2038	334	12
2038-2039	168	5
2039-2040	64	2
2040-2041	26	1
2041-2042	7	0
Total	152,549	7,668

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Summary of Actuarial Assumptions

Investment / Economic Assumptions for Stochastic Simulation Model:

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

	Inflation	Reason-able Rate	Global Equity	Non-Core Fixed Income	Core Fixed Income	Alternative Investments	University Tuition	CC Tuition
Expected Arithmetic Mean Annual Return	2.50%	3.25%	8.75%	5.80%	3.85%	8.45%	6.57%	6.62%
Standard Deviation	2.00%	2.00%	18.60%	9.15%	3.90%	18.50%	4.35%	6.70%
Correlation:								
Inflation	1.00	0.62	0.25	0.09	0.23	0.21	0.20	-0.01
Reasonable Rate		1.00	0.21	0.19	0.53	0.00	0.03	-0.20
Global Equity			1.00	0.59	0.10	0.57	0.09	-0.09
Non-Core Fixed Income				1.00	0.57	0.35	0.35	-0.02
Core Fixed Income					1.00	-0.23	0.29	0.24
Alternative Investments						1.00	-0.18	-0.30
University Tuition							1.00	0.61
CC Tuition								1.00

Based on the economic assumptions above, the expected long-term annualized compound rate of return on investments is 6.25%. The expected annualized compound rate of tuition growth is 5.0% over the next year and then 6.5% thereafter for both university and community college tuition. The Reasonable Rate for 2017-2018 was fixed at 0.57% for the first quarter of the year and then the expected mean of the Reasonable Rate grades up to 1.25% for the remainder of 2017-2018, 2.25% for 2018-2019, and 3.25% thereafter.

Matriculation and Bias:

Starting in the year of matriculation, it is assumed that 76% of beneficiaries will attend a public university in Virginia, 7.6% will attend a private university in Virginia, 11.4% will attend a university in another state, and 5.0% will request a cancellation, transfer, or rollover to a savings plan. Weighted average tuition for four-year public universities in Virginia was adjusted with an 8.0% load to add a bias for matriculation at more expensive schools. Weighted average tuition for two-year community colleges in Virginia was adjusted with a 1.0% load to add a bias for matriculation at more expensive schools. The highest tuition for a public university in Virginia was assumed to be 176% of 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:

	Number of Semesters of Tuition Purchased						
Years since Matriculation Year	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%						

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 = $58.97
Annual Distribution Cost per Contract in Payment Status = $26.11

The expense assumptions were developed from a cost analysis by Virginia College Savings Plan staff with adjustments for anticipated increases since the analysis was performed in 2013.

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

Summary of Actuarial Assumptions
(continued)

Contracts behind in their monthly payments: The monthly scheduled payment amount is increased by an amount that allows for the full payment under the contract by June of the year of expected matriculation.

Rationale for Assumptions:

All of the actuarial assumptions with the exception of the investment return, the tuition growth rate, and the reasonable rate, were based on the results of an experience study performed in 2014 (see the Experience Study report dated September 22, 2014).

The reasonable rate assumption was based on the current money market yield used to set the rate and forecasts of future short-term interest rates from a survey of economists published in the *June 2017 Blue Chip Financial Forecasts.*

The investment return assumption is set by the Board based on recommendations from Virginia529's investment consultant.

The tuition growth assumptions are also set by the Board. Milliman assisted Virginia529 staff in 2015 with a historical analysis of long-term tuition growth at public colleges in Virginia.

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Derivation of Enrollment-Weighted Average Tuition and Mandatory Fees at Four Year Universities Based on Projected Enrollment for 2017-2018

School	Tuition and Fees 2017-2018	Fall On Campus In-State Undergraduate FTE for 2017-2018	Percent Distribution
Christopher Newport	$13,654	4,414	3.29%
George Mason	11,924	19,458	14.48%
James Madison	10,878	14,574	10.85%
Longwood	12,720	4,303	3.20%
Mary Washington	12,188	3,765	2.80%
Norfolk State	9,036	3,815	2.84%
Old Dominion	10,350	16,088	11.97%
Radford	10,627	7,881	5.87%
University of Virginia 2017 Students	16,076	2,703	2.01%
University of Virginia 2016 Students	16,076	2,703	2.01%
University of Virginia 2015 Students	15,054	2,703	2.01%
University of Virginia Returning Students	14,032	2,703	2.01%
UVA - Wise	9,825	1,242	0.92%
Virginia Commonwealth Post-2012 Enrollment	13,624	20,879	15.54%
Virginia Military Institute	18,214	1,038	0.77%
Virginia Tech	13,230	18,636	13.87%
Virginia State	8,726	3,134	2.33%
William & Mary - 2017 Students	22,044	1,078	0.80%
William & Mary - 2016 Students	21,348	1,078	0.80%
William & Mary - 2015 Students	19,652	1,078	0.80%
William & Mary - 2014 Students	18,102	1,078	0.80%
Weighted Average Tuition and Fees*	**$12,494**	134,351	100.00%

*Assumes that 2014, 2015, 2016, and 2017 students are each 25% of total FTE for William & Mary.
Assumes that 2015, 2016 and 2017 students are each 25% of total FTE for UVA.

Prepaid529

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

School	Tuition and Fees 2017-2018	Annualized In-State FTE Academic Year 2016-2017	Percent Distribution
Blue Ridge	$5,602	2,368	2.33%
Central Virginia	5,040	2,406	2.37%
Dabney S. Lancaster	4,920	738	0.73%
Danville	4,872	1,990	1.96%
Eastern Shore	5,000	369	0.36%
Germanna	5,120	4,049	3.99%
J Sargeant Reynolds	5,211	6,040	5.95%
John Tyler	4,915	5,273	5.19%
Lord Fairfax	4,934	3,796	3.74%
Mountain Empire	4,904	1,669	1.64%
New River	4,890	2,658	2.62%
Northern Virginia	5,864	29,758	29.30%
Patrick Henry	4,915	1,618	1.59%
Paul D Camp	4,893	802	0.79%
Piedmont Virginia	4,989	2,810	2.77%
Rappahannock	5,021	1,903	1.87%
Richard Bland	7,830	1,255	1.24%
Southside Virginia	4,888	2,345	2.31%
Southwest Virginia	4,896	1,699	1.67%
Thomas Nelson	4,990	5,465	5.38%
Tidewater	5,795	15,302	15.06%
Virginia Highlands	4,904	1,501	1.48%
Virginia Western	5,576	4,122	4.06%
Wytheville	4,920	1,643	1.62%
Weighted Average Tuition and Fees	**$5,439**	101,579	100.00%

Prepaid529

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

Academic Year	University Tuition and Fees	% Increase	Community College Tuition and Fees	% Increase
1988-1989	$2,377		$778	
1989-1990	2,544	7.0%	798	2.5%
1990-1991	2,702	6.2%	894	12.0%
1991-1992	2,985	10.5%	1,050	17.4%
1992-1993	3,357	12.5%	1,230	17.1%
1993-1994	3,659	9.0%	1,320	7.3%
1994-1995	3,789	3.6%	1,359	3.0%
1995-1996	3,949	4.2%	1,445	6.3%
1996-1997	4,002	1.3%	1,445	0.0%
1997-1998	4,095	2.3%	1,445	0.0%
1998-1999	4,217	3.0%	1,445	0.0%
1999-2000	3,721	(11.8%)	1,159	(19.8%)
2000-2001	3,793	1.9%	1,159	0.0%
2001-2002	3,843	1.3%	1,159	0.0%
2002-2003	4,122	7.3%	1,671	44.3%
2003-2004	5,033	22.1%	1,882	12.6%
2004-2005	5,559	10.5%	2,006	6.5%
2005-2006	5,990	7.8%	2,135	6.4%
2006-2007	6,529	9.0%	2,269	6.3%
2007-2008	6,966	6.7%	2,404	5.9%
2008-2009	7,562	8.6%	2,584	7.5%
2009-2010	7,912	4.6%	2,781	7.6%
2010-2011	8,803	11.3%	3,285	18.1%
2011-2012	9,507	8.0%	4,179*	27.2%*
2012-2013	9,856	3.7%	4,426	5.9%
2013-2014	10,225	3.7%	4,619	4.4%
2014-2015	10,797	5.6%	4,835	4.7%
2015-2016	11,409	5.7%	5,101	5.5%
2016-2017	11,961	4.8%	5,263	3.2%
2017-2018	12,494	4.5%	5,439	3.3%

* 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:	4.9%	4.2%
Over last 10 years:	6.0%	8.5%
Over last 15 years	7.7%	8.2%
Over last 20 years:	5.7%	6.9%
Over last 25 years:	5.4%	6.1%

Prepaid529

Cash Flow Projection
(amounts in millions)

Fiscal Year	Beginning Balance	Installment Payments*	Tuition Benefits	Expenses	Investment Income	Ending Balance
2018	$2,640.4	$47.8	$263.1	$4.2	$144.6	$2,565.5
2019	2,565.5	38.5	229.6	4.0	141.6	2,512.0
2020	2,512.0	32.6	226.3	3.7	138.2	2,452.8
2021	2,452.8	27.0	227.6	3.5	134.7	2,383.4
2022	2,383.4	21.6	212.4	2.9	131.2	2,320.9
2023	2,320.9	17.7	209.3	2.6	127.4	2,254.1
2024	2,254.1	14.2	201.6	2.3	123.7	2,188.1
2025	2,188.1	11.2	186.0	2.0	120.5	2,131.8
2026	2,131.8	8.8	169.1	1.8	117.9	2,087.6
2027	2,087.6	6.9	152.8	1.5	116.0	2,056.2
2028	2,056.2	5.3	139.1	1.3	114.7	2,035.8
2029	2,035.8	3.9	125.5	1.1	114.2	2,027.3
2030	2,027.3	2.8	110.9	0.9	114.1	2,032.4
2031	2,032.4	2.1	97.5	0.7	115.0	2,051.3
2032	2,051.3	1.4	83.2	0.6	116.7	2,085.6
2033	2,085.6	0.9	69.6	0.5	119.4	2,135.8
2034	2,135.8	0.5	58.0	0.4	122.8	2,200.7
2035	2,200.7	0.2	47.5	0.3	127.0	2,280.1
2036	2,280.1	0.0	36.8	0.2	132.2	2,375.3
2037	2,375.3	0.0	25.0	0.1	138.2	2,488.4
2038	2,488.4	0.0	15.6	0.1	145.4	2,618.1
2039	2,618.1	0.0	8.3	0.0	153.2	2,763.0
2040	2,763.0	0.0	3.4	0.0	162.0	2,921.6
2041	2,921.6	0.0	1.4	0.0	171.3	3,091.5
2042	3,091.5	0.0	0.4	0.0	181.4	3,272.5

* Future installment payments for contracts as of June 30, 2017.

Prepaid529

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. Prepaid529 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, Prepaid529 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 Prepaid529. 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, Prepaid529 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. Payments will be made on a semester-by-semester basis by depositing the amount of the benefit to an Invest529 account. The student or his or her family is responsible for any additional expenses not covered by Prepaid529. 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

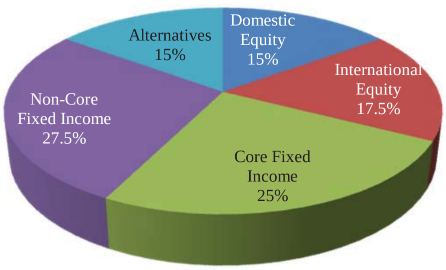
Prepaid529 Program

June 30, 2017

Virginia529℠

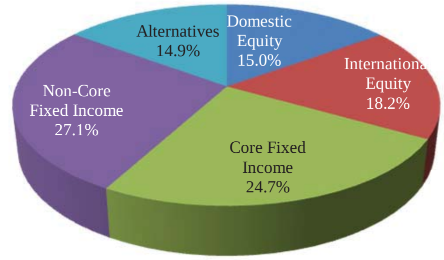
Prepaid529℠
Asset Allocation Report (Target vs. Actual)
as of June 30, 2017

Target Allocation

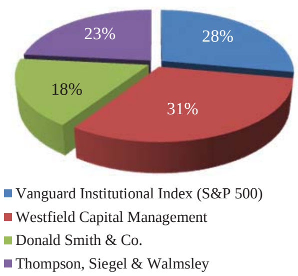


Asset Class	Over/(Under) Target Dollars	Over/(Under) Target % of Total Fund
Domestic Equity	527,712	0.0%
International Equity	18,251,128	0.7%
Core Fixed Income	(6,797,111)	-0.3%
Non-Core Fixed Income	(9,320,736)	-0.4%
Alternatives	(2,660,993)	-0.1%

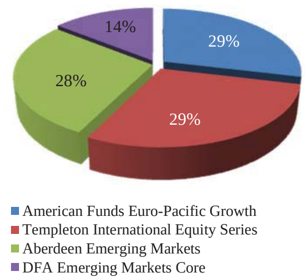
Actual

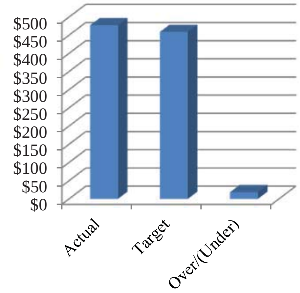


Domestic Equity

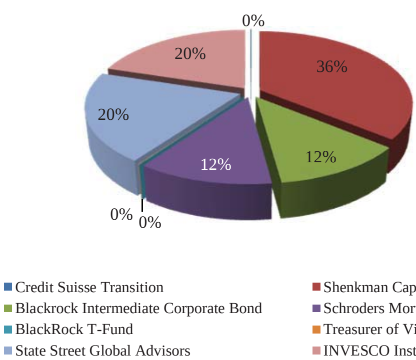


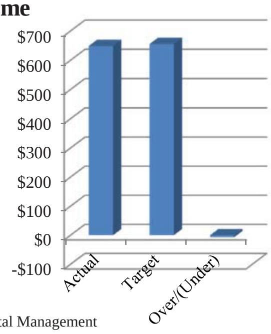
International Equity



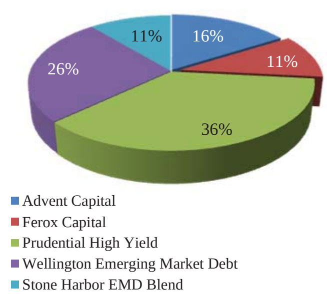


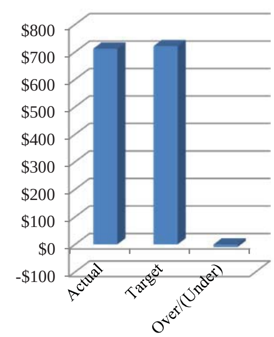
Core Fixed Income



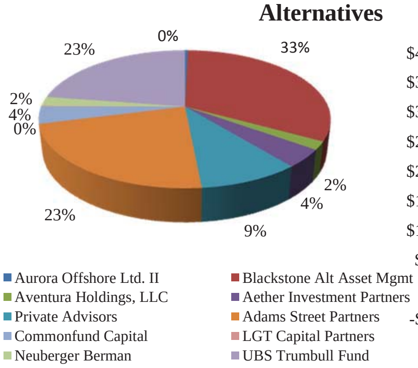


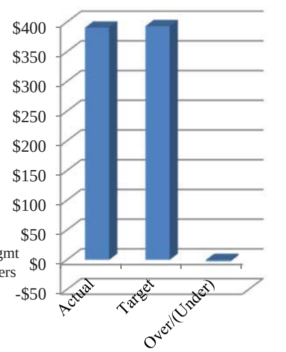
Non-Core Fixed Income





Alternatives





Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	Calendar YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return Since Inception: Return	Return Since Inception: Since
				Ending June 30, 2017								
Total Fund	**$2,622,506,416**	**100.0%**	**100.0%**	**2.8%**	**6.9%**	**10.7%**	**10.7%**	**3.9%**	**6.3%**	**4.4%**	**6.3%**	**Oct-97**
Total Fund less Private Equity	**$2,456,203,125**	**93.7%**	**--**	**2.5%**	**6.8%**	**10.4%**	**10.4%**	**3.6%**	**6.2%**	**4.4%**	**6.3%**	**Oct-97**
Prepaid529 Total Fund Index				*2.7%*	*6.8%*	*10.7%*	*10.7%*	*4.9%*	*7.3%*	*4.6%*	*5.7%*	*Oct-97*
Prepaid529 Total Equity	**$871,050,813**	**33.2%**	**32.5%**	**4.7%**	**13.4%**	**20.3%**	**20.3%**	**3.9%**	**10.1%**	**4.6%**	**7.0%**	**Oct-97**
Total Equity Index				*4.5%*	*11.8%*	*19.4%*	*19.4%*	*5.4%*	*11.1%*	*4.2%*	*5.6%*	*Oct-97*
Prepaid529 Total Domestic Equity	**$393,884,007**	**15.0%**	**15.0%**	**2.9%**	**9.1%**	**19.0%**	**19.0%**	**6.1%**	**13.6%**	**7.0%**	**8.0%**	**Oct-97**
Domestic Equity Policy Index				*3.0%*	*8.9%*	*18.5%*	*18.5%*	*9.1%*	*14.6%*	*7.3%*	*7.0%*	*Oct-97*
Vanguard Institutional Index	$109,829,261	4.2%	7.5%	3.1%	9.3%	17.9%	17.9%	9.6%	14.6%	7.2%	4.6%	Jan-00
S&P 500 Index (Total Return)				*3.1%*	*9.3%*	*17.9%*	*17.9%*	*9.6%*	*14.6%*	*7.2%*	*4.9%*	*Jan-00*
Westfield Capital Management	$123,568,503	4.7%	2.5%	3.5%	14.4%	23.5%	23.5%	5.1%	13.6%	8.9%	11.2%	Oct-03
Russell 2500 Growth				*4.1%*	*10.6%*	*21.4%*	*21.4%*	*7.7%*	*14.3%*	*8.2%*	*10.2%*	*Oct-03*
Thompson, Siegel and Walmsley	$92,029,547	3.5%	2.5%	2.3%	5.1%	15.8%	15.8%	6.5%	15.8%	7.0%	11.1%	Oct-03
TSW Custom Benchmark [1]				*0.3%*	*2.0%*	*18.4%*	*18.4%*	*6.2%*	*13.7%*	*6.2%*	*9.5%*	*Oct-03*
Donald Smith and Company	$68,456,697	2.6%	2.5%	2.3%	5.5%	17.6%	17.6%	0.8%	9.4%	6.0%	11.2%	Oct-03
Russell 2000 Value				*0.7%*	*0.5%*	*24.9%*	*24.9%*	*7.0%*	*13.4%*	*5.9%*	*9.3%*	*Oct-03*
Prepaid529 Total International Equity	**$477,166,806**	**18.2%**	**17.5%**	**6.3%**	**17.1%**	**21.2%**	**21.2%**	**2.0%**	**6.8%**	**2.3%**	**6.2%**	**Oct-97**
*International Equity BM*****				*6.4%*	*16.1%*	*23.2%*	*22.3%*	*1.7%*	*7.2%*	*1.4%*	*5.1%*	*Oct-97*
Capital Research American Funds	$137,165,098	5.2%	5.0%	7.7%	17.8%	22.2%	22.2%	3.7%	9.6%	3.5%	8.0%	Nov-01
MSCI EAFE (Gross)				*6.4%*	*14.2%*	*20.8%*	*20.8%*	*1.6%*	*9.2%*	*1.5%*	*6.7%*	*Nov-01*
Franklin Templeton	$136,589,457	5.2%	5.0%	5.6%	13.2%	22.6%	22.6%	0.1%	7.9%	1.3%	5.8%	Aug-97
MSCI EAFE (Gross)				*6.4%*	*14.2%*	*20.8%*	*20.8%*	*1.6%*	*9.2%*	*1.5%*	*4.7%*	*Aug-97*
Aberdeen Asset Management	$135,573,732	5.2%	7.5%	6.3%	19.0%	18.1%	18.1%	1.7%	3.6%	--	6.3%	Nov-09
MSCI EM (Emerging Markets)				*6.4%*	*18.6%*	*24.2%*	*24.2%*	*1.4%*	*4.3%*	*2.2%*	*4.1%*	*Nov-09*
DFA Emerging Markets Core	$67,838,518	2.6%	7.5%	4.7%	19.0%	21.9%	21.9%	--	--	--	21.4%	Jan-16
MSCI EM (Emerging Markets)				*6.4%*	*18.6%*	*24.2%*	*24.2%*	*1.4%*	*4.3%*	*2.2%*	*20.6%*	*Jan-16*
Prepaid529 Alternatives	**$391,319,623**	**14.9%**	**15.0%**	**3.4%**	**5.4%**	**8.6%**	**8.6%**	**6.3%**	**6.2%**	**2.0%**	**4.8%**	**May-05**
*Alternatives BM******				*2.1%*	*6.2%*	*12.0%*	*12.0%*	*8.5%*	*8.1%*	*3.3%*	*5.9%*	*May-05*
Blackstone	$127,093,308	4.8%	--	1.8%	4.6%	--	--	--	--	--	6.0%	*Aug-16*
T-BILLS + 4%				*0.9%*	*3.1%*	*4.1%*	*4.1%*	*--*	*--*	*--*	*4.1%*	*Aug-16*
HFRI FOF Conservative Index				*0.4%*	*1.6%*	*5.1%*	*5.1%*	*1.4%*	*3.6%*	*0.8%*	*4.5%*	*Aug-16*
Aventura	$8,028,078	0.3%	--	1.3%	2.7%	5.5%	5.5%	9.1%	*8.7%*	--	*4.3%*	*Apr-08*
NCREIF Property Index [2]				*1.6%*	*3.3%*	*7.3%*	*7.3%*	*10.6%*	*10.7%*	*6.7%*	*6.0%*	*Apr-08*
Aurora Offshore	$1,518,492	0.1%	--	1.5%	3.3%	2.5%	2.5%	0.4%	*3.2%*	--	*2.2%*	Mar-10
T-BILLS + 3.5%				*1.0%*	*2.0%*	*3.9%*	*3.9%*	*3.7%*	*3.6%*	*--*	*3.6%*	*Mar-10*
UBS Trumbull	$88,376,454	3.4%	--	0.9%	2.1%	5.1%	5.1%	8.9%	*8.9%*	--	*9.2%*	Jan-11
NCREIF NFI ODCE [4]				*1.8%*	*3.9%*	*8.3%*	*8.3%*	*11.8%*	*12.0%*	*--*	*12.1%*	*Jan-11*
Private Equity Managers[3]	$166,303,292	6.3%	--	6.3%	8.2%	16.1%	16.1%	9.4%	7.2%	--	2.4%	Oct-10
MSCI ACWI IMI + 3%				*4.6%*	*12.6%*	*22.6%*	*22.6%*	*8.4%*	*14.3%*	*7.5%*	*12.5%*	*Oct-10*

*Total Fund Index: 32.50% MSCI ACWI Index, 3.60% NCREIF ODCE Index, 6.45% MSCI ACWI IMI + 3%, 4.95% Citigroup 3-Month T-Bill +4%, 9.90% Barclays US Corporate High Yield Index, 7.70% BofA ML US Convertibles Index, 9.90% JPMorgan EMBI, 15.00% Barclays US Aggregate Index, 5.00% Barclays US TIPS Index, 5.00% 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

*****Alternatives BM: 24% NCREIF ODCE Index, 43% MSCI ACWI IMI + 3%, 33% Citigroup 3-Month T-Bill +4%

[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

Returns calculated by BNY Mellon Asset Servicing.

Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current Allocation	Target Allocation	3 Mo	Calendar YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return Since Inception: Return	Return Since Inception: Since
				Ending June 30, 2017								
Prepaid529 Non Core Fixed Income	**$711,832,473**	**27.1%**	**27.5%**	**2.2%**	**5.4%**	**8.4%**	**8.4%**	**4.1%**	**5.9%**	**4.7%**	**5.7%**	**May-05**
Non Core Fixed BM				*2.7%*	*6.5%*	*10.4%*	*10.4%*	*4.8%*	*7.2%*	*5.1%*	*6.6%*	*May-05*
PGIM High Yield	$258,670,034	9.9%	10.0%	2.4%	5.2%	11.2%	11.2%	5.3%	6.4%	--	7.7%	Nov-09
Barclays Capital High Yield				*2.2%*	*4.9%*	*12.7%*	*12.7%*	*4.5%*	*6.9%*	*7.7%*	*8.6%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*2.2%*	*4.5%*	*10.8%*	*10.8%*	*4.4%*	*6.5%*	*7.3%*	*8.1%*	*Nov-09*
Advent Capital Management	$114,275,006	4.4%	7.5%	1.3%	3.6%	7.4%	7.4%	3.0%	--	--	4.1%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*3.9%*	*8.8%*	*13.7%*	*13.7%*	*5.1%*	*--*	*--*	*7.7%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*4.7%*	*7.8%*	*6.5%*	*8.0%*	*1.4%*	*3.5%*	*--*	*2.8%*	*Sep-13*
Ferox Capital	$75,545,621	2.9%	7.5%	1.2%	2.2%	7.7%	7.7%	3.2%	--	--	4.0%	Aug-13
BofA Merrill Lynch Global 300 Convertible Index				*3.9%*	*8.8%*	*13.7%*	*13.7%*	*5.1%*	*--*	*--*	*2.6%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*4.7%*	*8.8%*	*13.7%*	*13.7%*	*5.1%*	*--*	*--*	*2.8%*	*Aug-13*
Wellington Management	$184,640,606	7.0%	--	2.7%	6.8%	6.3%	6.3%	5.0%	5.6%	--	7.4%	Dec-09
JPMorgan EMBI Index				*2.2%*	*6.2%*	*5.5%*	*5.5%*	*4.6%*	*5.2%*	*7.3%*	*7.1%*	*Dec-09*
Stone Harbor	$78,701,207	3.0%	--	2.4%	8.7%	6.8%	6.8%	0.3%	1.0%	--	1.8%	Apr-11
Stone Harbor Custom Benchmark [5]				*2.9%*	*8.3%*	*6.3%*	*6.3%*	*1.3%*	*2.5%*	*--*	*3.3%*	*Apr-11*
Prepaid529 Core Fixed Income	**$648,303,508**	**24.7%**	**25.0%**	**0.5%**	**1.4%**	**2.8%**	**2.8%**	**2.0%**	**1.6%**	**3.7%**	**4.9%**	**Oct-97**
Core Fixed Income Benchmark				*0.9%*	*1.7%*	*0.0%*	*0.0%*	*1.9%*	*1.5%*	*3.9%*	*4.8%*	*Oct-97*
Bloomberg Barclays Aggregate				*1.5%*	*2.3%*	*-0.3%*	*-0.3%*	*2.5%*	*2.2%*	*4.5%*	*5.1%*	*Oct-97*
Blackrock Intermediate Corporate	$77,567,799	3.0%	5.0%	1.4%	2.5%	1.3%	1.3%	--	--	--	2.5%	Jun-15
Barclays Int Credit				*1.4%*	*2.5%*	*1.4%*	*1.4%*	*2.6%*	*3.0%*	*4.9%*	*2.6%*	*Jun-15*
Schroders MBS	$77,040,260	2.9%	5.0%	1.5%	2.6%	2.0%	2.0%	--	--	--	3.6%	Oct-14
Barclays US MBS				*0.9%*	*1.3%*	*-0.1%*	*-0.1%*	*2.2%*	*2.0%*	*4.3%*	*2.3%*	*Oct-14*
Barclays US Commercial Mortgage-Backed Securities				*1.4%*	*2.3%*	*0.0%*	*-0.3%*	*2.6%*	*3.1%*	*5.2%*	*3.0%*	*Oct-14*
SSgA TIPS	$129,639,656	4.9%	5.0%	-0.4%	0.8%	-0.7%	-0.7%	0.6%	0.2%	--	2.7%	Dec-10
Barclays Capital US TIPS				*-0.4%*	*0.9%*	*-0.6%*	*-0.6%*	*0.6%*	*0.3%*	*4.6%*	*2.5%*	*Dec-10*
Shenkman Capital Management	$232,429,331	8.9%	5.0%	0.6%	1.3%	6.3%	6.3%	2.2%	--	--	2.8%	Sep-13
Credit Suisse Leveraged Loans				*0.8%*	*2.0%*	*7.5%*	*7.5%*	*3.5%*	*4.8%*	*4.2%*	*4.0%*	*Sep-13*
INVESCO Institutional	$130,557,305	5.0%	5.0%	0.5%	1.0%	2.1%	2.1%	2.0%	2.1%	2.9%	4.0%	Jan-00
Stable Value Custom BM				*0.4%*	*0.8%*	*1.5%*	*1.5%*	*1.2%*	*1.2%*	*1.7%*	*3.0%*	*Jan-00*
BlackRock	$338,640	0.0%	0.0%	0.2%	0.3%	0.4%	0.4%	0.2%	0.1%	--	0.1%	Apr-10
Citigroup 3-Month T-Bill				*0.2%*	*0.3%*	*0.5%*	*0.5%*	*0.2%*	*0.2%*	*0.5%*	*0.1%*	*Apr-10*

**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%

[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	3 Mo	Rank	Calendar YTD	Rank	Fiscal YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return Since Inception: Return	Return Since Inception: Since
				Ending June 30, 2017															
Total Fund	**$2,622,506,416**	**100.0%**	**100.0%**	**2.8%**	*73*	**7.0%**	*76*	**9.7%**	*90*	**9.7%**	*90*	**4.1%**	*87*	**5.7%**	*94*	**4.7%**	*71*	**6.5%**	**Oct-97**
Total Fund less Private Equity	**$2,456,203,124**	**93.7%**	**--**	**2.6%**	--	**6.9%**	--	**10.6%**	--	**10.6%**	--	**3.9%**	--	**6.4%**	--	**4.6%**	--	**6.5%**	**Oct-97**
prePAID Total Fund Index				*2.7%*	*74*	*6.8%*	*82*	*10.7%*	*91*	*10.7%*	*91*	*4.9%*	*73*	*7.3%*	*88*	*4.6%*	*71*	*5.7%*	*Oct-97*
Prepaid529 Total Equity	**$871,050,813**	**33.2%**	**32.5%**	**4.8%**	--	**13.5%**	--	**20.6%**	--	**20.6%**	--	**4.2%**	--	**10.4%**	--	**5.0%**	--	**7.2%**	**Oct-97**
Total Equity Index				*4.5%*	--	*11.8%*	--	*19.4%*	--	*19.4%*	--	*5.4%*	--	*11.1%*	--	*4.2%*	--	*5.6%*	*Oct-97*
Prepaid529 Total Domestic Equity	**$393,884,007**	**15.0%**	**15.0%**	**3.0%**	--	**9.5%**	--	**19.7%**	--	**19.7%**	--	**6.7%**	--	**14.2%**	--	**7.5%**	--	**8.4%**	**Oct-97**
Domestic Equity Policy Index				*3.0%*	--	*8.9%*	--	*18.5%*	--	*18.5%*	--	*9.1%*	--	*14.6%*	--	*7.3%*	--	*7.0%*	*Oct-97*
Vanguard Institutional Index	$109,829,261	4.2%	7.5%	3.1%	34	9.3%	31	17.9%	34	17.9%	34	9.6%	27	14.6%	25	7.2%	25	4.6%	Jan-00
S&P 500 Index (Total Return)				*3.1%*	*33*	*9.3%*	*31*	*17.9%*	*34*	*17.9%*	*34*	*9.6%*	*27*	*14.6%*	*24*	*7.2%*	*24*	*4.9%*	*Jan-00*
Westfield Capital Management	$123,568,503	4.7%	2.5%	3.7%	74	14.8%	31	24.4%	34	24.4%	34	5.9%	80	14.5%	34	9.7%	32	12.1%	Oct-03
Russell 2500 Growth				*4.1%*	*62*	*10.6%*	*65*	*21.4%*	*58*	*21.4%*	*58*	*7.7%*	*55*	*14.3%*	*37*	*8.2%*	*63*	*10.2%*	*Oct-03*
Thompson, Siegel and Walmsley	$92,029,547	3.5%	2.5%	2.5%	19	5.5%	12	16.7%	90	16.7%	90	7.3%	54	16.7%	18	7.7%	58	11.9%	Oct-03
TSW Custom Benchmark[1]				*0.3%*	*61*	*2.0%*	*47*	*18.4%*	*85*	*18.4%*	*85*	*6.2%*	*75*	*13.7%*	*78*	*6.2%*	*88*	*9.5%*	*Oct-03*
Donald Smith and Company	$68,456,697	2.6%	2.5%	2.5%	19	5.9%	10	18.6%	85	18.6%	85	1.7%	95	10.4%	98	6.9%	75	12.2%	Oct-03
Russell 2000 Value				*0.7%*	*53*	*0.5%*	*62*	*24.9%*	*32*	*24.9%*	*32*	*7.0%*	*64*	*13.4%*	*82*	*5.9%*	*91*	*9.3%*	*Oct-03*
Prepaid529 Total International Equity	**$477,166,806**	**18.2%**	**17.5%**	**6.2%**	--	**17.1%**	--	**21.2%**	--	**21.2%**	--	**2.0%**	--	**6.8%**	--	**2.3%**	--	**6.2%**	**Oct-97**
*International Equity BM**** *				*6.4%*	--	*16.1%*	--	*22.3%*	--	*22.3%*	--	*1.7%*	--	*7.2%*	--	*1.4%*	--	*5.1%*	*Oct-97*
Capital Research American Funds	$137,165,098	5.2%	5.0%	7.7%	30	17.8%	24	22.2%	32	22.2%	32	3.7%	21	9.6%	31	3.5%	17	8.0%	Nov-01
MSCI EAFE (Gross)				*6.4%*	*59*	*14.2%*	*67*	*20.8%*	*42*	*20.8%*	*42*	*1.6%*	*55*	*9.2%*	*38*	*1.5%*	*49*	*6.7%*	*Nov-01*
Franklin Templeton	$136,589,457	5.2%	5.0%	5.6%	77	13.2%	79	22.6%	26	22.6%	26	0.1%	77	7.9%	65	1.3%	54	5.8%	Aug-97
MSCI EAFE (Gross)				*6.4%*	*59*	*14.2%*	*67*	*20.8%*	*42*	*20.8%*	*42*	*1.6%*	*55*	*9.2%*	*38*	*1.5%*	*49*	*4.7%*	*Aug-97*
Aberdeen Asset Management	$135,573,732	5.2%	7.5%	6.3%	39	19.0%	42	18.1%	65	18.1%	65	1.7%	31	3.6%	54	--	--	6.3%	Nov-09
MSCI EM (Emerging Markets)				*6.4%*	*36*	*18.6%*	*48*	*24.2%*	*26*	*24.2%*	*26*	*1.4%*	*36*	*4.3%*	*43*	*2.2%*	*31*	*4.1%*	*Nov-09*
DFA Emerging Markets Core	$67,838,518	2.6%	7.5%	4.7%	67	19.0%	43	21.9%	46	21.9%	46	--	--	--	--	--	--	21.4%	Jan-16
MSCI EM (Emerging Markets)				*6.3%*	*38*	*18.4%*	*49*	*23.7%*	*31*	*23.7%*	*31*	*1.1%*	*44*	*4.0%*	*49*	*1.9%*	*36*	*20.6%*	*Jan-16*
Prepaid529 Alternatives	**$391,319,623**	**14.9%**	**15.0%**	**3.4%**	--	**5.4%**	--	**4.2%**	--	**4.2%**	--	**5.9%**	--	**5.6%**	--	**0.7%**	--	**4.6%**	**May-05**
*Alternatives BM***** *				*2.1%*	--	*6.2%*	--	*11.8%*	--	*11.8%*	--	*8.7%*	--	*8.0%*	--	*2.1%*	--	*5.9%*	*May-05*
Blackstone	$101,000,000	4.1%	--	1.8%	21	4.6%	30	--	--	--	--	--	--	--	--	--	--	6%	Sep-16
T-BILLS + 4%				*1.2%*	*43*	*2.3%*	*60*	*4.5%*	*67*	*4.5%*	*67*	*4.2%*	*10*	*4.1%*	*57*	--	--	*3.7%*	*Sep-16*
HFRI FOF Conservative Index				*0.4%*	*62*	*1.6%*	*66*	*5.1%*	*63*	*5.1%*	*63*	*1.4%*	*52*	*3.6%*	*67*	*0.8%*	*90*	*3.6%*	*Sep-16*
Aventura	$8,028,078	0.3%	--	1.3%	--	2.7%	--	5.5%	--	5.5%	--	9.1%	--	8.7%	--	--	--	4.3%	Apr-08
NCREIF Property Index[2]				*1.6%*	--	*3.3%*	--	*7.3%*	--	*7.3%*	--	*10.6%*	--	*10.7%*	--	*6.7%*	--	*6.0%*	*Apr-08*
Aurora Offshore	$1,518,492	0.1%	--	1.5%	31	3.3%	46	2.5%	86	2.5%	86	0.4%	64	3.2%	75	--	--	2.2%	Mar-10
T-BILLS + 3.5%				*1.0%*	*47*	*2.0%*	*62*	*3.9%*	*73*	*3.9%*	*73*	*3.7%*	*18*	*3.6%*	*66*	--	--	*3.6%*	*Mar-10*
UBS Trumbull	$88,376,454	3.4%	--	0.9%	93	2.1%	97	5.1%	93	5.1%	93	8.9%	99	8.9%	99	--	--	9.2%	Jan-11
NCREIF NFI ODCE[4]				*1.8%*	*36*	*3.9%*	*36*	*8.3%*	*15*	*8.3%*	*15*	*11.8%*	*25*	*12.0%*	*35*	--	--	*12.1%*	*Jan-11*
Private Equity Managers[3]	$166,303,292	6.3%	--	6.3%	--	8.2%	--	16.1%	--	16.1%	--	9.3%	--	7.2%	--	--	--	2.4%	Oct-10
MSCI ACWI IMI + 3%				*4.6%*	--	*12.6%*	--	*22.6%*	--	*22.6%*	--	*8.4%*	--	*14.3%*	--	*7.5%*	--	*11.9%*	*Oct-10*

*Total Fund Index: 32.50% MSCI ACWI Index, 3.60% NCREIF ODCE Index, 6.45% MSCI ACWI IMI + 3%, 4.95% Citigroup 3-Month T-Bill +4%, 9.90% Barclays US Corporate High Yield Index, 7.70% BofA ML US Convertibles Index, 9.90% JPMorgan EMBI, 15.00% Barclays US Aggregate Index, 5.00% Barclays US TIPS Index, 5.00% 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

*****Alternatives BM: 24% NCREIF ODCE Index, 43% MSCI ACWI IMI + 3%, 33% Citigroup 3-Month T-Bill +4%

[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

"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	Calendar YTD	Rank	Fiscal YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return	Since
				Ending June 30, 2017														Return Since Inception	
Prepaid529 Non Core Fixed Income	**$711,832,473**	**27.1%**	**27.5%**	**2.2%**	**--**	**5.5%**	**--**	**8.6%**	**--**	**8.6%**	**--**	**4.4%**	**--**	**6.1%**	**--**	**5.0%**	**--**	**6.0%**	**May-05**
Non Core Fixed BM				*2.7%*	*--*	*6.5%*	*--*	*10.4%*	*--*	*10.4%*	*--*	*4.7%*	*--*	*7.2%*	*--*	*5.1%*	*--*	*6.6%*	*May-05*
PGIM High Yield	$258,670,034	9.9%	10.0%	2.5%	16	5.3%	16	11.5%	59	11.5%	59	5.7%	5	6.7%	58	--	--	8.0%	Nov-09
Barclays Capital High Yield				*2.2%*	*48*	*4.9%*	*36*	*12.7%*	*32*	*12.7%*	*32*	*4.5%*	*33*	*6.9%*	*42*	*7.7%*	*40*	*8.6%*	*Nov-09*
Barclays US High Yield Ba/B 1% Issuer Cap				*2.2%*	*47*	*4.5%*	*63*	*10.8%*	*74*	*10.8%*	*74*	*4.4%*	*37*	*6.5%*	*68*	*7.3%*	*62*	*8.1%*	*Nov-09*
Advent Capital Management	$114,275,006	4.4%	7.5%	1.5%	68	3.9%	79	8.1%	77	8.1%	77	3.6%	28	--	--	--	--	4.5%	Sep-13
BofA Merrill Lynch Global 300 Convertible Index				*3.9%*	*1*	*8.8%*	*17*	*13.7%*	*81*	*13.7%*	*81*	*5.1%*	*99*	*--*	*--*	*--*	*--*	*7.7%*	*Sep-13*
Barclays Global Defensive Convertible Index IG				*4.7%*	*1*	*7.8%*	*17*	*8.0%*	*77*	*8.0%*	*77*	*1.4%*	*78*	*3.5%*	*99*	*--*	*--*	*2.8%*	*Sep-13*
Ferox Capital	$73,903,753	2.8%	7.5%	1.0%	99	1.0%	99	6.3%	60	6.3%	60	3.1%	31	--	--	--	--	3.9%	Aug-13
BofA Merrill Lynch All US Convertibles				*3.9%*	*1*	*8.8%*	*17*	*13.7%*	*81*	*13.7%*	*81*	*5.1%*	*99*	*--*	*--*	*--*	*--*	*2.6%*	*Aug-13*
Barclays Global Defensive Convertible Index IG				*4.7%*	*1*	*7.8%*	*17*	*8.0%*	*77*	*8.0%*	*77*	*1.4%*	*78*	*3.5%*	*99*	*--*	*--*	*2.8%*	*Aug-13*
Wellington Management	$186,928,913	7.1%	--	4.1%	67	4.1%	67	6.3%	90	6.3%	90	5.0%	47	5.6%	61	--	--	7.4%	Dec-09
JPMorgan EMBI Index				*3.9%*	*80*	*3.9%*	*80*	*5.5%*	*96*	*5.5%*	*96*	*4.6%*	*65*	*5.2%*	*75*	*7.3%*	*70*	*7.1%*	*Dec-09*
Stone Harbor	$66,276,481	2.5%	--	6.1%	4	6.1%	4	6.8%	79	6.8%	79	0.3%	99	1.0%	99	--	--	1.8%	Apr-11
Stone Harbor Custom Benchmark[5]				*2.9%*	*16*	*8.3%*	*16*	*6.3%*	*91*	*6.3%*	*91*	*1.3%*	*98*	*2.5%*	*99*	*--*	*--*	*3.3%*	*Apr-11*
Prepaid529 Core Fixed Income	**$648,303,508**	**24.7%**	**25.0%**	**0.6%**	**--**	**1.6%**	**--**	**3.1%**	**--**	**3.1%**	**--**	**2.2%**	**--**	**1.7%**	**--**	**3.9%**	**--**	**5.1%**	**Oct-97**
Core Fixed Income Benchmark				*0.9%*	*--*	*1.7%*	*--*	*0.0%*	*--*	*0.0%*	*--*	*1.9%*	*--*	*1.5%*	*--*	*3.9%*	*--*	*4.8%*	*Oct-97*
Bloomberg Barclays Aggregate				*1.4%*	*--*	*2.3%*	*--*	*-0.3%*	*--*	*-0.3%*	*--*	*2.5%*	*--*	*2.2%*	*--*	*4.5%*	*--*	*5.1%*	*Oct-97*
Blackrock Intermediate Corporate	$77,567,799	3.0%	5.0%	1.4%	12	2.6%	12	1.4%	15	1.4%	15	--	--	--	--	--	--	2.5%	Jun-15
Barclays Int Credit				*1.4%*	*13*	*2.5%*	*12*	*1.4%*	*15*	*1.4%*	*15*	*2.6%*	*14*	*3.0%*	*10*	*4.9%*	*20*	*2.6%*	*Jun-15*
Schroders MBS	$77,040,260	2.9%	5.0%	1.5%	39	2.7%	37	2.2%	39	2.2%	39	--	--	--	--	--	--	3.8%	Nov-13
Barclays US MBS				*0.9%*	*90*	*1.3%*	*93*	*-0.1%*	*89*	*-0.1%*	*89*	*2.2%*	*87*	*2.0%*	*90*	*4.3%*	*71*	*2.3%*	*Nov-13*
Barclays US Commercial Mortgage-Backed Securities				*1.4%*	*50*	*2.3%*	*50*	*-0.3%*	*97*	*-0.3%*	*97*	*2.6%*	*63*	*3.1%*	*41*	*5.2%*	*29*	*3.0%*	*Nov-13*
SSgA TIPS	$129,639,656	4.9%	5.0%	-0.4%	33	0.8%	51	-0.7%	74	-0.7%	74	0.6%	20	0.2%	34	--	--	2.7%	Dec-10
Barclays Capital US TIPS				*-0.4%*	*34*	*0.9%*	*50*	*-0.6%*	*71*	*-0.6%*	*71*	*0.6%*	*19*	*0.3%*	*22*	*4.3%*	*21*	*2.5%*	*Dec-10*
Shenkman Capital Management	$232,429,331	8.9%	5.0%	0.7%	77	1.7%	78	6.8%	59	6.8%	59	2.8%	95	--	--	--	--	3.2%	Sep-13
Credit Suisse Leveraged Loans				*0.8%*	*69*	*2.0%*	*40*	*7.5%*	*41*	*7.5%*	*41*	*3.5%*	*76*	*4.8%*	*60*	*4.2%*	*86*	*4.0%*	*Sep-13*
INVESCO Institutional	$130,557,305	5.0%	5.0%	0.5%	5	1.0%	11	2.2%	1	2.2%	1	2.1%	14	2.2%	16	2.9%	30	4.1%	Jan-00
Stable Value Custom BM				*0.4%*	*79*	*0.8%*	*87*	*1.5%*	*85*	*1.5%*	*85*	*1.2%*	*98*	*1.1%*	*99*	*1.7%*	*99*	*3.0%*	*Jan-00*
BlackRock	$338,640	0.0%	0.0%	0.2%	34	0.3%	34	0.4%	36	0.4%	36	0.2%	32	0.1%	32	--	--	0.1%	Apr-10
Citigroup 3-Month T-Bill				*0.2%*	*20*	*0.3%*	*20*	*0.5%*	*23*	*0.5%*	*23*	*0.2%*	*18*	*0.2%*	*15*	*0.5%*	*46*	*0.1%*	*Apr-10*

**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%

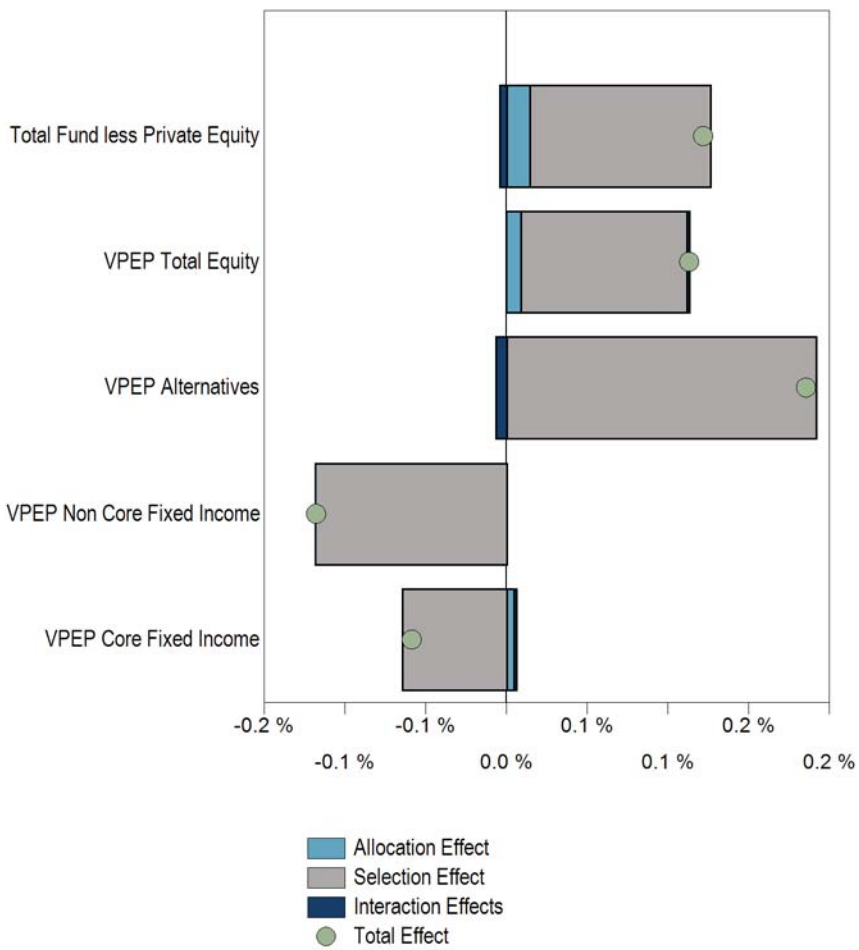
[5]Stone Harbor Custom Benchmark is comprised of 50% JPMorgan EMBI Global Diversified Index/50% JPMorgan GBI-EM Global Diversified

Returns calculated by BNY Mellon Asset Servicing.

Total Plan

Attribution

Attribution Effects
3 Months Ending June 30, 2017



Attribution Summary
3 Months Ending June 30, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Prepaid Total Equity	4.8%	4.5%	0.3%	0.1%	0.0%	0.0%	0.1%
Prepaid Alternatives	3.4%	2.1%	1.3%	0.2%	0.0%	0.0%	0.2%
Prepaid Non Core Fixed Income	2.2%	2.7%	-0.4%	-0.1%	0.0%	0.0%	-0.1%
Prepaod Core Fixed Income	0.6%	0.9%	-0.3%	-0.1%	0.0%	0.0%	-0.1%
Total	**2.8%**	**2.7%**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.1%**

Performance Attribution

Quarter Ending June 30, 2017

	Quarter	YTD	1 Yr	3 Yrs	2016	2015	2014
Wtd. Actual Return	2.8%	7.1%	11.0%	4.1%	7.6%	-0.8%	3.5%
Wtd. Index Return *	2.7%	6.9%	10.8%	4.9%	8.2%	0.3%	4.9%
Excess Return	**0.1%**	**0.2%**	**0.2%**	**-0.8%**	**-0.6%**	**-1.1%**	**-1.4%**
Selection Effect	0.1%	0.1%	0.2%	-0.7%	-0.6%	-1.0%	-1.3%
Allocation Effect	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.2%	0.0%
Interaction Effect	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
Returns by Asset Class							
Total Fund less Private Equity	2.6%	6.9%	10.6%	3.9%	7.4%	-1.1%	3.4%
Prepaid Total Equity	4.8%	13.5%	20.6%	4.2%	9.0%	-4.8%	2.1%
Prepaid Total Domestic Equity	3.0%	9.5%	19.7%	6.7%	12.4%	-2.5%	8.4%
Prepaid Total International Equity	6.2%	17.1%	21.2%	2.0%	5.9%	-6.8%	-3.3%
Prepaid Alternatives	3.4%	5.4%	8.6%	6.4%	4.7%	4.1%	7.1%
Private Equity Managers	6.3%	8.2%	16.1%	9.3%	10.7%	5.6%	9.8%
Prepaid Non Core Fixed Income	2.2%	5.5%	8.6%	4.4%	9.6%	0.3%	3.6%
Prepaid Core Fixed Income	0.6%	1.6%	3.1%	2.2%	5.2%	0.2%	3.0%

*

Attachment D

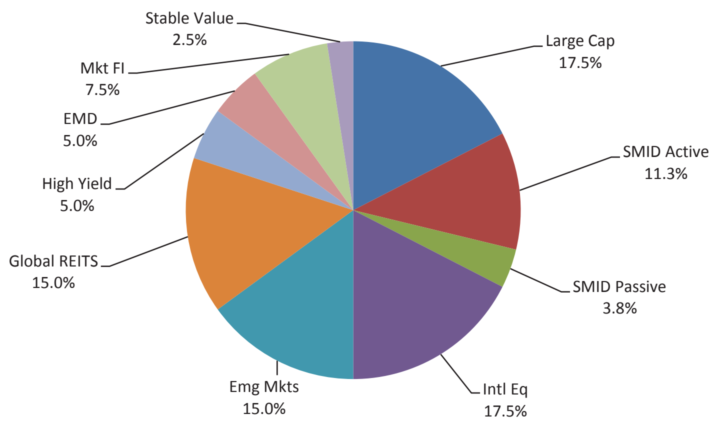
Asset Allocation and Performance

Invest529 Program

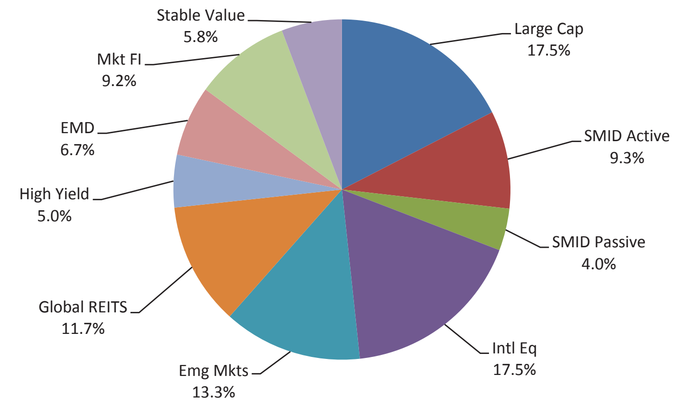
June 30, 2017

Fund Profile - Age-Based Portfolios

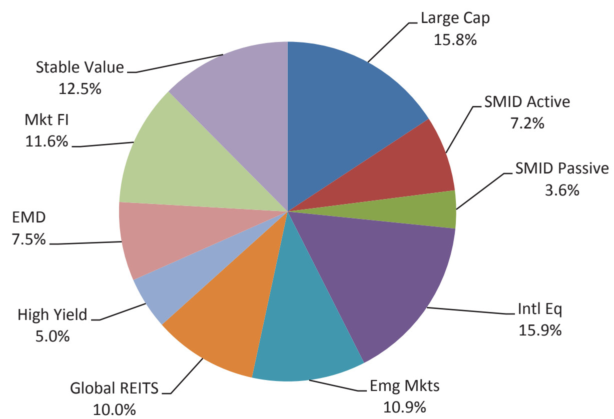
2036 Portfolio



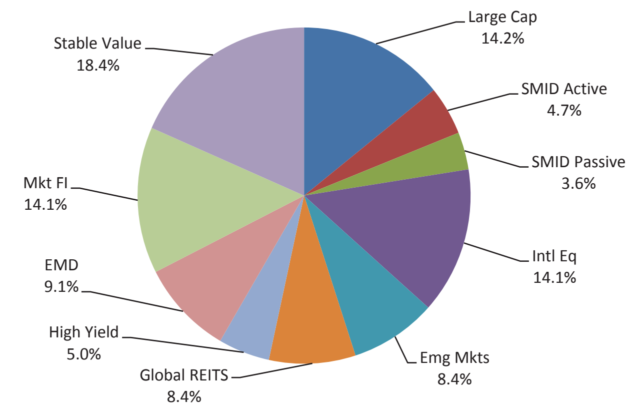
2033 Portfolio



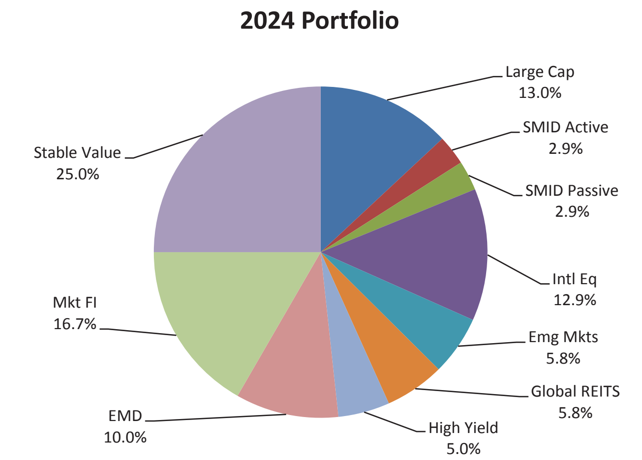
2030 Portfolio

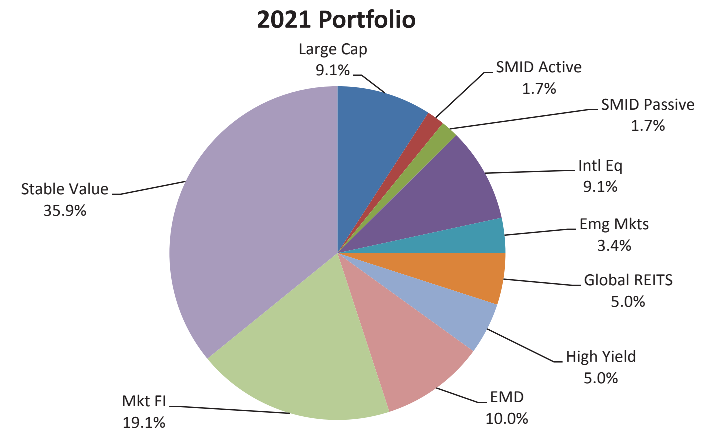


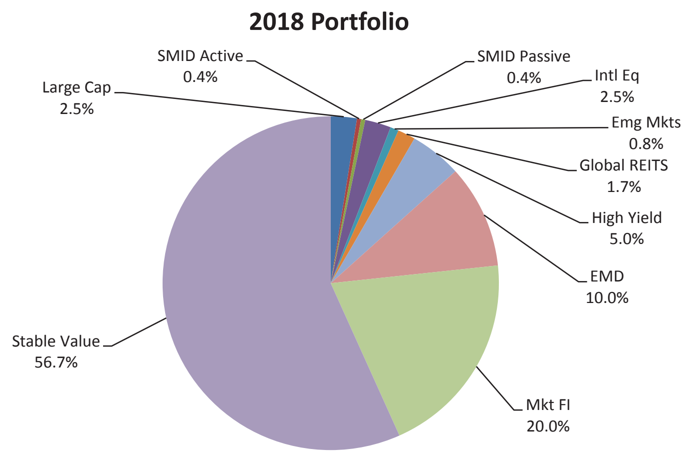
2027 Portfolio

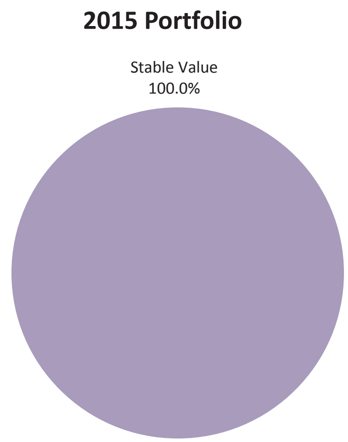


Fund Profile - Age-Based Portfolios

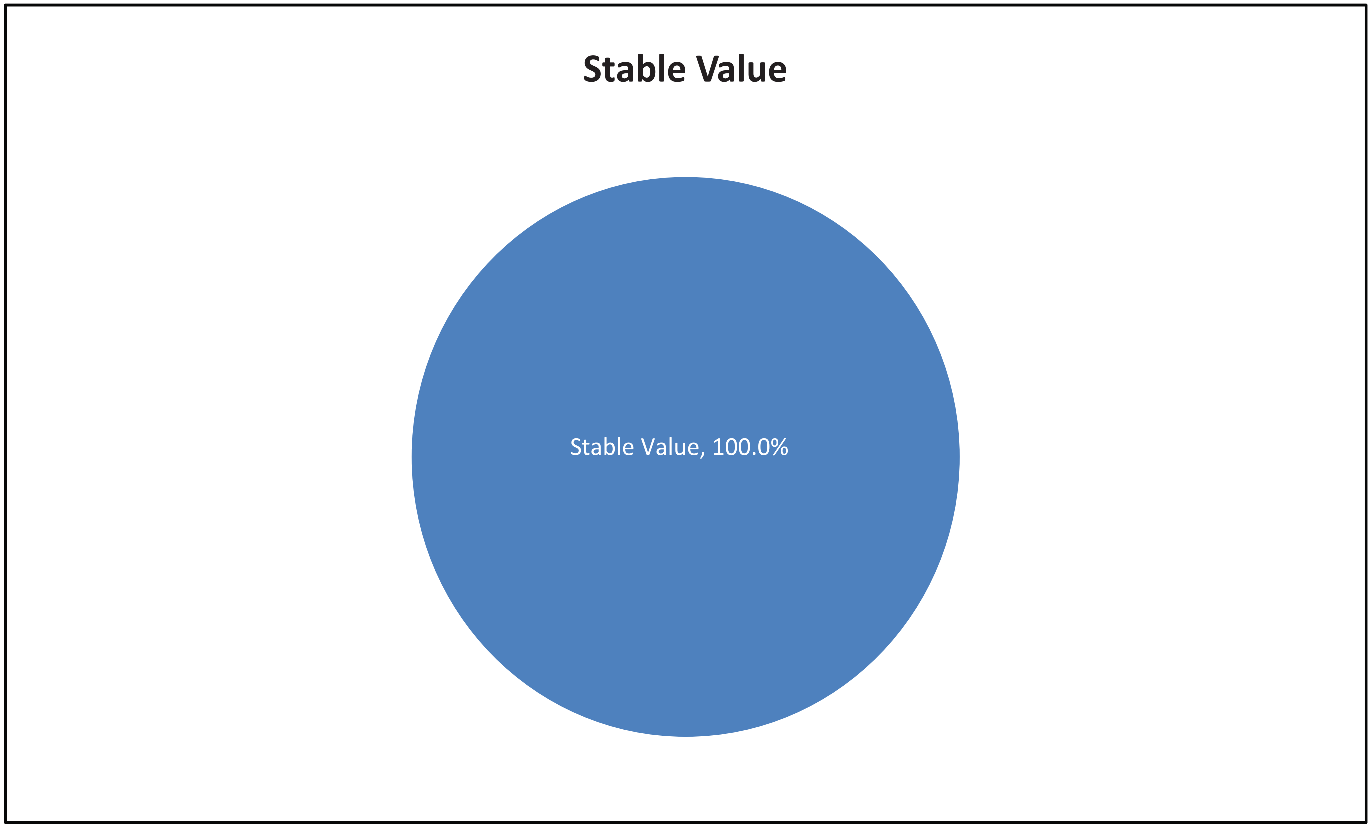




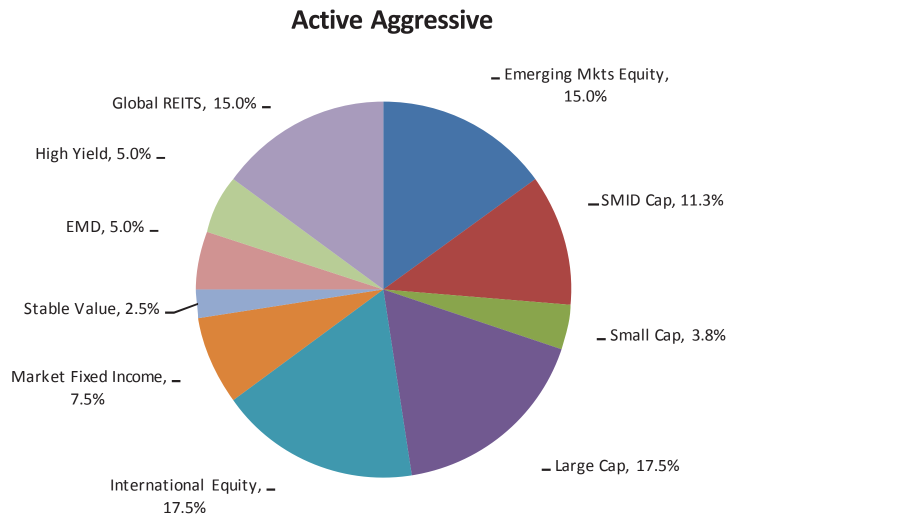


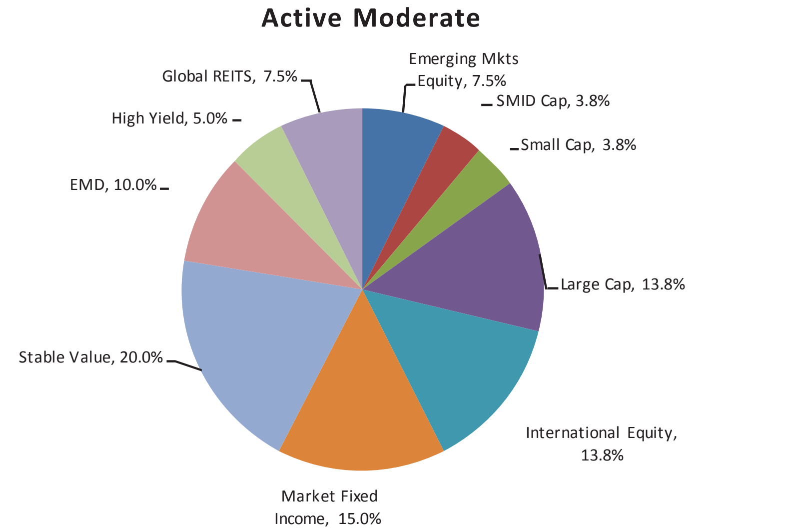


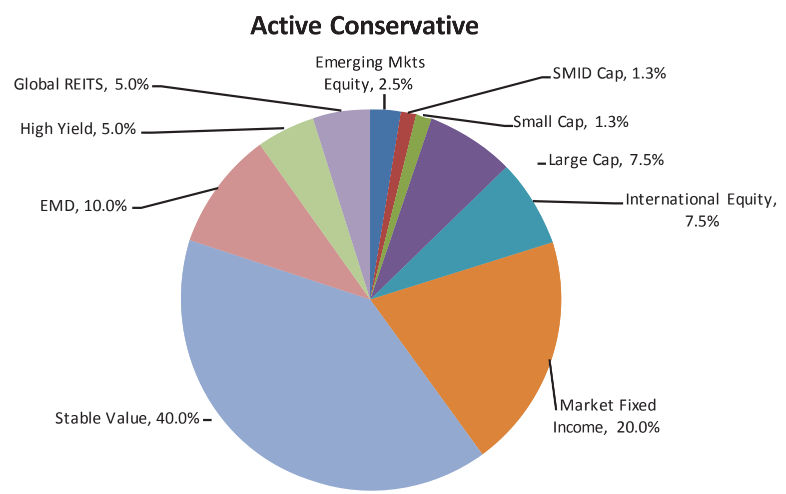
Fund Profile - Actively-Managed Static Portfolios



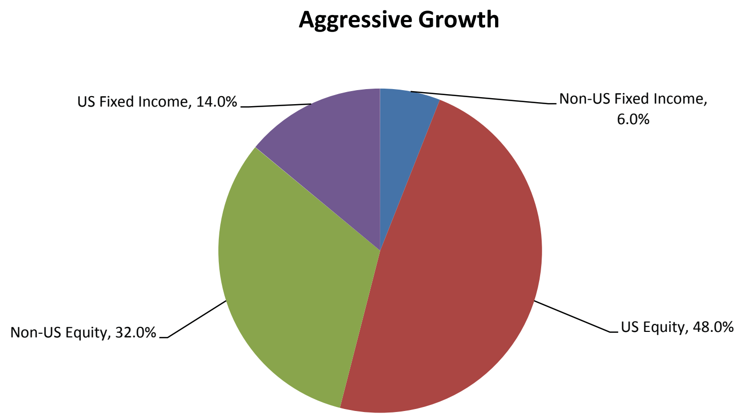
Fund Profile - Actively-Managed Static Portfolios

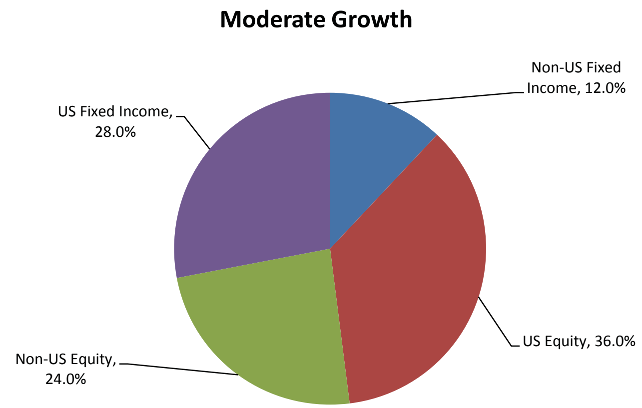


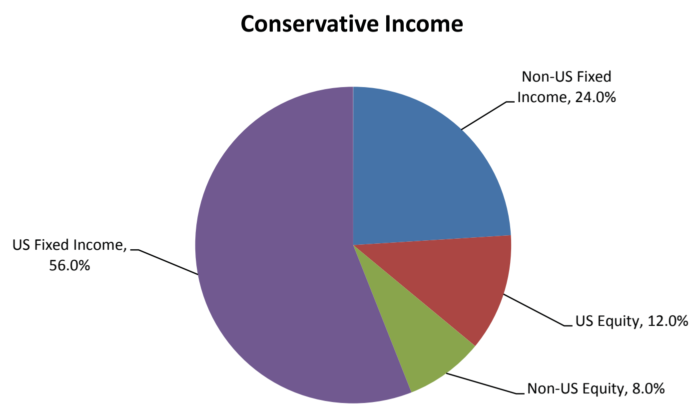




Fund Profile - Passively-Managed Static Portfolios

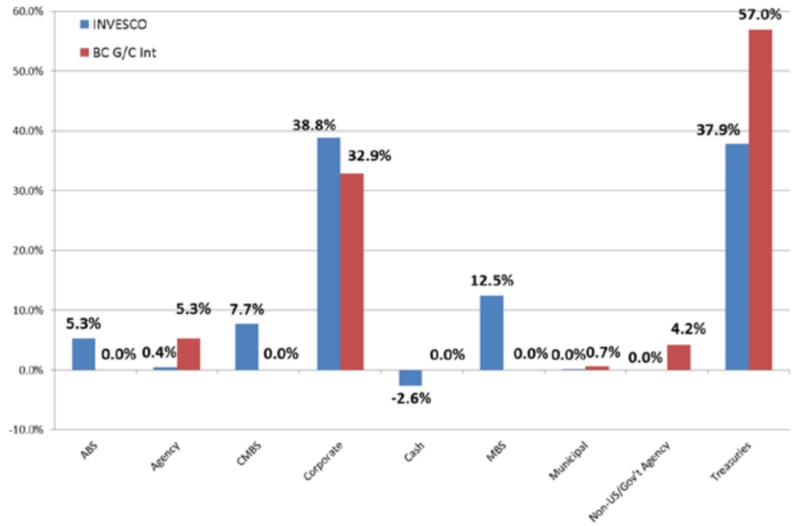




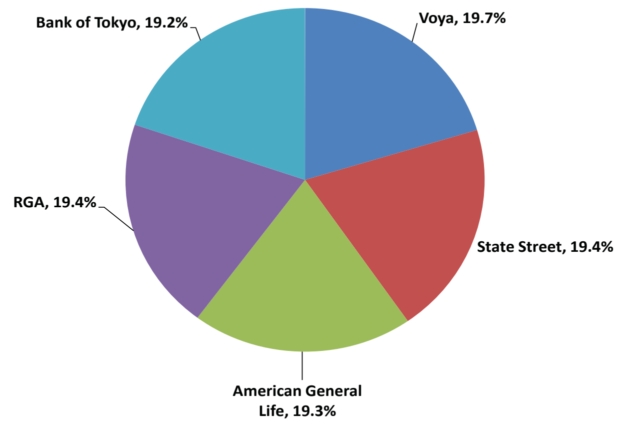


Fund Profile – Invesco Stable Value

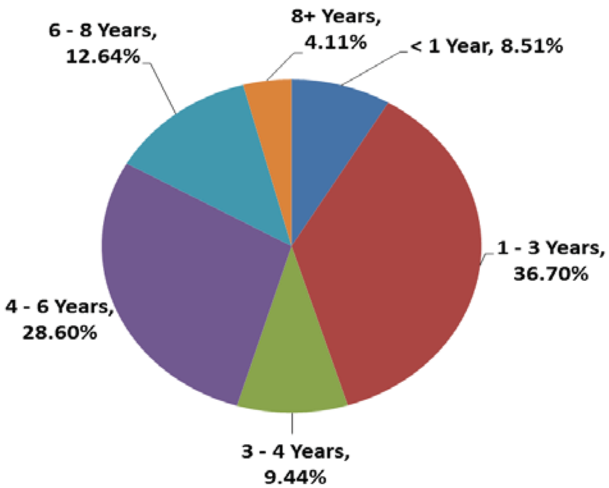
Fund Composition as of June 30, 2017



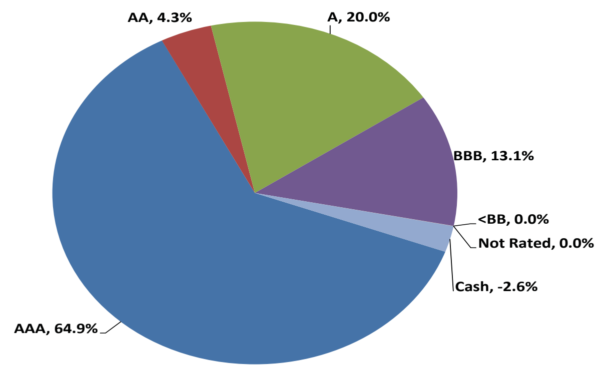
Wrap Exposure as of June 30, 2017



Duration Exposure as of June 30, 2017



Quality Breakdown as of June 30, 2017



Key Facts and Figures

Portfolio Manager: Invesco	Market-to-Book Value Ratio: 101.3%	Number of Securities: 407
Average Quality: AA	Crediting Rate: 2.31%	Duration: 3.41 years

Virginia529

Invest529
Individual Manager Investment Performance
as of June 30, 2017
Net of Fees

	Month Ending	Quarter Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
AGE-BASED PORTFOLIOS - Underlying Managers									
Large Cap Domestic Equity									
Vanguard Institutional Index	**0.62**	**3.08**	**9.34**	**17.90**	**9.70**	**14.67**	**7.23**	**4.93**	**Jan-00**
S&P 500 Index	*0.62*	*3.09*	*9.34*	*17.90*	*9.61*	*14.63*	*7.18*	*4.91*	
Small/Mid Cap Domestic Equity									
Rothschild Asset Management	**2.37**	**2.42**	**7.43**	**23.22**	**9.84**	**15.73**	**7.59**	**11.19**	**Jan-00**
Russell 2500	*2.50*	*2.13*	*5.97*	*19.84*	*6.93*	*14.04*	*7.42*	*8.50*	
Vanguard Small Cap Index	**2.24**	**1.94**	**5.76**	**19.09**	**6.96**	**14.26**	**7.89**	**8.39**	**Jan-00**
Custom Small Cap Index [1]	*2.24*	*1.93*	*5.75*	*19.09*	*6.75*	*14.08*	*7.74*	*8.26*	
International Equity									
TIF International Equity Series	**0.43**	**5.60**	**13.24**	**22.63**	**0.28**	**8.00**	**1.33**	**4.87**	**Jan-00**
MSCI EAFE	*-0.15*	*6.37*	*14.21*	*20.79*	*1.60*	*9.17*	*1.50*	*3.38*	
Am. Funds Euro-Pacific Growth	**0.97**	**7.69**	**17.78**	**22.18**	**3.85**	**9.69**	**3.54**	**9.44**	**Jan-03**
MSCI EAFE	*-0.15*	*6.37*	*14.21*	*20.79*	*1.60*	*9.17*	*1.50*	*8.19*	
Aberdeen Emerging Markets Fund	**1.36**	**6.25**	**19.03**	**18.07**	**1.63**	**3.61**		**2.58**	**Jan-11**
MSCI Emerging Markets Index	*1.07*	*6.38*	*18.60*	*24.17*	*1.44*	*4.33*		*0.80*	
DFA Emerging Markets Core Fund	**0.89**	**4.68**	**18.98**	**21.73**				**19.11**	**Apr-16**
MSCI Emerging Markets Index	*1.07*	*6.38*	*18.60*	*24.17*				*19.67*	
Global REITs									
Morgan Stanley Global REIT Fund	**0.89**	**1.71**	**3.50**	**0.32**	**2.83**	**7.12**		**5.99**	**Jan-11**
FTSE EPRA/NAREIT Developed RE Index	*0.88*	*3.01*	*5.37*	*1.14*	*4.56*	*8.36*		*7.73*	
Fixed Income									
INVESCO / PRIMCO	**0.15**	**0.46**	**0.89**	**1.79**	**1.70**	**1.65**	**2.88**	**3.94**	**Jan-00**
Stable Value Custom Benchmark	*0.15*	*0.43*	*0.80*	*1.46*	*1.20*	*1.15*	*1.67*	*2.99*	
Stone Harbor Emerging Market Debt	**-0.57**	**1.81**	**6.24**	**7.03**	**4.35**	**4.30**		**5.13**	**Jan-11**
JP Morgan EMBI Global Diversified	*-0.14*	*2.24*	*6.19*	*6.04*	*5.38*	*5.72*		*6.64*	
PGIM High Yield Bond Fund	**0.18**	**2.43**	**5.29**	**11.24**	**5.38**	**6.25**		**6.36**	**Jan-11**
Bloomberg Barclay's Corporate High Yield	*0.14*	*2.17*	*4.93*	*12.70*	*4.48*	*6.89*		*7.20*	

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Invest529
Individual Manager Investment Performance
as of June 30, 2017
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	**0.60**	**3.54**	**9.32**	**14.94**	**5.74**	**10.27**	**4.85**	**6.33**	**Jan-02**
Aggressive Benchmark	*0.54*	*3.78*	*9.57*	*15.14*	*5.60*	*10.31*	*5.43*	*6.63*	
Vanguard LifeStrategy Mod. Growth	**0.44**	**2.95**	**7.43**	**10.95**	**5.09**	**8.34**	**4.87**	**5.97**	**Jan-02**
Moderate Benchmark	*0.41*	*3.42*	*8.05*	*10.93*	*4.65*	*8.20*	*5.29*	*6.19*	
Vanguard LifeStrategy Income	**0.00**	**1.73**	**3.59**	**3.16**	**3.51**	**4.30**	**4.18**	**4.60**	**Jan-02**
Conservative Benchmark	*0.14*	*2.68*	*5.07*	*2.89*	*2.62*	*4.00*	*4.26*	*4.59*	
Parnassus Core Equity	**0.78**	**2.51**	**7.06**	**14.50**	**7.68**	**14.52**		**13.07**	**Nov-09**
S&P 500 Index	*0.62*	*3.09*	*9.34*	*17.90*	*9.61*	*14.63*		*14.11*	
Van. Total Stock Market Fund	**0.93**	**3.04**	**9.03**	**18.54**	**9.07**	**14.56**	**7.39**	**8.31**	**Aug-05**
Custom Total Stock Index [2]	*0.93*	*3.04*	*9.00*	*18.49*	*9.07*	*14.56*	*7.37*	*8.31*	
Van. Total Bond Market Fund	**0.02**	**1.48**	**2.41**	**-0.41**	**2.49**	**2.18**	**4.50**	**4.20**	**Sep-05**
Custom Total Bond Index [3]	*-0.07*	*1.49*	*2.35*	*-0.33*	*2.49*	*2.21*	*4.48*	*4.19*	
Van. Total Int'l Equity Fund	**0.52**	**5.83**	**14.79**	**20.09**	**1.35**	**7.69**	**1.19**	**4.80**	**Sep-05**
Custom Int'l Stock Index [4]	*0.30*	*5.83*	*14.27*	*20.75*	*1.65*	*8.70*	*1.03*	*4.51*	
Van. Infl. Protected Sec. Fund	**-0.91**	**-0.44**	**0.94**	**-0.78**	**0.68**	**0.25**	**4.17**	**3.70**	**Sep-05**
Bloomberg Barclays Cap. Treas Infl. Note	*-0.95*	*-0.40*	*0.85*	*-0.63*	*0.63*	*0.27*	*4.27*	*3.78*	
Vanguard REIT Index	**2.14**	**1.63**	**2.60**	**-1.85**	**8.10**	**9.32**	**6.22**	**7.57**	**Sep-05**
MSCI U.S. REIT	*2.13*	*1.65*	*2.66*	*-1.82*	*8.19*	*9.38*	*5.94*	*7.36*	

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; Bloomberg 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

Invest529
Monthly Portfolio Performance Summary
as of June 30, 2017

	Current Month	3 Months Ending	Cal Year Ending	1 Year Ending	3 Year Ending	5 Year Ending	10 Year Ending	Inception Ending	Inception Date
AGE-BASED PORTFOLIOS									
2036 Portfolio	**0.86**	**3.46**	**9.38**					**9.38**	**Jan-17**
2036 Benchmark	0.73	3.70	9.24					9.24	
2033 Portfolio	**0.78**	**3.38**	**9.15**	**13.81**	**4.65**			**5.88**	**Jan-14**
2033 Benchmark	0.64	3.53	8.80	13.69	4.54			5.86	
2030 Portfolio	**0.66**	**3.09**	**8.20**	**12.40**	**4.42**	**8.54**		**7.08**	**Jan-11**
2030 Benchmark	0.54	3.20	7.88	12.23	4.19	8.70		6.99	
2027 Portfolio	**0.54**	**2.79**	**7.26**	**10.71**	**3.99**	**7.83**		**4.98**	**Feb-08**
2027 Benchmark	0.43	2.87	6.98	10.52	3.84	7.97		4.87	
2024 Portfolio	**0.42**	**2.51**	**6.37**	**9.26**	**3.77**	**7.09**	**3.72**	**5.38**	**Aug-05**
2024 Benchmark	0.32	2.54	6.10	9.02	3.64	7.15	3.37	4.94	
2021 Portfolio	**0.29**	**2.01**	**4.92**	**7.12**	**3.18**	**6.18**	**3.47**	**5.65**	**Jan-02**
2021 Benchmark	0.23	2.04	4.72	6.85	3.08	6.21	3.31	5.20	
2018 Portfolio	**0.11**	**1.19**	**2.71**	**3.74**	**2.23**	**4.99**	**3.19**	**4.38**	**Jan-00**
2018 Benchmark	0.11	1.20	2.58	3.55	2.22	5.01	3.02	3.29	
2015 Portfolio	**0.15**	**0.44**	**0.84**	**1.51**	**1.84**	**3.71**	**2.92**	**4.08**	**Jan-00**
2015 Benchmark	0.15	0.41	0.75	1.16	1.52	3.48	2.57	3.05	
PASSIVELY-MANAGED STATIC PORTFOLIOS									
Aggressive Growth Portfolio	**0.59**	**3.52**	**9.26**	**14.83**	**5.60**	**10.10**	**4.65**	**6.01**	**Jan-02**
Aggressive Growth Benchmark	0.53	3.76	9.52	15.03	5.46	10.15	5.24	6.32	
Moderate Growth Portfolio	**0.43**	**2.92**	**7.38**	**10.84**	**4.95**	**8.17**	**4.67**	**5.66**	**Jan-02**
Moderate Growth Benchmark	0.40	3.39	8.00	10.82	4.51	8.04	5.09	5.88	
Conservative Income Portfolio	**0.00**	**1.70**	**3.54**	**3.05**	**3.37**	**4.14**	**3.99**	**4.29**	**Jan-02**
Conservative Income Benchmark	0.14	2.66	5.02	2.79	2.49	3.85	4.07	4.29	
Total Stock Market Portfolio	**0.92**	**3.02**	**8.98**	**18.42**	**8.92**	**14.39**	**7.18**	**8.10**	**Aug-05**
Ttl Stock Mkt Benchmark	0.92	3.01	8.96	18.38	8.93	14.40	7.17	8.10	
Total Bond Market Portfolio	**0.02**	**1.46**	**2.36**	**-0.54**	**2.31**	**2.00**	**4.30**	**3.99**	**Sep-05**
Ttl Bond Mkt Benchmark	-0.08	1.47	2.30	-0.43	2.36	2.05	4.28	3.99	
Ttl International Stock Portfolio	**0.51**	**5.81**	**14.73**	**19.98**	**1.22**	**7.52**	**0.99**	**4.60**	**Sep-05**
Ttl Int'l Stock Benchmark	0.29	5.81	14.22	20.64	1.51	8.53	0.82	4.30	
Inflation-Protected Securities Portfolio	**-0.92**	**-0.46**	**0.89**	**-0.88**	**0.54**	**0.09**	**3.97**	**3.50**	**Sep-05**
Inflation-Protected Benchmark	-0.96	-0.43	0.80	-0.73	0.50	0.11	4.08	3.58	
REIT Portfolio	**2.13**	**1.61**	**2.55**	**-1.95**	**7.96**	**9.15**	**6.01**	**7.35**	**Sep-05**
REIT Benchmark	2.12	1.63	2.61	-1.92	8.06	9.22	5.73	7.14	
FDIC-Insured Portfolio	**0.03**	**0.10**	**0.19**					**0.19**	**Jan-17**
FDIC-Insured Benchmark	0.06	0.16	0.25					0.25	
ACTIVELY-MANAGED STATIC PORTFOLIOS									
Active Aggressive Portfolio	**0.88**	**3.47**	**9.48**	**14.12**				**12.23**	**Oct-15**
Active Aggressive Benchmark	0.73	3.70	9.24	14.23				12.60	
Active Moderate Portfolio	**0.50**	**2.69**	**7.00**	**9.99**				**9.26**	**Oct-15**
Active Moderate Benchmark	0.40	2.77	6.71	9.84				9.25	
Active Conservative Portfolio	**0.25**	**1.81**	**4.38**	**5.77**				**6.11**	**Oct-15**
Active Conservative Benchmark	0.20	1.84	4.19	5.54				5.92	
Socially Targeted Portfolio	**0.78**	**2.49**	**7.01**	**14.38**	**7.54**	**14.34**		**12.90**	**Nov-09**
Socially Targeted Benchmark	0.62	3.06	9.29	17.79	9.48	14.47		13.93	
Stable Value Portfolio	**0.15**	**0.44**	**0.85**	**1.69**	**1.57**	**1.49**	**2.69**	**3.57**	**Jan-00**
Stable Value Benchmark	0.15	0.41	0.75	1.36	1.07	0.99	1.48	2.65	

Note: Performance Returns are calculated by BNY Mellon Asset Servicing. They are presented net of management fees and Invest529 administrative fees.

Attachment E

Investment Policies and Guidelines for the Prepaid529, Invest529, and ABLEnow Programs

Virginia College Savings Plan
Statement of Investment Policy and Guidelines
For

Prepaid529SM

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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 Prepaid529 ("Prepaid529" or the "Program"). This Statement represents the formal investment policy document for Prepaid529 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 Prepaid529.

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

RESPONSIBILITIES

Board

Pursuant to § 23.1-704 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 § 23.1-700 of the Code, at a fixed, guaranteed level for application at a public institution of higher education and (ii) contributions to college 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, as both such terms are defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall 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 Prepaid529'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 Prepaid529's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23.1-702 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 and direction 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 Prepaid529. The custodian shall act as a fiduciary in the administration of the Prepaid529 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 Prepaid529 and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;
- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, unless specifically authorized;

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 8, 2016.

- 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 Prepaid529

As provided in § 23.1-706 and 23.1-710 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 Prepaid529's funded status and attest to the appropriateness of Prepaid529'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 Prepaid529 offers contracts to eligible individuals, the benefits from which cover future in-state undergraduate tuition and mandatory fees assessed to all students for the normal full-time course load at Virginia public colleges and universities. Prepaid529 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.

- Prepaid529'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.

- Prepaid529's investment portfolio shall be invested and managed to provide sufficient liquidity to meet all reasonably anticipated operational requirements.

- Prepaid529's investment portfolio shall be invested prudently in order to endeavor to meet or exceed the assumed targeted rate of return as determined by the Board.

ASSET ALLOCATION & REBALANCING

The target asset allocation should reflect a proper balance between Prepaid529's needs for liquidity and return on assets, combined with an appropriate level of risk. The target asset mix, along with the acceptable minimum and maximum ranges, is outlined in Appendix A.

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

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

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

III. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any 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 Prepaid529. 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 Prepaid529.

SELECTION – GENERAL CRITERIA

When selecting investment managers for Prepaid529, 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 Prepaid529 or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

Economies of Scale

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

Diversification

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

Transparency

- Employ an investment process that is well defined.
- Invest in securities consistent with the 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 Prepaid529 will also be subject to the investment guidelines as set forth in their prospectuses, or applicable offering documents.

Organizational Strength

- 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 Prepaid529, 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 Prepaid529;
- 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 Prepaid529 and/or contributions to Prepaid529 support the ongoing benefit and expense payments required by the Program.

- The Cash/Liquidity Policy for Prepaid529 shall be integrated with the management of Prepaid529'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 Prepaid529, 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 Prepaid529, 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 June 13, 2017.

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 Prepaid529's annual actuarial valuation report.

APPENDIX B – ASSET CLASSES, BENCHMARKS & PEER GROUPS

The table below outlines the applicable benchmarks and peer groups for each asset class and style represented in the Prepaid529 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
Diversified Hedge Fund of Funds	Alternatives	*3-Month T-Bills + 350 bps*	Diversified Hedge Funds
U.S. High Yield Fixed income	Non-Core Fixed Income	*Bloomberg 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	*Bloomberg 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	*Bloomberg Barclays Capital MBS Index*	U.S. Fixed / Mortgage-Backed
Intermediate Term Fixed Income	Core Fixed Income	*Bloomberg Barclays US Credit Corporate 5-10 Year*	U.S. Fixed / Intermediate
U.S. Treasury Inflation Adjusted Fixed Income	Core Fixed Income	*Bloomberg Barclays Capital U.S. TIPS*	NA
Stable Value	Core Fixed Income	*3-Month T-Bills + 100 bps*	Stable Value
Money Market Fund	Core Fixed Income	*Citigroup 3-Month T-Bill*	NA

APPENDIX C - TOTAL FUND BENCHMARK COMPOSITION

The table below outlines the composition of the blended benchmark used for the Prepaid529 total fund.

Total Fund Benchmark

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

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

Virginia College Savings Plan Statement of Investment Policy and Guidelines For

Invest529^{SM}

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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 Invest529 ("Invest529"). This Statement represents the formal investment policy document for Invest529 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 Invest529.

This Statement will be reviewed at least annually by the Board to ensure that it is consistent with the investment needs of Invest529.

RESPONSIBILITIES

Board

Pursuant to § 23.1-704 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 § 23.1-700 of the Code, at a fixed, guaranteed level for application at a public institution of higher education and (ii) contributions to college 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, as both such terms are defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall 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 Invest529'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 Invest529's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23.1-702 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 and direction 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 Invest529. The custodian shall act as a fiduciary in the administration of the Invest529 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 Invest529 and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;
- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, unless specifically authorized;

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 8, 2016.

- 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 Invest529'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 § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any 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 Invest529. 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 Invest529'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. Invest529 PROGRAM STRUCTURE

INVESTMENT OPTION STRUCTURE

The Virginia529 Invest529 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 Invest529. Invest529 has no state residency requirements, no age limits and is open year round. The risk of investment losses in Invest529 accounts rests with the participant. The primary investment objectives of Invest529 are to offer a set of investment options that:

- allow Invest529 participants to build portfolios consistent with their desired investment risk and return;
- provide a risk profile consistent with its position in the overall structure; and
- are managed so as to implement the desired risk profile and other investment characteristics.

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

- A distinct definable market and the availability of a widely used and understood benchmark;
- A distinct risk and return profile as exhibited by historical return analysis; and
- Use of a distinct management style that is definable in terms of the investment strategies/methodologies utilized (e.g., passive versus active management, growth vs. value).

<u>General Description of Invest529 Investment Options</u>

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

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

AGE-BASED PORTFOLIOS

Asset Allocation

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

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

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

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

Rebalancing

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

Portfolio Structure of Age-based Portfolios

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

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

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

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

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

STATIC ACTIVELY-MANAGED BALANCED PORTFOLIOS

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

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

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

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

STATIC PASSIVELY-MANAGED BALANCED PORTFOLIOS

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

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

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

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

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

STATIC SINGLE ASSET CLASS PORTFOLIOS

These portfolios will be offered such that they along with other Invest529 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)
- FDIC-Insured Account
- Stable value (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 Invest529.

SELECTION – GENERAL CRITERIA

When selecting funds for Invest529, 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 Invest529 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 Invest529 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.

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[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 Invest529, 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 Invest529:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for Invest529;
- 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.

Proposals Related to Funds and other Securities

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 Invest529, 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 June 13, 2017.

APPENDIX A: ASSET ALLOCATION

The table below outlines the initial allocation of assets for the age-based portfolios as of January 1 of each of the below referenced years.

	Initial Target Allocation as of							
Invest529 Portfolio	January 2015	January 2018	January 2021	January 2024	January 2027	January 2030	January 2033	January 2036
2036 Portfolio 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
2033 Portfolio 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	
2030 Portfolio 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		
2027 Portfolio 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			
2024 Portfolio Ages 10-12	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income				
2021 Portfolio Ages 13-15	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income					
2018 Portfolio Ages 16-18	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income						
2015 Portfolio Over Age 18	0% Stock 100% Fixed Income							

*2036 Portfolio will open on January 1, 2017.

APPENDIX B: BENCHMARKS & PEER GROUPS

The table below outlines the target benchmarks and peer groups for the Invest529 portfolios. The table uses the initial target allocations as of January 1, 2015.

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% Bloomberg Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Bloomberg 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% Bloomberg Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 10% Bloomberg 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% Bloomberg Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 12.5% Bloomberg 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% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Bloomberg 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% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 17.5% Bloomberg 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% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Bloomberg Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Transition)	Age-Based Portfolios	5% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Bloomberg Barclays U.S. Aggregate Float Adjusted / 65% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Stable Value)	Static, Single Asset Class Portfolio	100% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

Portfolio	Category	Benchmark	Peer Group
Conservative Portfolio	Static, Balanced	56% Bloomberg Barclays U.S. Aggregate Float Adjusted / 12% CRSP US Total Market / 8% FTSE Global All Cap ex US / 24% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped	NA
Moderate Portfolio	Static, Balanced	36% CRSP US Total Market / 28% Bloomberg Barclays U.S. Aggregate Float Adjusted / 12% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 24% FTSE Global All Cap ex US	NA
Aggressive Portfolio	Static, Balanced	48% CRSP US Total Market / 14% Bloomberg Barclays U.S. Aggregate Float Adjusted / 6% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 32% FTSE Global All Cap ex US	NA
Total Stock Index Portfolio	Static, Single Asset Class Portfolio	CRSP US Total Market Index	NA
Total Bond Index Portfolio	Static, Single Asset Class Portfolio	Bloomberg Barclays U.S. Aggregate Float Adjusted Index	NA
International Stock Index Portfolio	Static, Single Asset Class Portfolio	FTSE Global All Cap ex US Index	NA
Inflation Protected Securities Portfolio	Static, Single Asset Class Portfolio	Bloomberg Barclays Capital US Treasury Inflation Protected Index	NA
REIT Index Portfolio	Static, Single Asset Class Portfolio	MSCI REIT Index	NA
FDIC-Insured Savings Account	Static, Single Asset Class Portfolio	Citigroup 3-month T-Bills	NA
Socially Targeted Portfolio	Static, Single Asset Class Portfolio	S&P 500	NA
Active Conservative Portfolio	Static Balanced	7.5% S&P 500 / 1.25% Russell 2500/ 1.25% CRSP US Small Cap Index/ 7.5% MSCI AC EAFE / 2.5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Bloomberg Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
Active Moderate Portfolio	Static Balanced	13.75% S&P 500 / 3.75% Russell 2500/ 3.75% CRSP US Small Cap Index/ 13.75% MSCI AC EAFE / 7.5% MSCI Emerging Markets / 7.5% FTSE EPRA-NAREIT Developed Real Estate / 5% Bloomberg Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Bloomberg Barclays U.S. Aggregate Float Adjusted / 20% 3-Month T-Bills + 100 basis points	NA
Active Aggressive Portfolio	Static Balanced	17.5% S&P 500 / 11.25% Russell 2500/ 3.75% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 15% MSCI Emerging Markets / 15% FTSE EPRA-NAREIT Developed Real Estate / 5% Bloomberg Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Bloomberg Barclays U.S. Aggregate Float Adjusted / 2.5% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

Asset Class	Benchmark	Peer Group
Stable Value	3-Month T-Bills + 100bps	Stable Value Funds
U.S. Core Fixed Income/Passively-Managed	Bloomberg 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	Bloomberg 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 ABLEnow^{SM}

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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 ABLEnow ("ABLEnow"). This Statement represents the formal investment policy document for ABLEnow 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 ABLEnow.

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

RESPONSIBILITIES

Board

Pursuant to § 23.1-704 of the Code of Virginia ("Code"), the Board shall administer the Virginia College Savings Plan ("VA529" or the "Plan") and shall develop and implement a program for contributions to ABLE savings trust accounts established pursuant to this chapter on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified disability expenses for an eligible individual, as both such terms are defined in § 529A of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall 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, third party administrator, 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) appoint a third party administrator (ii) oversee the development, structure, evaluation and implementation of ABLEnow's strategic goals and objectives and (iii) with the assistance of the Investment Advisory Committee appointed by the Board, and by investment consultants, direct and manage ABLEnow's assets and programs, and (iv) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23.1-702 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 and direction 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.

Third Party Administrator

The Plan shall contract on behalf of the Board with a third party administrator which shall have a level of experience and expertise in providing services as required to administer ABLEnow. The administrator shall act as a fiduciary in the administration of the ABLEnow 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 administrator are contained in the contractual agreement between the administrator and the Plan, the administrator, in general, has the following responsibilities:

- to handle all income, cash transactions, interest received, and other necessary activities;
- hold or contract with a custodian to hold all securities on behalf of ABLEnow and only transact with regard to ABLEnow investment options upon proper instruction from those authorized to provide such instruction or direction;

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 8, 2016.

- safekeep or contract for the safekeeping all ABLEnow assets including securities, cash and cash equivalents; and

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

- 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.

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 third party administrator, 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 ABLEnow'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;

- 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.

II. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any 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.

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 ABLEnow. 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 ABLEnow'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. ABLEnow PROGRAM STRUCTURE

INVESTMENT OPTION STRUCTURE

The Virginia529 ABLEnow offers individual tax-advantaged Internal Revenue Code Section 529A disability savings accounts with a variety of investment options from which a participant may choose. The Board determines the investment options to be offered in ABLEnow. The risk of investment losses in ABLEnow accounts rests with the participant. The primary investment objectives of ABLEnow are to offer a set of investment options that:

- allow ABLEnow 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).

ABLEnow Investment Options

- **Static passively-managed balanced portfolios** are comprised of balanced portfolios where the target asset allocation remains fixed.
- **Money market portfolio** that invests primarily in high-quality, short-term money market instruments. The money market portfolio shall also serve as the default investment option for ABLEnow account owners who do not select an investment option.

STATIC PASSIVELY-MANAGED BALANCED PORTFOLIOS

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

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

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

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

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

MONEY MARKET PORTFOLIO

The money market portfolio seeks to provide current income and preserve the principal investment by maintaining a share price of $1. The portfolio invests in short-term money market instruments, which may include short-term securities issued by the U.S. government and its agencies and instrumentalities.

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 ABLEnow.

SELECTION – GENERAL CRITERIA

When selecting funds for ABLEnow, 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 ABLEnow or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

Economies of Scale

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

Diversification

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

Transparency

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

Organizational Strength

- Be supported by qualified personnel and appropriate resources.

Performance Consistency

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

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

Risk/ Reward

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

INVESTMENT MANAGER SEARCHES – COMMITMENT TO DIVERSITY

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

PERFORMANCE MONITORING

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

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

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

For the managers that do not have a 3-year track record with ABLEnow, 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 ABLEnow:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for ABLEnow;
- 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.

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 8, 2016.

APPENDIX A: BENCHMARKS

The table below outlines the target benchmarks for the ABLEnow portfolios.

Manager/Portfolio	Category	Benchmark
Conservative Income Portfolio	Static, Balanced	56% Bloomberg Barclays U.S. Aggregate Float Adjusted Index / 24% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index / 12% CRSP US Total Market Index / 8% FTSE Global All Cap ex US Index
Moderate Growth Portfolio	Static, Balanced	36% CRSP US Total Market Index / 28% Bloomberg Barclays U.S. Aggregate Float Adjusted Index / 24% FTSE Global All Cap ex US Index / 12% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index
Aggressive Growth Portfolio	Static, Balanced	48% CRSP US Total Market Index / 32% FTSE Global All Cap ex US Index / 14% Bloomberg Barclays U.S. Aggregate Float Adjusted Index / 6% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index
Money Market Portfolio	Static, Balanced	Citigroup 3-Month Treasury Bill Index