Dream Save Achieve

Mary G. Morris
Chief Executive Officer
Direct: 804-786-0832

December 12, 2018

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, 2018, 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 – Audited Financial Statements for the year ended June 30, 2018
- Attachment B - Actuarial Valuation Report for the Prepaid529 Program for the year ended June 30, 2018
- Attachment C – Asset Allocation and Performance of the Prepaid529 Program for the fiscal year ended June 30, 2018
- Attachment D – Asset Allocation and Performance of the Invest529 Program for the fiscal year ended June 30, 2018
- 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 three college savings programs, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529) and CollegeAmerica®, 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® and ABLEAmerica, both ABLE disability savings programs.

Information on VA529's 2018 program and fiscal highlights, account growth, and program changes may be found in the 2018 Audited 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 2018. 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 2018. It is worth noting that the core and non-core fixed income allocation categories representing 25 percent and 27.5 percent, respectively of the total portfolio, were merged for presentation purposes into one fixed income category.

During fiscal 2018, VA529 completed its review of the Invest529 age-based portfolio's asset allocation and glide path and determined that no changes were necessary. However, as a result of the review, VA529 transitioned its real estate allocation from a REIT to a private real estate portfolio structure. VA529 regularly reviews Invest529's static investment options as well as the age-based portfolio allocations and may consider additional changes as a result of future reviews.

During fiscal year 2018, the American Funds College 2036 Fund was added to the CollegeAmerica mutual fund investment options and around the same time the American Funds College 2018 Fund was merged into the American Funds College Enrollment Fund to address the continuing evolution of their College Target Date options. As of June 30th, the CollegeAmerica program offered 43 American Funds mutual funds.

A complete description of changes may be found in the 2018 Audited 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 5.75 percent on Prepaid529 investments. As of June 30, 2018, the total return since inception was 6.24 percent, net of fees, and reflected the lower than expected 5.18 percent overall performance during fiscal 2018. VA529 has adopted a long-term target asset allocation strategy for Prepaid529 as set forth in its Investment Policy and Guidelines. As of June 30, 2018, the Prepaid529 portfolio was within about 0.4 percent of its target allocation in the four major categories.

The actuarial funded status of Prepaid529 as of June 30, 2018 was 136.7%. A copy of the Actuarial Valuation Report for the Prepaid529 Program for the year ended June 30, 2018 is included as **Attachment B.**

Attachments C and D hereto contain detailed performance information on the Prepaid529 and Invest529 Programs as of June 30, 2018.

(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 Program, most recently updated in March 2018, and the Investment Policies and Guidelines for the Invest529 and ABLEnow Programs, most recently updated in December 2017.

(iv) Other Information

Changes in public education funding 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 and unanticipated changes in program revenue or statutorily mandated changes in contract pricing may 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 an enrollment weighted average tuition 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 work 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 a single enrollment-weighted average tuition payout structure. Legislation was proposed during the 2018 General Assembly Session, passing the Senate and being carried over by the Education Subcommittee of the House Appropriations Committee. The Joint Legislative Audit & Review Commission was tasked in the 2018 Appropriation Act to study the proposal in advance of the 2019 Session. The Commission completed their study in November 2018. The study concluded that the benefits of the revised payout structure would be an improvement over the current program structure. The legislation will be re-introduced in the 2019 Session of the Virginia General Assembly and VA529 is optimistic that the proposed change will be adopted.

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. VA529 is always cognizant of its mission to help make higher education more accessible and affordable to all citizens of the Commonwealth. 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

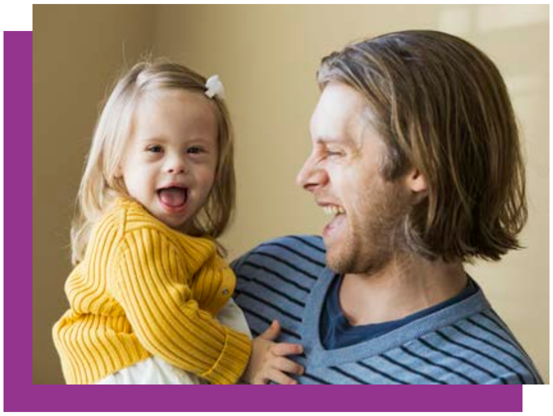
Attachments

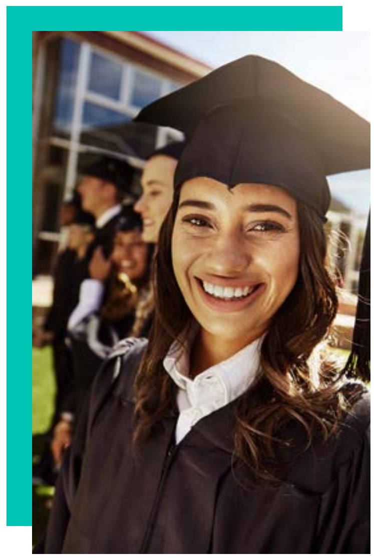
pc: Board of the Virginia College Savings Plan

Attachment A

Financial Statements

for the year ended June 30, 2018





Virginia College Savings Plan Annual Report

For the period ended on June 30, 2018

Virginia529℠

ABLEnow®

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

Mary G. Morris
Chief Executive Officer

(804) 371-0766

Letter of Transmittal

October 1, 2018

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, 2018, 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 three college savings programs, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529) and CollegeAmerica®, 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® and ABLEAmerica, both ABLE disability savings programs.

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, 2018 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 a slight reduction in Prepaid529's actuarially determined funded position from the position as of June 30, 2017 primarily due to lower than expected investment returns and higher than expected tuition increases. We are pleased to report that Prepaid529 was 136.7 percent funded on an actuarial basis as of June 30, 2018.

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 5.75 percent on Prepaid529 investments. As of June 30, 2018, the total return since inception was 6.24 percent, net of fees, and reflected the lower than expected 5.18 percent overall performance during fiscal 2018. VA529 has adopted a long-term target asset allocation strategy for Prepaid529 as set forth in its Investment Policy and Guidelines. As of June 30, 2018, the Prepaid529 portfolio was within about 0.4 percent of its target allocation in the four major categories.

The nine-year global bull market powered by a flood of central bank liquidity continued in 2018. U.S. stocks outperformed international developed and emerging markets stocks as reflected by the S&P 500, the Dow Jones Industrial Average and the Nasdaq Composite indices returning 14.4, 16.3 and 23.6 percent during fiscal 2018, respectively, while the MSCI ACWI ex. U.S. index and the MSCI Emerging Markets index returned just 7.3 and 8.2 percent, respectively. U.S. corporate earnings remained strong in 2018 fueled in part by corporate tax cuts and in part by consumer and business spending. In 2018, U.S. manufacturing as measured by the value of shipments and industrial production reached all-time highs. As of June 2018, the S&P 500 index was 74 percent above its previous peak in 2007.

Calendar 2018 also saw the return of equity market volatility as the S&P 500 index had more single-day moves greater than one percent in the first six months of the year than in all of 2017. The CBOE Volatility Index or VIX ended the year at 16.1, just under its historical average.

Global trade tensions escalated in the first half of calendar 2018 as the Trump Administration threatened, and in some cases imposed, tariffs on certain goods and countries. Despite these actions, U.S. exports ended the year at an all-time high as the global economy continued to accelerate during early 2018. In addition, U.S. economic growth fueled import increases, further aggravating the U.S. trade deficit.

The Federal Open Market Committee (Fed) began tightening in earnest in fiscal 2018 as it raised the target range for the federal funds rate by 25 basis points three times from 1 to 1-1/4 percent in July 2017 to end the year at 1-3/4 to 2 percent. The Fed also took steps to reduce its balance sheet, which had ballooned as a result of quantitative easing following the 2007-2008 recession. In October 2017, the Fed began reducing its securities holdings by decreasing reinvestment of principal payments from Treasury and Agency securities held in its account. Such principal payments will be reinvested only to the extent that they exceed gradually rising caps.

Fed rate increases coupled with increases in U.S. Treasury issuance to fund fiscal spending increases resulted in higher short-term rates. The U.S. Treasury yield curve rose during 2018 as rates increased all along the curve, but flattened significantly with 2-year rates increasing by more than 1 percent versus the 30-year rate increasing by only 14 basis points. Treasuries ended the year with only 46 basis points separating the 2-year and 30-year yields. This resulted in a bear market in credit during the last half of fiscal 2018 and heightened fears of an inverted yield curve and a recession.

On the jobs front the unemployment rate has slowly improved in line with economic growth and ended the year at 4 percent after falling to an 18-year low of 3.8 percent in May. Labor costs remained in check but inflation increased slightly towards the end of 2018 primarily as a result of rising energy costs.

As we enter the second quarter of fiscal 2019, the U.S. economy remains strong and U.S. equity markets continue to climb with the S&P 500, Dow and Nasdaq all setting record highs in August 2018, and the S&P and Dow again in September 2018. In fact, in August, the S&P 500 index set a record for the longest bull market ever (since March 2009) surpassing the previous record that included the technology-fueled bull market of the 1990's.

The strong U.S. dollar has negatively impacted emerging market bond and equities as we head into fiscal 2019. Worries continue to abound with regard to geopolitical turmoil throughout the world and particularly in the Middle East, the Pacific Rim, and the emerging markets; rising interest rates and low unemployment possibly igniting inflation beyond the extent central banks intended; the continued withdrawal of central bank liquidity and uncertainties of the timing of additional Fed rate hikes; U.S. Government debt levels and growing deficit spending; and the prospect of a slowing global economy. It is difficult to predict how these and other factors may impact markets and the performance of Prepaid529 during the remainder of fiscal 2019.

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 the 43.6 percent reduction in general fund support per in-state FTE at four-year institutions from the peak year of 2001 to 2018. General fund support to public higher education was again reduced during the 2018-2020 biennium and institutions had to determine their tuition and fee increases for the 2018-19 academic year without knowing the amount of state support to be received due to a budget impasse. This resulted in a 5.7 percent increase in tuition and mandatory E&G fees for in-state undergraduate students enrolling in the fall of 2018.

Also according to SCHEV, substantial general fund budget reductions over the last decade 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 45 percent, which means that on average, in-state undergraduate students will pay more than half of the cost of their education in fiscal 2019. The Commonwealth's contribution is more than 20 percentage points lower than the target of 67 percent identified in its official tuition policy.

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 6.5 percent for the 2019-2020 academic year and thereafter for four-year, and 6.0 percent for the 2019-2020 academic year and thereafter for 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 that results 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's public higher education institutions that impact Prepaid529 and unanticipated changes in program revenue or statutorily mandated changes in contract pricing may have an adverse impact on program sustainability.

2018 Program Highlights

- **Independent Auditor**

In late calendar 2017, the Auditor of Public Accounts (APA) notified VA529 that they would no longer be able to audit VA529 due to changes in AICPA standards for auditor independence. As a result, APA, VA529 staff and VA529's Audit and Actuarial Committee coordinated to issue a Request for Proposals (RFP) for an independent auditor. At the conclusion of the RFP process, VA529 selected Eide Bailly, LLP to serve as VA529's independent auditor. A three-year contract was executed in March 2018.

- **ABLEnow Growth and ABLEAmerica® 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, 2018, ABLEnow had 3,299 active accounts and over $10 million in assets under management.

In July 2018, the American Funds launched ABLEAmerica, the first ABLE plan available through financial advisors. VA529 expects that ABLEAmerica will compliment ABLEnow much like CollegeAmerica compliments Invest529 by giving those individuals and families who utilize financial advisors another means through which to access an ABLE plan.

- **Tax Cuts and Jobs Act of 2017**

In December 2017, Congress passed and President Trump signed the Tax Cuts and Jobs Act of 2017 (Act). The Act changed the definition of "qualified higher education expense" as of January 1, 2018, to include up to $10,000 in annual expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. As a result, VA529 modified its systems to allow account holders to make distributions for primary and secondary school tuition expenses. As of June 30, 2018, over $5.2 million had been distributed from Invest529 for K-12 expenses.

The Act also provided that savings in a 529 (college savings) account may be rolled over to an ABLE account of the 529 account's designated beneficiary or a member of the family of the 529 account's designated beneficiary. It also changed the maximum contribution limit into an ABLE account for certain working beneficiaries, and allows a designated beneficiary of an ABLE account to claim the federal Saver's Credit for contributions to their ABLE account. VA529 and its partner instituted these changes for the ABLEnow program.

- **Account Growth and Transaction Volume**

During fiscal 2018, VA529 experienced varying account growth by program as shown in the table below. Invest529's 17.6 percent growth rate depicts continued strong growth and corresponds to an additional 43,028 accounts opened during the fiscal year. ABLEnow's growth reflects its launch in fiscal 2017 and growth given a small beginning number of accounts.

Fiscal 2018 Growth in Accounts[1]	
Prepaid529	6.1%
Invest529	17.6%
CollegeAmerica	10.1%
ABLEnow	117%

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

Transaction volume also continued to increase as participants utilized their college savings accounts. During fiscal 2018, the Plan processed 63,329 Invest529 distribution requests and 21,446 Prepaid529 payments to institutions, representing a 29 percent increase and 3 percent decrease over the prior fiscal year, respectively.

- **Other Invest529 and CollegeAmerica Investment Updates**

In October 2017, Invest529 retained its Gold rating from Morningstar that was first awarded in October 2016, citing the program's strong underlying managers, reduced fees resulting in a competitive price, thoughtful asset allocation within 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 62 of the largest 529 plans in 2017. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Only four college savings programs received the coveted Gold rating. CollegeAmerica retained its strong Silver rating. Invest529 and CollegeAmerica are two of only fourteen plans that received one of the top two ratings.

During fiscal year 2018, the American Funds College 2036 Fund was added to the CollegeAmerica mutual fund investment options and around the same time the American Funds College 2018 Fund was merged into the American Funds College Enrollment Fund to address the continuing evolution of their College Target Date options. As of June 30th, the CollegeAmerica program offered 43 American Funds mutual funds.

- **Operational and System Improvements**

During fiscal 2018 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 (DOA) replaced its legacy general accounting system with a new, more robust accounting system (Cardinal). In 2017, the Cardinal payroll project was begun in which state agencies will be transitioned from the current payroll system to a new Cardinal payroll module. This upgrade was delayed in 2018 when the Commonwealth decided to incorporate the replacement of the personnel management information system and the benefits eligibility system as part of the payroll replacement project. The combined project was launched in early fiscal 2019 and will likely be completed in fiscal 2020. These along with organizational changes at DOA required resources in 2018 and will result in organizational changes at VA529 in 2019.

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. In fiscal 2018, VA529 launched an online gifting platform and implemented changes to allow customers to initiate investment changes and rollovers via online instruction. In addition we completed an online enhancement that makes it easier for customers to complete payroll deduction requests and provides a more seamless process between an employer and employee.

- **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.

JLARC issued its third biennial status report on VA529 in June 2018 and noted that VA529's programs had grown and met long-term performance goals. The report noted that the Prepaid529 program was 138 percent funded on an actuarial basis as of June 30, 2017, but that the fund's investments had underperformed their benchmark for certain shorter-term periods. The report noted however, that the Investment Advisory Committee oversaw the investment strategies and that the Committee indicated that the fund was defensively positioned with the intent of outperforming over the long term to achieve the Prepaid529 program's long-term assumed rate of return. Further, the Committee understood the reasons for the underperformance and attributed it to its asset allocation strategy, which Committee members felt would outperform over time. The report also discussed recent changes in the fund's benchmark that were implemented in 2018 following an internal review to improve performance transparency. JLARC, as directed in the 2018 Appropriation Act, has initiated their own study of the fund's benchmarks to determine whether they are appropriate to measure performance given the fund's goals, strategies and risk tolerance as established by VA529. The benchmark study and a review of a proposed changes in Prepaid529 benefits will be completed in fiscal 2019. Finally, JLARC recommended that VA529 adopt Prepaid529 contract pricing reserve guidelines that would provide for a reduction in the reserve when Prepaid529's actuarial funded status reaches a certain level.

The biennial report noted the continued growth and success of the savings programs and VA529's expanded mission with the responsibility for establishing and managing the ABLE programs. Finally, the report discussed VA529's budget and staffing changes and management thereof, the impact of reductions in program fees and actions taken in response to the investment study referenced below.

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. In 2017 VA529 began taking steps to address each of these recommendations. In 2018, VA529 created an investment director position and addressed the other recommendations.

The full biannual oversight report 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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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To:
Members of the Board
Virginia College Savings Plan
N. Chesterfield, VA 23236

Report on the Financial Statements
We have audited the accompanying financial statements of the business type activities (the Enterprise Fund) and the remaining fund information (the Private Purpose Trust Fund) of the Virginia College Savings Plan (the Plan) as of and for the year ended June 30, 2018, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the remaining fund information of the Virginia College Savings Plan as of June 30, 2018, and its respective changes in net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity
As discussed in Note 1, the financial statements of the Plan, are intended to present the financial net position, the changes in financial net position and cash flows of only that portion of the business-type activities, and the aggregate remaining information that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Virginia as of June 30, 2018, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Alternative Investments
As discussed in Notes 1 and 5 to the financial statements of the Plan, total system investments include investments valued at $896.6 million (30.1% of total assets) for the Enterprise Fund and $104.9 million (2.3% of total assets) for the Private Purpose Trust Fund, respectively, as of June 30, 2018, whose fair values have been estimated by management in the absence of readily determinable values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinions are not modified with respect to that matter.

Change in Accounting Principle
As discussed in Notes 1 and 2 to the financial statements, the Plan has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (OPEB), which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7-20, the Schedule of Plan's Proportionate Share of the Net Pension Liability, Schedule of the Plan's Contributions, Schedule of Plan's Share of Net OPEB Liability Group Life Insurance Program (GLIP), Schedule of Plan's Contributions GLIP, Schedule of Plan's Share of Net OPEB Liability Health Insurance Credit Program (HICP), Schedule of Plan's Contributions HICP, Schedule of Plan's Share of Net OPEB Liability Virginia Sickness and Disability Program (VSDP), Schedule of Plan's Contributions VSDP Schedule of Plan's Share of Total OPEB Liability – Pre-Medicare Retirees, and respective notes to the required supplementary information on pages 69-75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The accompanying supplementary information including, Appendix A, Appendix B, Appendix C, Appendix D (supplementary information), the letter of transmittal and other information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The letter of transmittal, other information and board members have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2018 on our consideration of Virginia College Savings' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Virginia College Savings' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia College Savings' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
November 5, 2018

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Management's Discussion & Analysis

Virginia529℠

ABLEnow®

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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, 2018. 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 three programs, Prepaid529℠ (Prepaid529), Invest529℠ (Invest529), and CollegeAmerica®. 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 is also a defined contribution savings program. 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.

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® and ABLEAmerica®, both defined contribution plans, are VA529's tax-advantaged savings programs for people with disabilities. The American Funds acts as program manager for ABLEAmerica, which opened to participants in July 2018.

Overview of Financial Statements

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

Business Type Activities – Enterprise Fund

All Prepaid529 activities and VA529's operating activities are accounted for in an enterprise fund (a 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 fiscal year-end (June 30th).

The Statement of Net Position presents information on all Prepaid529 assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, 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 net position held in trust for program participants. 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.

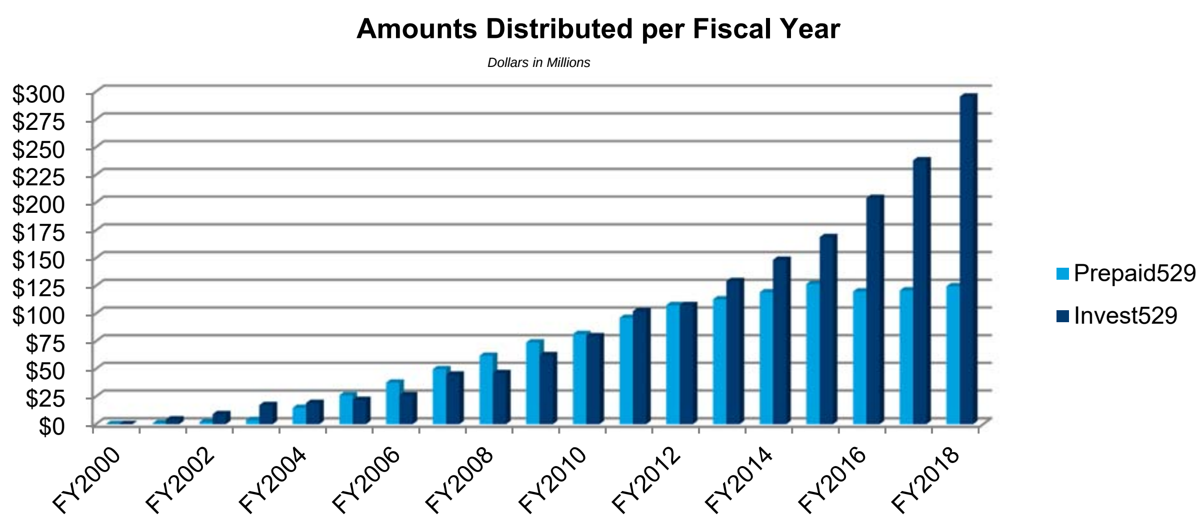
Other Information

CollegeAmerica and ABLEnow are defined contribution savings programs and are presented as Other Information. CollegeWealth, which closed to new participants in fiscal 2017, is also presented as Other Information.

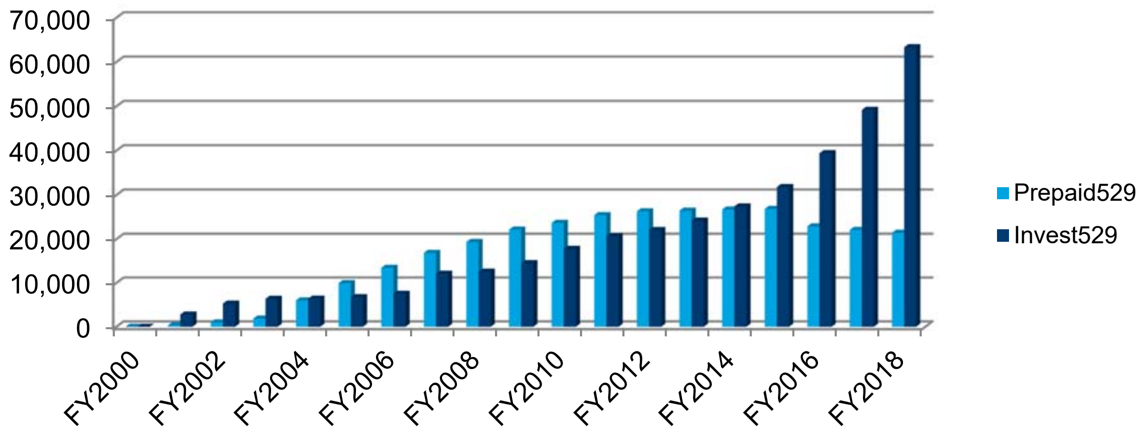
Fiscal 2018 Financial Highlights

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, 2018. 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.



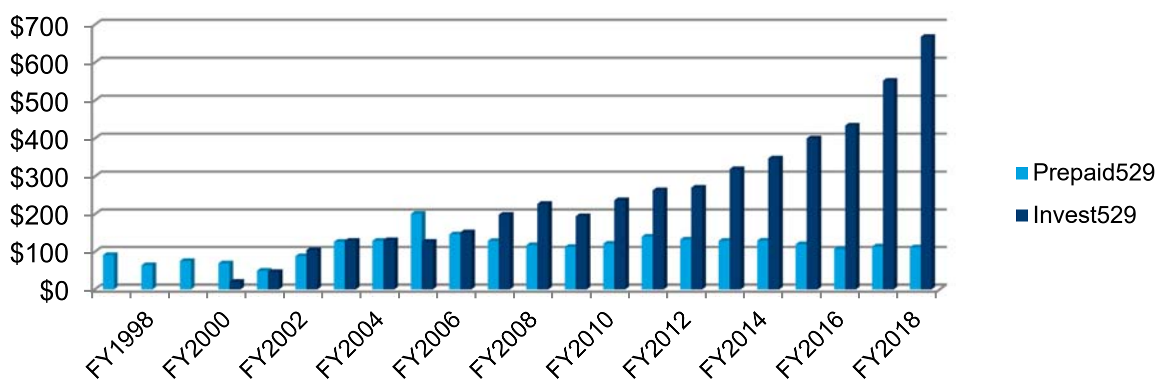
Number of Distributions on Behalf of Beneficiaries per Fiscal Year



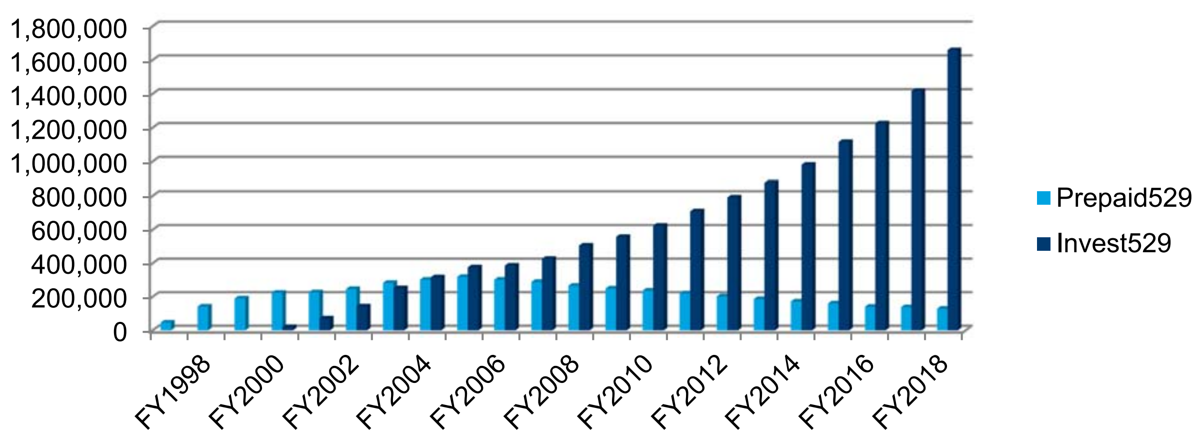
The two graphs below represent Prepaid529 contract payments and Invest529 contributions received since fiscal year 1997 – Invest529 being introduced in fiscal 2000.

Amounts Received per Fiscal Year

Dollars in Millions



Number of Payments/Contributions Received per Fiscal Year



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

Growth in Accounts Under Management

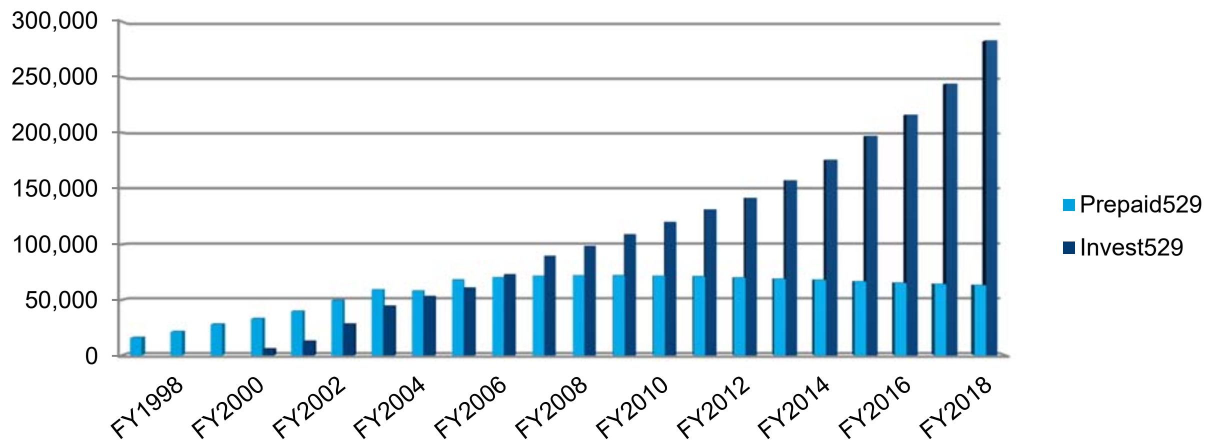


Table 1 demonstrates the numbers of students served, and the amounts paid from Prepaid529 directly to Virginia public universities and community colleges, and the amounts paid from Invest529 to account owners, beneficiaries, or to the respective university or community college attended during fiscal year 2018.

Table 1
Prepaid529 and Invest529 Payments to Virginia Public Universities and Community Colleges
Fiscal Year 2018

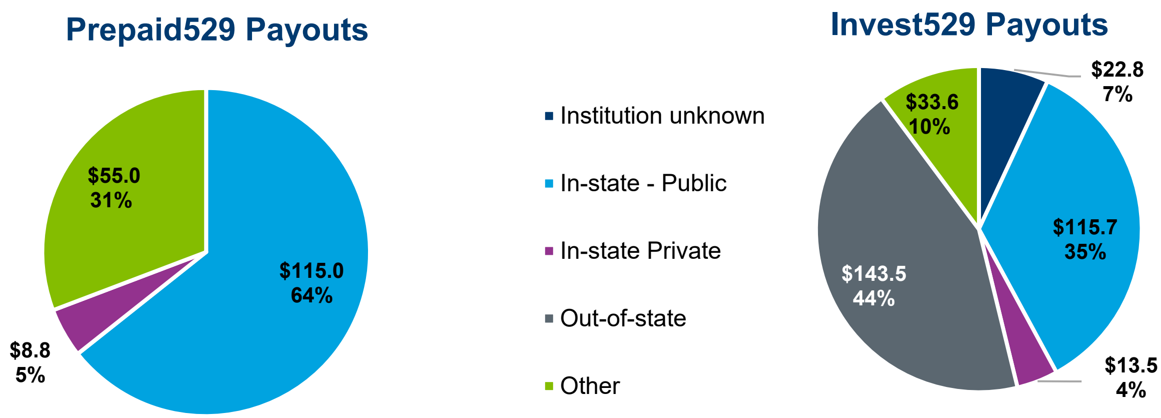
	Prepaid529		Invest529	
Public Universities	Number of Students with Contracts	Payments to Universities	Number of Students with Accounts	Payments Associated with Universities
University of Virginia	1,609	$23,728,008	1,982	$22,799,528
Virginia Tech	1,881	23,459,832	2,343	24,051,012
Virginia Commonwealth University	1,274	13,733,527	1,176	10,011,007
College of William & Mary	609	11,829,337	735	9,371,773
James Madison University	1,053	10,590,868	1,593	15,874,887
George Mason University	878	9,026,322	1,131	9,735,208
Christopher Newport University	445	5,756,798	463	4,999,175
Radford University	330	3,005,655	334	2,599,234
Old Dominion University	411	2,998,825	464	3,566,793
Longwood University	290	2,949,820	254	2,193,819
University of Mary Washington	262	2,866,835	379	3,790,336
Virginia Military Institute	64	985,345	70	701,489
University of Virginia's College at Wise	23	182,160	18	109,161
Virginia State University	15	106,972	23	91,741
Norfolk State University	5	36,808	21	88,646
Total Universities	**9,149**	**$111,257,111**	**10,986**	**$109,983,808**

	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	471	$1,502,372	834	$2,708,100
Tidewater Community College	135	406,618	137	511,346
J Sargeant Reynolds Community College	146	332,255	134	482,668
John Tyler Community College	121	281,093	118	333,816
Germanna Community College	94	276,129	88	277,424
Virginia Western Community College	55	177,660	49	130,281
Thomas Nelson Community College	53	135,962	63	184,941
Lord Fairfax Community College	50	135,177	64	257,390
New River Community College	33	95,455	24	69,475
Richard Bland College	15	94,641	18	79,034
Piedmont Virginia Community College	42	91,729	74	211,733
Blue Ridge Community College	24	62,757	30	93,694
Central Virginia Community College	18	45,178	27	92,554
Rappahannock Community College	12	39,117	21	44,555
Southside Virginia Community College	12	20,569	6	5,742
Wytheville Community College	6	20,449	4	9,604
Danville Community College	7	14,967	6	35,542
Paul D Camp Community College	6	13,570	3	4,063
Patrick Henry Community College	6	12,851	5	29,425
Virginia Highlands Community College	6	12,401	2	2,267
Dabney S Lancaster Community College	3	6,304	4	19,807
Southwest Virginia Community College	3	5,763	4	3,762
Mountain Empire Community College	2	4,751	3	2,116
Eastern Shore Community College	1	1,406	-	-
Total Community Colleges*	**1,321**	**$3,789,172**	**1,718**	**$5,589,336**

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

Chart 1 below reflects the types of institutions 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 reflects Prepaid529 benefits paid on behalf of beneficiaries who attend out-of-state institutions as transfers to Invest529. 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/transfers to another VA529 program, and refunds to the account owner.

Chart 1
2018 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 $784.6 million.

Table 2 is a summary comparison of the Enterprise Fund's Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2018 as compared to the prior year.

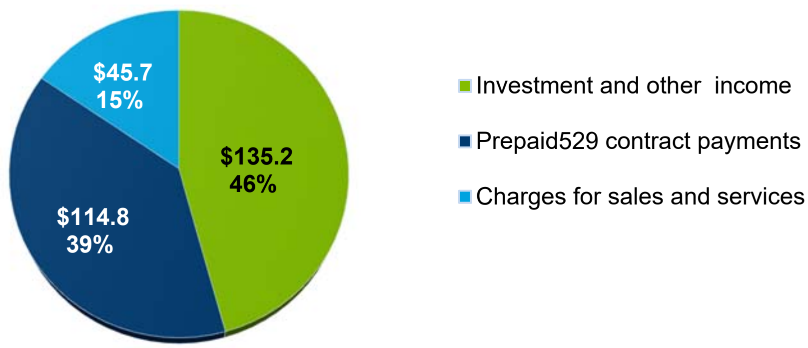
Table 2 – Enterprise Fund – Changes in Net Position (in millions)*

YEARS ENDED JUNE 30,	2018	2017	CHANGE
Operating revenues			
Charges for sales and services	$ 45.7	$ 41.0	$ 4.7
Interest and dividends	147.0	129.4	17.6
Net increase (decrease) in fair value of inv.	(11.8)	126.2	(138.0)
Prepaid529 contract payments	114.4	107.4	7.0
Net operating revenues	295.4	404.1	(108.6)
Operating expense			
Tuition benefits expense	266.0	180.8	85.2
Other operating expenses	25.3	25.3	(0.0)
Net operating expenses	291.3	206.1	85.2
Operating income (loss)	4.1	198.0	(193.8)
Non operating revenue (expense) net	(2.7)	0.0	(2.7)
Income (loss) before transfers	1.4	198.0	(196.6)
Transfer to the Commonwealth	(0.6)	(0.9)	0.3
Change in net position	0.8	197.1	(196.3)
Net position beginning - restated	783.8	589.7	194.1
Net position ending	$ 784.6	$ 786.8	$ (2.2)

*Amounts may not sum due to rounding
*The 2017 amounts have not been restated to reflect the implementation of GASB 75.

The Prepaid529 portfolio's asset allocation benefitted from the strong performance of U.S. and international equities, as well as certain fixed income classes as reflected in the rate of return for fiscal 2018 of 5.18 percent. For the fiscal year ended June 30, 2018, a net decrease is reflected in the fair value of investments of approximately $11.8 million, versus the increase in the prior fiscal year of $126.2 million. While investment income remained consistent and realized gains increased by $275 million, the net reversal of the prior year's increase in market value of investments (mark-to-market adjustment) results in a net decrease in the value of investments. 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 46 percent of enterprise fund revenue, as shown in Chart 2.

Chart 2
2018 Enterprise Fund Revenue
in millions



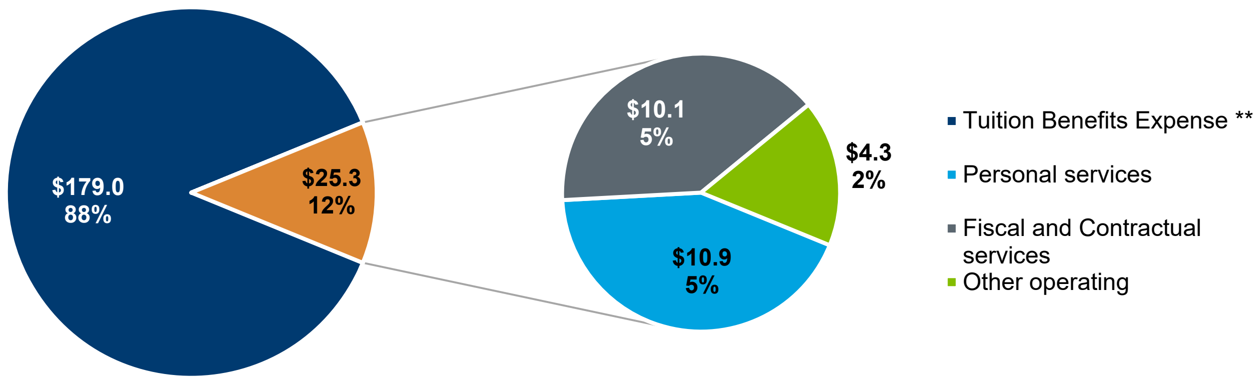
Prepaid529 contract payment revenue includes actual and actuarially estimated contract payments, and represents approximately 39 percent of enterprise fund revenue. Actual contract payments received from participants increased by $3.2 million over prior year receipts. In addition, actuarially determined Prepaid529 contract payment revenue decreased by $3.8 million. Receipts for charges for sales and services increased during fiscal year 2018 by $4.7 million. This increase is attributable to growth in assets in the CollegeAmerica program.

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 2017 is $85.2 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 74.5 million.

Actual tuition benefits expense represents actual distributions made during the fiscal year. This amount increased over the prior year by $10.7 million, or 6.4 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 88 percent of actual expenses of the Enterprise Fund. Of the $25.3 million expended for administration and operations expenses, 83 percent were for personal and contractual services.

Chart 3
2018 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 2018 and 2017.

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

YEARS ENDED JUNE 30,	2018	2017	CHANGE
Personal services	$ 10,851	$ 10,240	$ 611
Actuarial pension expense	1,167	1,339	(172)
Fiscal and contractual services	10,086	11,289	(1,203)
Supplies and materials	51	70	(20)
Depreciation	511	507	4
Rent, insurance, and other related charges	255	223	33
Expendable equipment	255	502	(247)
SOAR Virginia	2,000	1,000	1,000
Other	84	115	(31)
Administration and Operations Expenses	$ 25,260	$ 25,285	$ (25)

Personal services expense increased by $611,000, or 6.0 percent, over the prior year's amount. The increase is attributable to hiring additional staff, and 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 40 percent of fiscal 2018 administrative expenses. This expense category experienced a decrease of $1.2 million, or -10.7 percent, over the prior year due to a decrease in marketing expenses in fiscal 2018. The SOAR Virginia early commitment scholarship program was also funded with $2 million during fiscal 2018.

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

As of JUNE 30,	2018	2017	CHANGE
Assets and deferred outflows:			
Current assets	$ 152.6	$ 141.2	$ 11.5
Investments	2,671.8	2,576.2	95.6
Capital assets	0.8	8.3	(7.5)
Other noncurrent assets	147.0	146.8	0.2
Total assets	2,972.1	2,872.4	99.7
Total deferred outflows	2.0	2.5	(0.5)
Assets and deferred outflows	2,974.1	2,874.9	99.3
Liabilities and deferred inflows:			
Current liabilities	320.6	286.1	34.5
Noncurrent liabilities	1,867.6	1,801.7	65.9
Total liabilities	2,188.2	2,087.8	100.4
Total deferred inflows	1.3	0.3	1.0
Liablities and deferred inflows	2,189.5	2,088.1	101.4
Net Position			
Net investment in capital assets	0.8	3.3	(2.5)
Unrestricted	783.9	783.5	0.4
Total net position	$ 784.6	$ 786.8	$ (2.2)

*Amounts may not sum due to rounding

Assets

Long-term investments increased by 3.7 percent, attributable to strong market conditions. Capital assets decreased by $7.5 million due to the expiration of the Plan's capital lease for the headquarters office building on June 30, 2018. The lease was renewed and modified in the enterprise fund in 2018 and a loss was recorded in the enterprise fund. Other noncurrent assets represents the noncurrent portion of tuition contributions receivables remained steady for fiscal 2018. 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 $34.5 million. This increase is due to the change in pending trades payable as well as 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 2018, Prepaid529's actuarial reserve position, as calculated by VA529's actuary and reported in the 2018 Actuarial Valuation Report, declined from an actuarial surplus of $786.8 million to a surplus of $784.6 million. Lower than expected investment returns and higher than expected tuition increases during fiscal 2018 offset earnings on the actuarial reserve and other actuarial gains. Actuarial assumptions are discussed in Note 10 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, 2018 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, 2018. The final report is expected to be completed no later than mid-December 2018. 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 2018 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, 2017	$ 786.8
Restatement of beginning net position (GASB 75 - OPEB)	(2.9)
Interest on the reserve at 6.25%	49.0
Investment gain / (loss)	(30.3)
Tuition gain / (loss)	(8.7)
Lower than expected actual account balances	2.4
Sales of new contracts	9.3
Administrative fee revenue from Virginia529	26.8
Change to reasonable rate and volatility assumptions	(1.2)
Change to investment return assumption	(48.2)
Change to community college tuition growth assumption	0.9
Other experience gains	0.7
Actuarial Reserve / (Deficit) as of June 30, 2018	$ 784.6

Prepaid529's overall funded status, as calculated by the actuary, as of June 30, 2018 was 136.7 percent. Chart 4 provides Prepaid529's funded status since 1997.

Chart 4
Prepaid529 Actuarially Funded Percentage as of June 30th

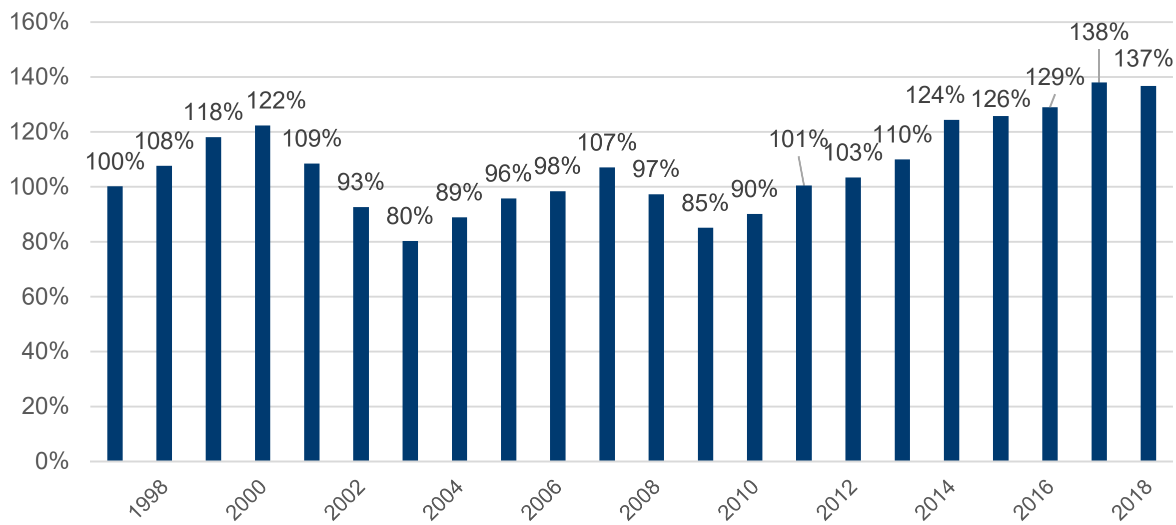


Table 6 represents the condensed Statement of Cash Flows for the Enterprise Fund for the fiscal years ended June 30, 2018 and 2017. VA529's year-end cash balance in the Enterprise Fund decreased by $8.5 million.

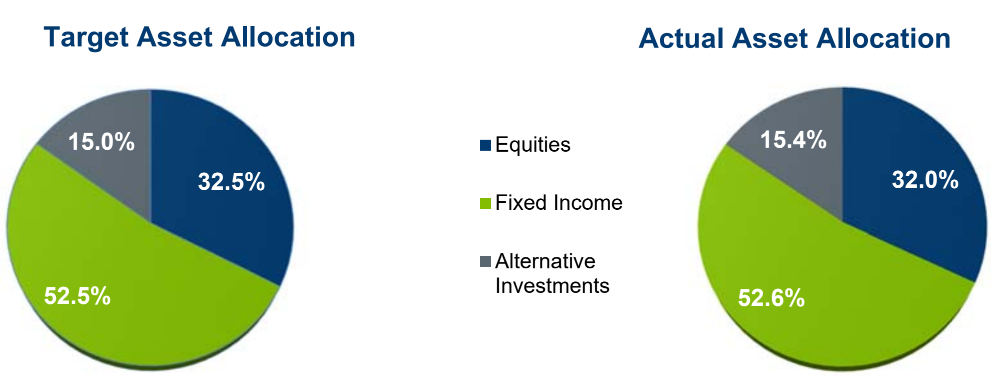
Table 6 – Enterprise Fund
Statement of Cash Flows (in millions)

As of June 30,	2018	2017
Cash provided (used) by:		
Operating activities	($50.6)	($35.6)
Noncapital financing activity	(0.6)	(0.9)
Capital and related financing activities	(0.7)	(0.7)
Investing activities	43.5	37.8
Net increase (decrease) in cash	(8.5)	0.6
Cash – beginning of year	77.8	77.2
Cash – end of year	$69.3	$77.8

In fiscal 2018, the Board revised its Investment Policies and Guidelines for Prepaid529 and Invest529. Changes were primarily related to benchmark changes and the addition of criteria for the selection of private equity managers within the Prepaid529 Guidelines. The Prepaid529 benchmarks were revised during the year such that composite benchmarks are now constructed using a bottom up approach with benchmarks reflecting the underlying manager's style and philosophy versus the previous top down approach in which asset class benchmarks were utilized based on portfolio modeling. The new benchmarks were instituted for the quarter ended March 2018. During the fiscal year the Board also reviewed and approved Investment Policies and Guidelines for the ABLEnow program.

In fiscal 2018, the Investment Advisory Committee selected Horsley Bridge Partners as an additional private equity manager for Prepaid529, committing $20 million to the Growth Buyout Fund XII. The remainder of the annual commitment to private equity was placed with an existing manager, Adams Street Partners, through a $20 million commitment to their Venture Innovation Fund II. Additionally the Committee hired Golub Capital as a private debt manager for Prepaid529, committing $35 million to the Golub Capital Partners XI fund. A complete list of Prepaid529 managers as of June 30, 2018 can be found in Appendices A and B.

Chart 5
Prepaid529 Asset Allocation as of June 30, 2018



Analysis of Fiduciary Fund (Invest529)
Financial Activities

Table 7 presents a summary of Invest529's assets and liabilities for fiscal 2018 and 2017. Cash increased by $47.3 million from fiscal year 2017. 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 and continued increases in participant contributions during the fiscal year resulted in a 13.7 percent increase in investments.

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

Fiscal year ended June 30	2018	2017	Change
Assets:			
Cash	$ 134.3	$ 87.0	$ 47.3
Receivables	5.6	2.7	2.9
Investments	4,391.5	3,861.3	530.2
Total Assets	4,531.3	3,951.0	580.3
Liabilities	9.4	6.2	3.2
Net position held in trust, ending	$ 4,522.0	$ 3,944.8	$ 577.2

*Amounts may not sum due to rounding

Table 8 reflects the change in Invest529's net position for fiscal 2018. 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 $115 million and there were more than 50,000 new Invest529 accounts opened during the fiscal year. Educational expense benefit payments made on behalf of participants represent 90 percent of Invest529 deductions. As anticipated, overall disbursements to Invest529 account owners, beneficiaries and institutions increased over the prior year by approximately 24.3 percent as more participants withdrew funds for higher education expenses.

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

Fiscal year ended June 30	2018	2017	Change
Additions	$ 906.4	$ 879.7	$ 26.6
Deductions	329.1	264.2	64.9
Net Increase (decrease)	577.2	615.5	(38.3)
Net position held in trust, beginning	3,944.8	3,329.3	615.5
Net position held in trust, ending	$ 4,522.0	$ 3,944.8	$ 577.2

*Amounts may not sum due to rounding

In October 2017, 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 62 of the largest 529 plans in 2017. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Invest529 was one of four plans to receive a Gold rating.

In fiscal 2018, 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. This evolution represented one of the major steps in the glide path where the portfolios hit their respective triennial target allocations as set forth in the Invest529 Program Description. The next major step evolution will occur on January 1, 2021.

CollegeAmerica, CollegeWealth, and ABLEnow

Assets under management in CollegeAmerica increased during the fiscal year by approximately 10.9 percent from $57.9 billion to $64.2 billion. There were an additional 69,637 unique CollegeAmerica accounts at fiscal year-end compared to the prior fiscal year-end.

Assets under management in CollegeWealth decreased by 39 percent in fiscal year 2018 to approximately $47.9 million at year end. The program was closed to new participants during fiscal year 2017 in conjunction with the opening of the Invest529 FDIC-Insured Portfolio. Remaining CollegeWealth assets represent those assets held in savings instruments at BB&T.

ABLEnow, VA529's direct-sold ABLE disability savings program, launched in fiscal year 2017 and saw continued growth in fiscal year 2018. As of June 30, 2018, there were 3,299 active accounts. Assets under management increased by more than $7 million, ending the fiscal year at approximately $10.0 million.

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 5.75 percent on the Prepaid529 investments having reduced it from 6.25 percent in August 2018. As of June 30, 2018, the total return since inception was about 6.24 percent net of fees and reflected Prepaid529's 5.18 percent investment performance during fiscal 2018. Domestic equity and certain fixed income markets continue to perform well into fiscal 2019 having a positive impact on Prepaid529 portfolio performance. Portfolio performance through the balance of fiscal 2019 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 6.5 percent for the 2019-2020 academic year and thereafter for four-year universities, and 6.0 percent for the 2019-2020 academic year and thereafter for community colleges and two-year institutions. These long-term tuition and fee increase projections were established for the June 30, 2018 Prepaid529 valuation and 2018-2019 enrollment period pricing.

Changes in public education funding 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 and unanticipated changes in program revenue or statutorily mandated changes in contract pricing may 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. Legislation was proposed during the 2018 General Assembly Session and was not adopted but continued to the 2019 Session until it could be studied by the Joint Legislative Audit & Review Commission. The Commission is expected to complete their study in November 2018, prior to the 2019 Session.

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

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VIRGINIA529
STATEMENT OF NET POSITION
ENTERPRISE FUND

For the Year Ended June 30, 2018

	Administration and Operations	Prepaid529	Total Enterprise
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 1E and 3)	$ 2,733,845	$ 66,958,456	$ 69,692,301
Interest receivable	-	7,053,081	7,053,081
Prepaid529 contract payments receivable (Note 1G and 10)	-	47,654,608	47,654,608
Pending trade receivables	-	14,975,314	14,975,314
Prepaid and other assets	1,321,798	-	1,321,798
Accounts receivable (Note 1H)	10,582,925	1,328,154	11,911,080
Total current assets	14,638,569	137,969,614	152,608,182
Noncurrent assets:			
Investments (Note 1E, 3, 4 and 5)	-	2,671,795,238	2,671,795,238
Other post employment benefits, net (Note 12 and 13)	393,000	-	393,000
Prepaid529 contract payments receivable (Note 1G and 10)	-	146,567,818	146,567,818
Depreciable capital assets, net (Note 1K and 9)	763,014	-	763,014
Total noncurrent assets	1,156,014	2,818,363,056	2,819,519,070
Total assets	15,794,583	2,956,332,670	2,972,127,253
Deferred Outflows of Resources:			
Pension contributions made after measurement date (Note 11)	1,005,074	-	1,005,074
Pension Related (Note 11)	607,000	-	607,000
Other post employment benefits related (Note 12 and 13)	337,920	-	337,920
Total deferred outflows	1,949,994	-	1,949,994
Total Assets and Deferred Outflows of Resources	17,744,576	2,956,332,670	2,974,077,247
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	895,655	10,533	906,188
Pending trades payable	-	35,076,773	35,076,773
Program distributions payable	-	13,977	13,977
Due to program participants (Note 1L)	-	2,142,510	2,142,510
Obligations under securities lending (Note 6)	367,970	-	367,970
Tuition benefits payable (Note 8 and 10)	-	281,415,169	281,415,169
Compensated absences (Note 1M and 8)	677,111	-	677,111
Obligations under capital lease (Note 8)	-	-	-
Total current liabilities	1,940,736	318,658,962	320,599,698
Noncurrent liabilities:			
Tuition benefits payable (Note 8 and 10)	-	1,853,807,257	1,853,807,257
Compensated absences (Note 1M and 8)	94,699	-	94,699
Obligations under capital lease (Note 8)	-	-	-
Net pension liability (Note 11)	10,526,000	-	10,526,000
Net other post employment benefits liability (Note 12 and 13)	3,128,217	-	3,128,217
Total noncurrent liabilities	13,748,916	1,853,807,257	1,867,556,173
Total liabilities	15,689,652	2,172,466,219	2,188,155,871
Deferred inflows of resources:			
Pension Related (Note 11)	767,000	-	767,000
Other post employment benefits related (Note 12 and 13)	524,910	-	524,910
Total deferred inflows	1,291,910	-	1,291,910
Total Liabilities and Deferred Inflows of Resources	16,981,562	2,172,466,219	2,189,447,781
NET POSITION			
Net investment in capital assets	763,014	-	763,014
Unrestricted	-	783,866,452	783,866,452
Total net position	$ 763,014	$ 783,866,452	$ 784,629,466

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, 2018

	Administration and Operations	Prepaid529	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1D)	$ 45,732,873	$ -	$ 45,732,873
Interest, dividends, rents, and other investment income (net)	54,529	146,975,743	147,030,273
Net increase (decrease) in fair value of investments	-	(11,781,759)	(11,781,759)
Prepaid529 contract payments (Note 1G)	-	114,786,120	114,786,120
Actuarial Prepaid529 contract payments (Note 10)	-	(345,609)	(345,609)
Other	21,016	6,456	27,472
Total operating revenues	45,808,418	249,640,951	295,449,369
Operating expenses:			
Personal services (Note 11 and Note 12)	10,851,237	-	10,851,237
Actuarial pension expense (Note 11)	1,167,000	-	1,167,000
Fiscal and Contractual services	10,086,327	22,407	10,108,733
Supplies and materials	50,601	-	50,601
Depreciation (Note 9)	511,062	-	511,062
Rent, insurance, and other related charges	255,482	-	255,482
Tuition benefits expense	-	178,970,716	178,970,716
Actuarial tuition benefits expense (Note 10)	-	87,054,391	87,054,391
Expendable equipment	255,266	-	255,266
SOAR Virginia (Note 14)	2,000,000	-	2,000,000
Other	83,686	-	83,686
Total operating expenses	25,260,661	266,047,514	291,308,175
Operating income/loss	20,547,757	(16,406,563)	4,141,194
Nonoperating Revenues (Expenses)			
Interest expense	(270,584)	-	(270,584)
Loss on capital asset	(2,441,547)	-	(2,441,547)
Operating income/loss before transfers	17,835,625	(16,406,563)	1,429,063
Transfers:			
Transfers to the General Fund of the Commonwealth	(645,854)	-	(645,854)
Interfund transfer in (out) (Note 1)	(16,760,228)	16,760,228	-
Change in net position	429,544	353,665	783,209
Net position - July 1, 2017, as restated (Note 2)	333,471	783,512,787	783,846,257
Net position - June 30, 2018	$ 763,014	$ 783,866,452	$ 784,629,466

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, 2018

Cash flows from operating activities:		
Receipts for sales and services	$	42,035,181
Contributions received		114,706,678
Other operating revenue		27,472
Payments to suppliers for goods & services		(1,540,933)
Payments to employees		(11,797,136)
Payments for contractual services		(12,159,833)
Distributions		(179,803,506)
Other operating expenses		(2,084,484)
Net cash provided by (used for) operating activities	$	(50,616,561)
Cash flows from noncapital financing activities:		
Transfer to the General Fund of the Commonwealth		(645,854)
Net cash provided by (used for) noncapital financing activities	$	(645,854)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$	(114,489)
Payment of principal and interest on capital leases		(588,884)
Net cash provided by (used for) capital and related financing activities	$	(703,373)
Cash flows from investing activities:		
Purchase of investments	$	(801,159,813)
Proceeds from sales or maturities of investments		777,217,778
Interest income on cash, cash equivalents, and investments		67,442,213
Net cash provided by (used for) investing activities	$	43,500,178
Net change in cash and cash equivalents		(8,465,609)
Cash and cash equivalents - July 1, 2017		77,789,941
Cash and cash equivalents - June 30, 2018	$	69,324,332
Reconciliation of cash and cash equivalents:		
Per the Statement of Net Position:		
Cash and cash equivalents	$	69,692,301
Less:		
Securities lending cash equivalents		(367,970)
Cash and cash equivalents per the Statement of Cash Flows	$	69,324,331

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

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	4,141,194
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		511,062
Interest, dividends, rents and other investment income		(147,030,273)
Net decrease in fair value of investments		11,781,759
Changes in assets, liabilities, and deferred inflows and outflows:		
(Increase) decrease in receivables		(3,777,133)
(Increase) decrease in tuition contributions receivable		345,609
(Increase) decrease in assets		(922,071)
(Increase) decrease in OPEB asset		(32,000)
Increase (decrease) in deferred outflows		537,751
Increase (decrease) in accounts payable		(1,754,546)
Increase (decrease) in amounts due to program participants		(832,790)
Increase (decrease) in current tuition benefits payable		18,351,041
Increase (decrease) in current compensated absences		116,267
Increase (decrease) current obligations under capital lease		(320,314)
Increase (decrease) in noncurrent tuition benefits payable		68,703,350
Increase (decrease) in noncurrent compensated absences		(62,244)
Increase (decrease) in net pension liability		(1,167,000)
Increase (decrease) in net OPEB liability		(180,133)
Increase (decrease) in deferred inflows		973,910
Net cash provided by (used for) operating activities	$	(50,616,561)

Noncash investing, capital, and financing activities:		
The following transaction occurred prior to the statement of net position date		
Change in fair value of investments	$	(11,781,759)
Lease modification elements (Note 7):		
Loss on modification		2,441,546
Adjustment of capital asset value on modification		7,145,887
Adjustment of capital lease liability on modification		(4,704,340)

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

VIRGINIA529
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
June 30, 2018

Assets:	
Cash and cash equivalents (Note 1E and 2)	$ 134,310,712
Receivables:	
Interest and dividends	4,411,053
Accounts receivable	327,796
Pending trades receivable	831,805
Investments:	
Bonds	118,601,505
Mutual funds - Non-Index	647,484,271
Mutual funds - Index	2,450,121,123
Stable Value	989,143,186
Equities	81,227,665
Private real estate	104,874,622
Total investments	4,391,452,372
Total Assets	4,531,333,738
Liabilities:	
Accounts payable	329,221
Pending trades payable	1,602,711
Due to program participants (Note 1L)	5,992,436
Program distributions payable	1,443,387
Total liabilities	9,367,756
Net position held in trust for program participants	$ 4,521,965,983

Amounts may not sum due to rounding

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

VIRGINIA529
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
For the Year Ended June 30, 2018

ADDITIONS	
Contributions:	
From participants	$ 666,707,707
Total contributions	666,707,707
Investment income:	
Net increase (decrease) in fair value of investments	(175,165,572)
Interest, dividends, and other investment income	419,078,447
Total investment income	243,912,875
Less investment expense	(4,265,734)
Net investment income	239,647,141
Total additions	906,354,848
DEDUCTIONS	
Educational expense benefits	295,548,630
Shares redeemed	32,265,785
Other expenses	1,321,301
Total deductions	329,135,716
Changes in net position	577,219,132
Net position held in trust for program participants:	
July 1, 2017	3,944,746,851
June 30, 2018	$ 4,521,965,983

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

Notes to the Financial Statements

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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 three programs, Prepaid529, Invest529, and CollegeAmerica. VA529 also operates the Commonwealth's IRC §529A disability savings plans through the ABLEnow and ABLEAmerica programs.

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 typically has a limited enrollment period annually, and is open to children in the ninth grade or younger if the child or participant is a Virginia resident. Since inception, over 129,916 accounts have been opened, with 63,073 contracts remaining active at year-end. The program had total assets invested from contributions, net earnings and other revenue of approximately $2.7 billion as of June 30, 2018. The program invests contract payments to meet future obligations.

VA529's 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 $16,760,228 was allocated within the enterprise fund to Prepaid529 for fiscal 2018 via an interfund transfer. VA529'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 or primary and secondary school by making contributions into the investment portfolio(s) of their choice. Participants are allowed to select from among 20 investment portfolios. Two additional portfolios remain open but are 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 operations in December 1999. As of June 30, 2018, 370,691 accounts had been opened, with 283,154 accounts remaining active at year end. These accounts had a net asset value of approximately $4.5 billion as of June 30, 2018. Invest529 investment management fees and administrative fees are paid on a pro-rata basis by each 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 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. CollegeWealth was closed to new participants in 2017. 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. ABLEAmerica, a broker-sold ABLE plan, was launched in July 2018. 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 governing Board administers VA529, consisting of four ex-officio members and seven non-legislative citizens. Four members are appointed by the Governor, one is appointed by the Senate Committee on Rules, and two are 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, 2018. For financial reporting purposes, VA529 includes all funds and entities over which VA529 is financially accountable and exercises oversight authority. The financial statements of VA529 do not include the assets, liabilities and operations of CollegeAmerica, CollegeWealth, and ABLEnow.

C. College Savings Systems

College Savings Systems (CSS), the legacy software development and technical services division of VA529, was formed in 2004. VA529 has an agreement with Ellucian to maintain the College Savings Program (CSP) module of the Banner software suite. CSS provided record keeping software and technical services to other savings and prepaid qualified tuition plans including Virginia. On June 27, 2016, VA529 notified states with open contracts of its intent to terminate contracts. CSS provided services for one remaining state during fiscal year 2018. Services were provided under the terms of this remaining contract until final termination in November 2017. With the final contract terminated, CSS was dissolved and the staff absorbed into the current Information Technology Division.

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 for a fee 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/or 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, prior to its dissolution, as well as the Prepaid529, Invest529, CollegeAmerica, CollegeWealth, and ABLEnow programs. Operating expenses include contractual and personal services.

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. Investments are reported on a trade date basis. Trade date accounting accurately depicts VA529's financial position as of fiscal year end, as all securities pending settlements at June 30, 2018 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 a period of time. Customized financing options are available for purchasers by allowing payments to be spread over a period of time determined by the contract purchaser. However, contracts must be paid in full prior to drawing benefits; therefore 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 51.64 percent of contract holders of outstanding (active) contracts as of June 30, 2018 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.

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 ABLEnow program's investment options. 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 and other post-employment benefits (OPEB) in accordance with GASB Statement Nos. 68 and 75, respectively.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Changes in net OPEB liability or asset not included in personal services expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the liabilities or assets are reported as deferred outflows of resources. For additional information, see Note 11, Retirement and Pension Plan; Note 12, Other Post-employment Benefits – Group Life Insurance Program, Virginia Sickness and Disability Plan and State Employee Health Insurance Credit Program; and Note 13 Other Post-employment Benefits – Healthcare Plan for Pre-Medicare Retirees.

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. Intangible assets with a value of $100,000 or greater are capitalized, except for internally generated software. Internally generated software with a value of $1,000,000 or greater is capitalized. Intangible assets, if depreciated, are amortized 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. Intangible assets are also capital assets and adhere to the same policies of other property, plant and equipment. VA529 has two types of intangible assets, purchased and internally generated computer software, which are reported in Note 9, Capital Assets.

L. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2018 for distributions to other qualified tuition programs, or to participants 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

Since January 1, 2016, VA529 has administered a Paid Time Off (PTO) Policy with a defined leave year of January 1 through December 31. VA529 provides a bank of PTO that employees may use at their discretion for absences, including vacation, sick, community service, and various other leave types. The Policy applies to all leave-eligible employees including regular full-time and regular part-time employees.

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. While employees may use this time in lieu of or in addition to their PTO, they do not accrue time in the annual bank.

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 regularly scheduled hours 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 payout of unused leave will occur automatically after the end of the plan year, by February 1 of the subsequent 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. 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 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. 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, 2018, 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 (VRS). These programs include the Group Life Insurance Program (GLIP), Virginia Sickness and Disability Program (VSDP), and the Retiree Health Insurance Credit Program (HICP). All but one VA529 employee participates in the VSDP.

The GLIP is a multiple-employer, cost-sharing, defined benefit plan that provides members basic group life insurance upon employment. The VSDP is a single employer plan that is presented as a multiple-employer, cost-sharing plan that in addition to sick, family and personal leave and short-term and long-term disability benefits provided to active members during employment, provides inactive members with long-term disability and long-term care benefits. The HICP is a single employer plan that is presented as a multiple-employer, cost-sharing plan that provides member retirees who have at least 15 years of service health insurance credits to offset their monthly health insurance premiums. GLIP, VSDP and HICP benefit payments are recognized when due and payable in accordance with benefit terms and investments are reported at fair value. The GLIP liability, VSDP asset, HICP liability, deferred outflows and inflows of resources are determined on the same basis as reported by VRS. See Note 12 Group Life Insurance Program, Virginia Sickness and Disability Plan and State Employee Health Insurance Credit Program for additional information on these VRS benefit programs.

VA529 also participates in the postemployment Pre-Medicare Retiree Healthcare Plan (PMRHP), which is sponsored by the Commonwealth and administered by the Department of Human Resources Management (DHRM). 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 because 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.

The PMRHP is a single-employer defined benefit plan that is presented as a cost-sharing plan. The PMRHP is reported as part of the Commonwealth's Healthcare Internal Service Fund. There are no assets accumulated in a trust to pay benefits. Benefit payments are recognized when due and payable in accordance with the benefit terms. The PMRHP liability, deferred outflows and inflows of resources are determined on the same basis as reported by DHRM. See Note 13 Healthcare Plan for Pre-Medicare Retirees for additional information.

Additional information related to all of these programs or 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 by Prepaid529. The investment in Aventura is reflected in Prepaid529's assets at $7.6 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2018.

VA529 is the sole member of Aventura and VA529's Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer are its only non-equity managers. VA529 leases the building from Aventura. A Second Amendment to the Lease was entered into by VA529 for another ten years beginning July 1, 2018, upon the first option lease renewal that expired on June 30, 2018.

The Lease is carried as an operating lease in the enterprise fund financial statements. Prior to the expiration of the first option lease on June 30, 2018, the Lease was reflected as a capital lease and VA529's financial statements reflected the lease obligation as a liability and the office building as an asset in the enterprise fund's financial statements. The Lease was removed from the enterprise fund as a capital lease in 2018 and a loss was recorded in the enterprise fund. See the Commitments Note 7 below for a description of the Lease Agreement. Aventura has also established a renewal and replacement reserve funded from the annual rental payments received from VA529 to cover capital improvements to the building.

P. Pensions

The Virginia Retirement System's (VRS) State Employee Retirement Plans 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 11, Retirement and Pension Plan for additional information.

2. Beginning Net Position Restatement (Enterprise Fund)

The Enterprise Fund's 2018 beginning net position of $784.8 million differs from the previous fiscal year's ending balance of $786.8 million as reported in VA529's fiscal 2017 financial statements. The difference of $2.0 million primarily resulted from a required beginning balance adjustment to recognize the VA529's proportionate share of the Commonwealth's net OPEB liability (asset) as VA529 implemented GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions. See Notes 12 and 13 for additional information on these benefit programs.

3. Cash, Cash Equivalents, and Investments

VA529's Board has established Statements of Investment Policy and Guidelines for its 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, 52.5 percent 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 31 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.

The Board has selected and authorized its partner, PNC, to offer three target risk mutual funds and a money market mutual fund to investors in the ABLEnow program.

Private Debt & Equity Investment Commitments

In fiscal year 2018, VA529 extended investment commitments under limited partnership agreements for private equity and debt investments in Prepaid529. At June 30, 2018, VA529's investment commitments amounted to $188 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 of the Prepaid529 and Invest529 programs, except those in the FDIC-Insured Omnibus Account, 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, 2018, 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 67 percent of total Prepaid529 investments and 72 percent of total Invest529 investments are invested in vehicles that are not held in VA529's name by its custodian. All investments of the CollegeAmerica program are invested in American Funds 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, 2018, 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	$ 65,396,853	0.08
Bank Loans	246,324,150	0.12
Non-Agency Mortgage-Backed Securities	26,480,188	2.28
Mortgage-Backed Securities - Agency	31,713,308	4.11
Asset-Backed Securities	36,620,861	0.60
Corporate Bonds	236,048,026	2.72
Convertible Securities[1]	113,351,626	3.03
Bond Funds[1]	551,688,268	5.05
Treasury and Agency Futures Contracts	407,508	7.25
Stable Value[2]	134,488,154	3.27
Total	**$ 1,442,518,942**	**3.09**
Invest529		
Investment Type	**Fair Value**	**Effective Duration (years)**
Money Market Funds	$ 51,172,758	0.08
Bank Loans	1,912,802	0.83
Asset-Backed Securities	5,633,755	0.08
Corporate Bonds	111,054,949	2.71
Bond Funds	983,767,704	6.34
Stable Value[2]	989,143,187	3.48
Total	**$ 2,142,685,155**	**4.66**

[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, 2018 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, 2018, 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, 2018, 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.

Foreign Currency Risk

Foreign 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, 2018, 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 foreign 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 4, Investment in Derivative Instruments and Stable Value.

Prepaid529 Foreign Currency Exposures by Asset Class			
Currency	Convertible Bonds	Cash & Cash Equivalents	Total
British Pound Sterling	$ 706,275	$ 448,486	$ 1,154,761
Canadian Dollar	-	688	688
Chinese Yuan	2,105,803	-	2,105,803
Euro	20,053,047	433,770	20,486,817
Hong Kong Dollar	7,407,956	1,147	7,409,103
Japanese Yen	10,924,812	6,176	10,930,988
Singapore Dollar	-	5,499	5,499
Swedish Krona	-	3	3
Swiss Franc	5,448,011	351	5,448,362
Total	**$ 46,645,904**	**$ 896,120**	**$ 47,542,024**

Note: Amounts shown in U.S. dollars using June 30, 2018 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, 2018 approximately 5 percent of Prepaid529 investments were invested in these vehicles.

Rating Agency	Invest529 Credit Quality by Investment Type					
	Corporate Bonds	Asset-Backed Securities	Bank Loans	Money Market Funds	Bond Funds[2]	Stable Value[3]
S&P's Quality Rating						
AAA	-	$ 1,063,287	-	$ 51,172,758	-	-
BBB-	$ 2,040,640	-	-	-	-	-
BB+	10,987,495	-	-	-	-	-
BB	15,535,437	-	-	-	-	-
BB-	19,957,763	-	-	-	-	-
B+	18,505,428	-	-	-	-	-
B	20,313,027	-	$ 1,456,502	-	-	-
B-	11,456,842	-	456,300	-	-	-
Less than B-	9,595,762	-		-	-	-
Moody's Quality Rating						
Aaa	-	4,570,468	-	-	-	-
Ba3	769,869	-	-	-	-	-
B1	181,250	-	-	-	-	-
B3	202,250	-	-	-	-	-
Caa1	-	-	-	-	-	-
Unrated[1]	1,509,188	-	-	-	$ 983,767,705	$ 989,143,187

[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	$ 1,590,147	$ 7,855,773	$ 344,806	-	-	-	$45,784,312	-	-	-
AA+	1,995,888	-	18,695,189	-	-	-	-	-	-	-
AA	890,756	1,967,326	-	-	-	-	-	-	-	-
A+	1,982,218	301,649	-	-	-	$ 5,812,079	-	-	-	-
A	2,461,375	2,504,625	-	$ 309,772	-	6,135,723	-	-	-	-
A-	1,159,740		-	-	-	12,266,337	-	-	-	-
BBB+	-	1,147,704	-	-	-	6,117,479	-	-	-	-
BBB	780,238	518,198	-	-	-	3,479,025	-	-	-	-
BBB-	246,670	372,201	-	17,559,553	$ 4,497,027	6,669,650	-	-	-	-
BB+	-	306,789	-	18,711,903	24,255,679	-	-	-	-	-
BB	-	-	-	15,832,801	32,948,936	-	-	-	-	-
BB-	1,049,864	-	-	34,100,606	44,020,436	1,089,215	-	-	-	-
B+	-	-	-	29,217,823	39,633,369	2,751,053	-	-	-	-
B	-	-	-	71,592,066	39,515,365	-	-	-	-	-
B-	-	802,704	-	16,170,890	24,391,221	-	-	-	-	-
Less than B-	21,075	1,790,516	-	7,142,876	20,401,737	859,475	-	-	-	-
Moody's										
Aaa	3,769,886	17,231,092	-	1,563,940	-	-	-	-	-	-
A3	262,697	1,024,533	-	-	-	3,605,075	-	-	-	-
Baa1	683,165	-	1,019,686	358,537	-	-	-	-	-	-
Baa2	264,636	-	-	-	-	3,315,904	-	-	-	-
Baa3	691,142	-	-	-	-	4,742,052	-	-	-	-
Ba3	-	-	-	452,195	1,747,875	-	-	-	-	-
B1	106,922	-	-	-	430,469	-	-	-	-	-
B2	-	-	-	521,186	-	-	-	-	-	-
Less than B2	1,579,413	605,366	-	1,503,757	353,938	-	-	-	-	-
Unrated[1]	6,944,357	192,383	11,653,626	31,286,245	3,851,976	56,508,558	19,612,541	$551,688,268	$ 407,508	$ 134,488,154

[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 underlying 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

4. Investment Derivative Instruments and Stable Value

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

A) Investment Derivatives:

Pursuant to the Statements of Investment Policy and Guidelines established for VA529's investment programs, investments in derivative securities are prohibited except where specifically permitted in the investment manager agreement for a separate account or prospectus for a fund. The Board may permit managers in certain asset classes to use derivatives consistent with the overall investment guidelines and objectives of that asset class. As of June 30, 2018, 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

(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, 2018.

(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, 2018, 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, 2018		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise Fund	Revenue	$487,898	Investment	$407,508	$26,778,234

(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 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 Foreign Currency Forwards				
Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
British Pound Sterling	($1,224,315)	$1,323,261	($2,514,196)	($1,190,935)
Swiss Franc	(3,489,890)	2,014,200	(5,511,364)	(3,497,164)
Euro	(24,257,922)	5,537,589	(29,549,827)	(24,012,238)
Hong Kong Dollar	(7,559,044)	-	(7,555,545)	(7,555,545)
Japanese Yen	(10,914,013)	1,204,899	(12,150,459)	(10,945,560)
U.S. Dollar	47,445,183	57,566,420	(10,121,237)	47,445,183
Total	-	$67,646,370	($67,402,627)	$243,742

Note: Amounts shown in U.S. dollars using June 30, 2018 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, 2018, 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	$26,960,719	2/21/2014	Open ended	2.00%
	Nationwide Life Insurance	25,624,555	4/19/2018	Open ended	2.34%
	RGA	27,180,839	6/22/2016	Open ended	2.35%
	State Street Bank	27,063,250	5/01/2002	Open ended	2.80%
	Voya Retirement & Annuity	27,658,790	12/03/2002	Open ended	2.81%
Invest529	American General Life	$175,672,052	1/16/2014	Open ended	2.20%
	Nationwide Life Insurance	103,177,977	1/29/2018	Open ended	2.32%
	Prudential Retirement Ins. & Annuity	179,350,846	1/30/2014	Open ended	2.40%
	RGA	177,098,814	8/28/2015	Open ended	2.27%
	State Street Bank	179,000,554	5/01/2002	Open ended	2.32%
	Voya Retirement & Annuity	174,842,943	10/05/2012	Open ended	2.55%

At June 30, 2018, the fair value of the underlying investments for both Prepaid529 and Invest529 was less than 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 has a separate fair value only in the circumstance that the fair value of the associated underlying investment pool is below the book value of the wrap contracts. The fair value of the wrap contracts is the amount required to bring the total value of the stable value investments up to the book value of the wrap contracts.

In the Prepaid529 program, the fair value of the wrapped stable value investments at June 30, 2018, was $132,727,146.

Prepaid529 - Stable Value Components	Fair Value
Underlying Investments	$132,727,146
Wrap Contracts	1,761,008
Total	$134,488,154

In the Invest529 program, the fair value of the wrapped stable value investments at June 30, 2018, was $969,128,428.

Invest529 - Stable Value Components	Fair Value
Underlying Investments	$969,128,428
Wrap Contracts	20,014,759
Total	$989,143,187

5. Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs of valuation techniques used to determine fair value. The hierarchy gives highest priority to valuations maximizing observable inputs and lowest priority to those utilizing unobservable inputs. The three levels of the fair value hierarchy 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, 2018:

		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)
Debt Securities				
US Treasury & Agency Securities	$407,508	$407,508	-	-
Corporate Bonds	236,048,027	-	$236,048,027	-
Convertible Bonds	113,351,626	-	113,351,626	-
Bond Funds	76,225,002	76,225,002	-	-
Bank Loans	246,324,150	-	246,324,150	-
Asset-Backed Securities	36,620,861	-	36,620,861	-
Mortgage-Backed - Agency	31,713,308	-	31,713,308	-
Mortgage-Backed - Non Agency	26,480,188	-	26,480,188	-
Total Debt Securities	767,170,669	76,632,510	690,538,160	-
Equity Securities				
Equities	304,608,106	299,236,058	5,372,049	-
Equity Real Estate	7,570,005	-	-	$7,570,005
Index Funds - Equity	94,220,395	94,220,395	-	-
International & Emerging Markets Funds	467,177,943	467,177,943	-	-
Total Equity Securities	873,576,449	860,634,396	5,372,049	7,570,005
Total Investments by Fair Value Level	$1,640,747,119	$937,266,905	$695,910,208	$7,570,005

Note: Cash equivalent investments, in the amount of $66,292,769, that are measured at amortized cost are not classified in the fair value hierarchy and as a result, are not included in the above table.

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 measured at NAV:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Hedge Funds				
Blackstone - Hedge Fund of Funds	$134,547,104	-	Semi-Annual	95 Days
Aurora - Hedge Fund of Funds	183,490	-	Quarterly	95 Days
Equity Real Estate				
UBS Realty Investors	63,594,161	-	Quarterly	60 Days
Private Debt & Private Equity Funds of Funds				
Golub Capital	10,500,000	$24,500,000		
Private Advisors	37,154,327	14,693,390		
Adams Street Partners	116,165,120	88,417,900		
LGT Capital Partners	2,054,578	8,340,000		
Neuberger Berman	15,194,773	15,000,000		
Aether Investment Partners	23,571,227	12,949,047		
Commonfund	18,131,920	3,790,000		
Horsley Bridge Partners	-	20,000,000		
Common Trust Funds & Other				
Wellington Management	178,881,790	-	Monthly	10 Days
State Street Global Advisors	137,322,525	-	Daily	2 Days
Ferox Capital	76,512,005	-	Daily	2 Days
BlackRock	82,746,946	-	Daily	3 Days
Total Investments Measured at the NAV	$896,559,966			

Description of Prepaid529 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 fiscal 2019. 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 Debt and Private Equity Funds of Funds: This investment type includes private equity funds of funds managed by seven managers and one private debt fund. 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 15th years. Secondaries funds of funds may have an accelerated capital call and return of

capital profile. VA529 invests in multiple funds with three of its private equity investment managers and is also diversified by vintage year with respect to these investments. The fair values of investments in this type have been determined using the March 31, 2018 NAV of VA529's ownership of the partnership, adjusted for cash flows (capital calls) through June 30, 2018. The following table provides information for this investment type by investment manager, fund name and underlying investments.

Investment Manager	Fund Name(s)	Invests In
Adams Street Partners	Multiple U.S./Non-U.S. Centric Buyout Funds	Emerging Markets U.S.and Non-U.S. Developed Markets Funds
Adams Street Partners	Venture Innovation Funds I & II	Venture
Commonfund	Capital Natural Resources Fund IX, LP	Natural Resources
Aether Investment Partners, LLC	Real Assets III & IV, LP Funds	Natural Resources
Private Advisors, LLC	Multiple small company buyout/private equity funds	U.S. small company growth equity/buyout, distressed and turnaround, and opportunistic funds
LGT Capital Partners	Crown Global Secondaries Fund IV, plc	Private equity secondaries (Global)
Neuberger Berman	Crossroads Fund XXI - Asset Allocation, LP	Asset allocation fund of funds; diversified geographically and strategically
Horsely Bridge Partners	XII Growth Buyout, LP	U.S. small company buyout (Growth)
Golub Capital	Golub Capital Partners 11, LP	Private Debt - U.S. middle markets, senior secured, low / floating rate loans

4. Common Trust Funds & Other: This investment type includes three common trust funds. The fair value of investments in this type have been determined using the NAV per share of the investments. The following table provides information for this investment type by investment manager, fund name and underlying investments.

Investment Manager	Fund Name(s)	Invests In
State Street Global Advisors	U.S. Treasury Inflation Protected Securities Index Non-Lending Common Trust Fund	Securities or other pooled vehicles in order to track performance of the Barclays Capital U.S. Treasury Inflation Protected Securities Index
Wellington Management Co., LLP	Emerging Market Debt Common Trust Fund	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, Inc.	Intermediate Term Credit Core Bond Index Non-Lendable Fund "B"	The index fund seeks to approximate the total rate of return of the Barclays Intermediate Credit Bond Index, which consists of credit bonds with maturities between one and ten years.
Ferox Capital, LLP	Salar Fund PLC	A UCITS compliant Dublin, Ireland based Public Limited Company with an investment strategy in long-only global convertible bonds

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, 2018:

		Fair Value Measurements Using		
Investments By Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 111,054,949	-	$ 111,054,949	-
Bank Loans	1,912,802	-	1,912,802	-
Asset Backed Securities	5,633,755	-	5,633,755	-
Emerging Markets - Debt	218,124,508	$ 218,124,508	-	-
Index Funds - Debt	765,643,197	765,643,197	-	-
Total Debt Securities	1,102,369,210	983,767,705	118,601,505.44	-
Equity Securities				
Equities	81,227,665	81,227,665	-	-
Equity Real Estate	101,712,661	101,712,661	-	-
Index Funds - Equity	1,582,765,266	1,582,765,266	-	-
Equity Funds	51,729,354	51,729,354	-	-
International & Emerging Markets Funds	377,630,409	377,630,409	-	-
Total Equity Securities	2,195,065,354	2,195,065,354	-	-
Total Investments by Fair Value Level	$ 3,297,434,565	$ 3,178,833,059	$ 118,601,505	$ -

Note: Cash equivalent investments, in the amount of $51,172,758, that are measured at amortized cost are not classified in the fair value hierarchy and as a result, are not included in the above table.

Invest529 investments measured at NAV:

Investments Measured at the NAV		Fair Value	Unfunded Commitments	Redemption Frequency (if Currently	Redemption Notice Period
Equity Real Estate					
UBS Realty Investors	$	66,079,698	-	Quarterly	60 Days
Blackstone Property Partners		38,794,924	-	Quarterly	90 Days
Total Investments Measured at the NAV	$	104,874,622			

Description of Invest529 investments measured at NAV:

Equity Real Estate: This investment type includes two limited partnerships. 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. Blackstone Property Partners is an open ended commingled fund seeking core plus real estate investments in the U.S. and Canada. The fair values of investments in this type have been determined using the NAV per share of VA529's ownership of the partnership.

6. Securities Lending Transactions

As of June 30, 2018, there were $367,970 in investments and cash equivalents held by the Treasurer of Virginia that represent VA529's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. The Treasurer of Virginia is authorized to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future – for a fee. The Commonwealth's policy is to record unrealized gains and losses on the State Treasury's securities lending program 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 $2,014 for securities lending transactions in fiscal year 2018. 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 found at https://www.doa.virginia.gov/ by selecting "Reports" and "Comprehensive Annual Financial Report".

7. Commitments

VA529 is committed under operating leases for business equipment, single office space rental, and VA529's headquarters office building. The equipment lease is for a three-year term. The single office space rental is for one year, automatically renewing each year. In all cases, VA529 expects that in the normal course of business, these leases will be renewed or replaced by similar leases.

The total rental expense for the equipment and single office space was $311,802 for the fiscal year ended 2018. As of June 30, 2018, VA529 had the following total future minimum rental payments due under these leases.

Fiscal Year		Amount
2019	$	199,415
2020		127,247
2021		64,367
2022		16,487
Total future minimum rental payments*	$	407,516

* Total does not include operating lease payments for the Arboretum Building referenced below

On July 1, 2018, VA529 entered into a 10-year extension of its Lease Agreement with Aventura Holdings, LLC under which it leases the 48,500 square foot headquarters office building through June 30, 2028. Prior to the expiration of the first option lease on June 30, 2018, the Lease was reflected as a capital lease and VA529's financial statements reflected the lease obligation as a liability and the office building as an asset in the enterprise fund's financial statements. The Lease was removed from the enterprise fund as a capital lease in 2018 and a loss was recorded in the enterprise fund.

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.

Periods(1)	Annual Base Rent
2019	$ 652,913
2020	669,235
2021	685,966
2022	703,115
2023	720,693
Thereafter	3,882,905
Total Arboretum future minimum rental payments	$ 7,314,827

(1) 2018 rent at $13.46 psf with a 2.5% annual escalator.

Aventura has also established a renewal and replacement reserve funded from a portion 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	Reserve Funding
July 1, 2018 - June 30, 2019	$ 97,937
July 1, 2019 - June 30, 2020	100,385
July 1, 2020 - June 30, 2021	102,895
July 1, 2021 - June 30, 2022	105,467
July 1, 2022 - June 30, 2023	108,104
July 1, 2023 - June 30, 2024	110,807
July 1, 2024 - June 30, 2025	113,577
July 1, 2025 - June 30, 2026	116,416
July 1, 2026 - June 30, 2027	119,327
July 1, 2027 - June 30, 2028	122,310

8. Long-Term Liabilities

Long-term liabilities include tuition benefits payable 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. 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, 2018. Long-term leave liability is further apportioned as current or noncurrent based on whether they are estimated to be due within one year or due greater than one year, respectively.

Changes in long-term liabilities are shown below:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 717,787	$ 681,554	$ 627,532	$ 771,809	$ 677,111
Tuition Benefits	2,048,168,035	266,025,107	178,970,716	2,135,222,426	281,415,169
Capital lease obligation *	5,024,654		5,024,654	-	
Total	$ 2,065,603,479	$ 266,706,661	$ 184,622,902	$ 2,135,994,235	$ 282,092,280

* Liability previously recorded under a capital lease and modified in fiscal 2018.

9. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2018.

Enterprise Fund	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Depreciable capital assets:				
Equipment	$1,713,475	$114,491	-	$1,827,966
Software	1,038,466	-	-	1,038,466
Building*	8,800,000	-	8,800,000	-
Total Depreciable capital assets:	11,551,941	114,491	8,800,000	2,866,432
Less accumulated depreciation for:				
Equipment	1,231,542	169,019	-	1,400,561
Software	599,008	103,847	-	702,855
Building	1,415,916	238,196	1,654,112	-
Total accumulated depreciation	3,246,466	511,062	1,654,112	2,103,416
Net depreciable capital assets	8,305,473	(396,571)	7,145,888	763,014
Total net capital assets	$8,305,473	($396,571)	7,145,888	$763,014

*Asset previously recorded under a capital lease and modified in fiscal 2018.

10. 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 2018, VA529's Board reviewed the rates of investment return and future tuition growth assumptions and reduced the long-term investment return assumption from 6.25 to 5.75 percent. The Board also reduced the future tuition growth assumption for two-year institutions and community colleges from 6.50 to 6.0 percent, while retaining the future tuition growth assumption for four-year universities at 6.50 percent. The following assumptions were used in the actuarial valuation for June 30, 2018:

Investment Rate of Return: 5.75 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 2019 and thereafter	6.5%	6.0%

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 177 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 $60.74 and Annual Distribution Cost per Contract in Payment Status of $26.89. 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, 2018, 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.

	2018	2017	Change
Prepaid529 contract payments receivable	$194,222,426	$194,568,035	($345,609)
Tuition benefits payable	$2,135,222,426	$2,048,168,035	$87,054,391

11. Retirement and Pension Plan

Eligibility

VA529 employees are employees of the Commonwealth of Virginia. VA529 employees participate in one of two defined benefit pension plans or a hybrid retirement plan all of which are administered by the Virginia Retirement System (VRS or System). The first defined benefit plan (Plan 1) includes members who became eligible for VRS prior to July 1, 2010 and vested as of January 1, 2013. Otherwise, Plan 1 is a closed plan. Plan 2 is a defined benefit plan for employees who became eligible on or after July 1, 2010 or whose membership date was before July 1, 2010 but they were not vested as of January 1, 2013. The hybrid retirement plan combines the features of a defined benefit plan and a defined contribution plan and is open to members hired on or after January 1, 2014, as well as other members who were eligible and opted into this plan. Eligibility is determined by the *Code of Virginia*, as may be amended from time to time. In addition, certain members are eligible for an optional retirement plan (ORP), having service under Plans 1 or 2 and are not eligible to elect the hybrid retirement plan option.

Benefits provided

Plans 1 and 2's members are eligible for benefits based on a formula adjusting for age, creditable service and average final compensation. The hybrid retirement plan contains a similar formula to the defined benefit plans, but incorporates a defined contribution component (DC). The DC element depends on the member and VA529's contributions made to the plan and the investment performance of those contributions, net of any required fees.

Various adjustments to benefit provisions based on Plan are detailed in the VRS annual report found at https://www.varetire.org, clicking on "Publications" and "Comprehensive Annual Financial Report."

Contributions

In general, employees contribute 5 percent (5%) of their compensation each month through a pre-tax salary reduction. VA529 contributes to VRS based on an actuarial determination only for members of Plan 1. For the hybrid retirement plan, mandatory employee contributions are based on a percentage of creditable compensation and matched by VA529. Members may choose to make additional voluntary contributions to the plan and VA529 is required to match those contributions according to specified percentages.

Contribution formulas for active employees are also provided in the *Code of Virginia*, as amended, but may be adjusted based on funding provided by the General Assembly. For the year ended June 30, 2018, the contribution rate was 13.49 percent of compensation, based on an actuarial valuation as of June 30, 2015. Contributions to VRS totaled $1,005,074 for the fiscal year.

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

As of June 30, 2018, VA529 reported a liability of $10,526,000 for its proportionate share of the VRS Net Pension Liability (NPL). The NPL was measured as of June 30, 2017 and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. VA529's proportion of the NPL was based on a projection of VA529's actuarially-determined long-term share of contributions to the pension plan for the year ended June 30, 2017 relative to the projected contributions of all participating employers and the State. At June 30, 2017, VA529's proportion of the VRS State Employee Retirement Plan was 0.17742 percent as compared to 0.17215 percent at June 30, 2016.

For the year ended June 30, 2018, VA529 recognized pension expense of $1,167,000 for the VRS. Due to the change in proportionate share from June 30, 2016 to June 30, 2017, a portion of the pension expense relates to deferred amounts from changes in proportion and differences between VA529's contributions and the proportionate share of employer contributions expected to be amortized in future years.

At June 30, 2018, 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	$ 22,000	$ 767,000
Net difference between projected and actual earnings on pension plan investments	-	-
Change in assumptions	102,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	483,000	-
Employer contributions subsequent to the measurement date	1,005,074	-
Total	$ 1,612,074	$ 767,000

VA529 reported $1,005,074 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the NPL in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense
FY 2019	$ (84,000)
FY 2020	180,000
FY 2021	46,000
FY 2022	(302,000)
FY 2023	-

Actuarial Assumptions

The total pension liability in VRS' actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. The following adjustments were made as a result of the Study:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan 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 plan 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 allocation and best estimates 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	Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	Expected arithmetic nominal return		7.30%

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 VRS contributions will be made per the *Code of Virginia* from employers including VA529 at rates equal to the difference between the actuarially determined contributions rates adopted by VRS and the member rate. During the fiscal year ended June 30, 2019, a portion of the rates will be funded by an appropriation from the Commonwealth. Starting on July 1, 2019, the discount rate assumes 100 percent funding by all employers. VRS's fiduciary net position is projected to be available to make all projected future benefit payments for 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 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 NPL using the discount rate of 7.00 percent, as well as what VA529's proportionate share of the NPL 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	$ 15,548,000	$ 10,526,000	$ 6,308,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS's fiduciary net position is available in the separately issued VRS Comprehensive Annual Financial Report found at https://www.varetire.org selecting "Publications" and "Comprehensive Annual Financial Report."

Payables to the Pension Plan

As of June 30, 2018, VA529 reported payables to VRS in the amount of $61,240. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

12. Group Life Insurance Program, Virginia Sickness and Disability Plan and State Employee Health Insurance Credit Program

Eligibility and Plan Descriptions

VA529 employees are employees of the Commonwealth of Virginia and are eligible for programs provided separately from the Virginia Retirement System's (VRS's) pension plans but administered by the VRS. The VRS administers the Group Life Insurance Program (GLIP), Disability Insurance Program (Virginia Sickness and Disability Program or VSDP) and the State Employee Health Insurance Credit Program (HICP).

Details as to eligibility, the benefit provisions, and contribution requirements for each of these programs may be found in the VRS annual report found at https://www.varetire.org, clicking on "Publications" and "Comprehensive Annual Financial Report." The programs and eligibility for each are summarized below.

Group Life Insurance Program: VA529's full-time, salaried, permanent employees are automatically covered by the GLIP. The GLIP is a defined benefit plan that provides a basic group life insurance benefit. In addition to the basic group life insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program, which is a separate and fully insured program, and it is not included as part of the GLIP.

Virginia Sickness and Disability Program: VA529's full-time and part-time, salaried, permanent employees hired on or after January 1, 1999 are automatically covered by the VSDP. The VSDP also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. All but one of VA529's employees participate in the VSDP. The VSDP is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for non-work-related and work-related disabilities.

State Employee Health Insurance Credit Program: VA529's full-time, salaried, permanent employees are automatically covered by the HICP. The HICP is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees who retire with at least 15 years of service credit. Employees earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Benefits

Benefits for each of the programs include as follows:

GLIP	VSDP	HICP
The benefits payable under the GLIP include natural death and accidental death benefits and additional benefits provided under specific circumstances. The benefit amounts provided to members are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLIP of $8,000. This amount is increased annually based on a cost-of-living adjustment and is currently $8,111.	Leave and short-term disability benefits under the VSDP are paid by the employer. The short-term and long-term disability benefits include income replacement up to certain levels and for certain time periods based on the employee's disability period and length of service. Long-term disability and long-term care benefits are paid from the VSDP. Depending on the type of long-term benefit received, the employee's benefit or creditable compensation may be increased annually by an amount recommended by VRS's actuary and approved by the VRS Board.	The monthly benefit payable to retired VA529 employees under the HICP is $4.00 per year of service per month with no cap on the benefit amount. For VA529 employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program, the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

Contributions

The contribution requirements for the GLIP, VSDP and HICP are governed by the *Code of Virginia*, as amended, but may be impacted as a result of funding provided by the General Assembly. Contribution provisions are summarized as follows:

GLIP	VSDP	HICP
The total rate for the GLIP was 1.31 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent (1.31 percent X 60 percent) and the employer component was 0.52 percent (1.31 percent X 40 percent). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. VA529's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52 percent of covered employee compensation based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. VA529's contributions were $101,528 for the year ended June 30, 2018.	VA529's contractually required contribution rate for the VSDP for the year ended June 30, 2018 was 0.66 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. VA529's contributions to the VSDP were $50,835 for the year ended June 30, 2018.	VA529's contractually required contribution rate for the year ended June 30, 2018 was 1.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. VA529's contributions were $91,582 for the year ended June 30, 2018.

GLIP OPEB Liabilities, GLIP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLIP OPEB

At June 30, 2018, VA529 reported a liability $593,000 for its proportionate share of the VRS Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2017 and the total GLIP OPEB liability used to calculate the Net GLIP OPEB Liability was determined by an actuarial valuation as of that date. VA529's proportion of the Net GLIP OPEB Liability was based on VA529's actuarially determined employer contributions to the GLIP for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, VA529's proportion 0.03944 percent as compared to 0.03906 percent at June 30, 2016.

For the year ended June 30, 2018, VA529 recognized GLIP OPEB expense of $8,000. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, VA529 reported deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 13,000
Net difference between projected and actual earnings on GLIP OPEB program investments	-	22,000
Change in assumptions	-	31,000
Changes in proportion	6,000	-
VA529 contributions subsequent to the measurement date	101,528	-
Total	$ 107,528	$ 66,000

VA529 reported $101,528 of deferred outflows of resources related to the GLIP OPEB resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the Net GLIP OPEB Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB will be recognized in the GLIP OPEB expense in future years as follows:

Year ended June 30	GLIP OPEB Expense
FY 2019	$ (13,000)
FY 2020	(13,000)
FY 2021	(13,000)
FY 2022	(13,000)
FY 2023	(7,000)
Thereafter	(1,000)

VSDP OPEB Liabilities, VSDP Net OPEB Assets, VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2018, VA529 reported an asset of $393,000 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2017 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of that date.

VA529's proportion of the Net VSDP OPEB Asset was based on VA529's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, VA529's proportion was 0.19152 percent as compared to 0.18844 percent at June 30, 2016.

For the year ended June 30, 2018, VA529 recognized VSDP OPEB expense of $32,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, VA529 reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	31,000
Change in assumptions	-	29,000
Changes in proportion	-	4,000
VA529 contributions subsequent to the measurement date	50,835	-
Total	$ 50,835	$ 64,000

VA529 reported $50,835 as deferred outflows of resources related to the VSDP OPEB resulting from contributions subsequent to the measurement date, which will be recognized as an adjustment of the Net VSDP OPEB Asset in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future years as follows:

Year ended June 30	VSDP OPEB Expense
FY 2019	$ (13,000)
FY 2020	(13,000)
FY 2021	(13,000)
FY 2022	(13,000)
FY 2023	(4,000)
Thereafter	(8,000)

HICP OPEB Liabilities, HICP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HICP OPEB

At June 30, 2018, VA529 reported a liability of $1,025,000 for its proportionate share of the VRS HICP Net OPEB Liability. The Net HICP OPEB Liability was measured as of June 30, 2017 and the total HICP OPEB liability used to calculate the Net HICP OPEB Liability was determined by an actuarial valuation as of that date. VA529's proportion of the Net HICP OPEB Liability was based on VA529's actuarially determined employer contributions to the HICP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, VA529's proportion of the HICP was 0.11259 percent as compared to 0.11150 percent at June 30, 2016.

For the year ended June 30, 2018, VA529 recognized HICP OPEB expense of $91,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the HICP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, VA529 reported deferred outflows of resources and deferred inflows of resources related to the HICP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on State HICP OPEB plan investments	-	3,000
Change in assumptions	-	11,000
Changes in proportionate share	8,000	-
VA529 contributions subsequent to the measurement date	91,582	-
Total	$ 99,582	$ 14,000

VA529 reported $91,582 as deferred outflows of resources related to the HICP OPEB resulting from VA529's contributions subsequent to the measurement date, which will be recognized as a reduction of the Net HICP OPEB Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HICP OPEB will be recognized in the HICP OPEB expense in future years as follows:

Year ended June 30	HICP OPEB Expense
FY 2019	$ (1,000)
FY 2020	(1,000)
FY 2021	(1,000)
FY 2022	(1,000)
FY 2023	(2,000)
Thereafter	-

Actuarial Assumptions

The various total OPEB liabilities were based on an actuarial valuation for all programs as of June 30, 2016, 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, 2017:

Assumptions	Provisions
Inflation	2.5 percent
Salary increases, including inflation (General state employees only)	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of investment expenses, including inflation
Mortality rates:	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85 percent of rates; females set back 1 year.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5 percent increase compounded from ages 70 to 85.
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115 percent of rates; females 130 percent of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Assumptions	Changes
Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Line of Duty Disability	Increased rate from 14 percent to 25 percent

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 the System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	Expected arithmetic nominal return		7.30%

Discount Rate

The discount rate used to measure the various total OPEB liabilities was 7.00 percent, determined as follows:

Program	Method
GLIP	Projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates adopted by VRS and the member rate.
VSDP	Projection of cash flows used to determine the discount rate assumed that employer contributions will be made per VRS guidance and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by VRS.
HICP	Projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with VRS guidance at rates equal to the actuarially determined contribution rates adopted by VRS.

Through the fiscal year ending June 30, 2019, a portion of the rates for each of the programs will be funded by an appropriation from the Commonwealth. Starting on July 1, 2019 the discount rate assumes 100 percent funding by all employers / agencies. VRS's fiduciary net position is projected to be available to make all projected future benefit payments for eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the respective liability.

Sensitivity of VA529's Proportionate Share of the Net OPEB Liabilities (Asset) to Changes in the Discount Rate

The following table presents VA529's proportionate share of the net GLIP OPEB liability, net VSDP OPEB asset and net HICP OPEB liability using the discount rate of 7.00 percent, as well as what VA529's proportionate share of the net GLIP OPEB liability, net VSDP OPEB asset, and net HICP OPEB 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:

VA529's proportionate share of the VRS:	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLIP Net OPEB Liability	$ 768,000	$ 593,000	$ 452,000
VSDP Net OPEB Asset	$ (374,000)	$ (393,000)	$ (426,000)
HICP Net OPEB Liability	$ 1,133,000	$ 1,025,000	$ 931,000

GLIP, VSDP and HICP Fiduciary Net Position

Detailed information about the VRS GLIP, VSDP and HICP's fiduciary net positions is available in the separately issued VRS Comprehensive Annual Financial Report found at https://www.varetire.org selecting "Publications" and "Comprehensive Annual Financial Report."

Payables to the VRS GLIP, VSDP and HICP

As of June 30, 2018, VA529 reported payables to VRS in the amount of $6,217 for GLIP. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

As of June 30, 2018, VA529 reported payables to VRS in the amount of $3,052 for VSDP. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

As of June 30, 2018, VA529 reported payables to VRS in the amount of $5,585 for HICP. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

13. Healthcare Plan for Pre-Medicare Retirees

Eligibility and Plan Description

VA529 employees who retire from state service and receive VRS monthly benefits or periodic benefits from another qualified vendor, and who are not eligible to participate in Medicare because of their age, are eligible to participate in the Pre-Medicare Retiree Healthcare Plan (PMRHP) administered by the Commonwealth's Department of Human Resource Management (DHRM). For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS *or* a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

Benefits

VA529 effectively subsidizes the costs of the participating retirees' healthcare through payment of its portion of the premiums for active employees.

Contributions

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.

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, VA529 reported $1,510,217 as VA529's proportionate share of the PMRHP's Total OPEB liability. The PMRHP OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017. VA529's proportionate amount of the PMRHP OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2017, VA529's proportion was 0.11627 percent as compared to 0.11325 percent at June 30, 2016.

For the year ended June 30, 2018, VA529 recognized PMRHP OPEB expense of $127,852.

At June 30, 2018, VA529 reported deferred outflows of resources and deferred inflows of resources related to PMRHP OPEB comprised of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 60,743
Change in assumptions	-	320,167
Change in proportion	39,925	-
Subtotal	39,925	380,910
VA529 contributions subsequent to the measurement date	40,049	N/A
Total	$ 79,974	$ 380,910

VA529 reported $40,049 as deferred outflows of resources related to PMRHP OPEB resulting from amounts associated with transactions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability during the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PMRHP OPEB will be recognized as part of PMRHP OPEB expense in future years as follows:

Fiscal Year Ended June 30	PMRHP OPEB Expense
2019	$ (62,796)
2020	(62,796)
2021	(62,796)
2022	(62,796)
2023	(62,796)
Thereafter	(27,005)

Actuarial Assumptions and Discount Rate

The Total PMRHP OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions. DHRM selected the economic, demographic and healthcare claim cost assumptions. DHRM's actuary provided guidance with respect to these assumptions.

Assumptions –PMRHP	Provisions – PMRHP
Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2017 (one year prior to the end of the fiscal year)
Amortization Method	Level dollar, Closed.
Effective Amortization Period	6.43 years
Discount Rate	3.58%. The discount rate was based on *The Bond Buyer's* GO 20 Municipal Bond Index as of the measurement date which is June 30, 2017.
Projected Salary Increases	4%
Medical Trend Under 65	Medical and prescription drugs: 8.62% to 5.00% Dental: 4.00% Before reflecting excise tax in federal law as of the valuation date.
Year of Ultimate Trend	2025
Mortality:	Mortality rates vary by participant status (below).
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Changes of Assumptions

The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates -updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates - lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates - adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85 percent to 3.58 percent based on *The Bond Buyer's* GO 20 Municipal Bond Index. Spousal coverage was reduced from 70 percent to 50 percent based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since January 1, 2015 have chosen to cover their spouses approximately 20 percent of the time. However, active employees cover their spouses at a rate close to 53 percent.

Sensitivity of VA529's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents VA529's proportionate share of the PMRHP OPEB liability using the discount rate of 3.58 percent, as well as what VA529's proportionate share of the PMRHP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58 percent) or one percentage point higher (4.58 percent) than the current rate:

	1.00% Decrease (2.58%)		Current Discount Rate (3.58%)		1.00% Increase (4.58%)
VA529's proportionate share of the total PMRHP liability	$	1,617,787	$	1,510,217	$ 1,407,153

The following presents VA529's proportionate share of the PMRHP OPEB liability using a healthcare cost trend rate of 8.62 percent decreasing to 5 percent, as well as what VA529's proportionate share of the PMRHP OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.62 percent decreasing to 4.0 percent) or one percentage point higher (9.62 percent decreasing to 6.0 percent) than the current rate:

	1.00% Decrease from Initial Rate of 8.62% decreasing to 5.00% (7.62% - 4.00%)	Current Healthcare Cost Trend Rate (8.62% - 5.00%)	1.00% Increase from Initial Rate of 8.62% decreasing to 5.00% (9.62%- 6.00%)
VA529's proportionate share of the total PMRHP liability	$1,341,710	$1,510,217	$1,705,413

Payables to the PMRHP

As of June 30, 2018, VA529 reported payables to DHRM in the amount of $81,668 for medical and hospitalization insurance premiums, which includes its proportionate share for PMRHP. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business

Detailed information about the Commonwealth's PMRHP is available in the separately issued Commonwealth's Comprehensive Annual Financial Report found at https://www.doa.virginia.gov/ by selecting "Reports" and "Comprehensive Annual Financial Report."

14. 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.

15. 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, 2018, the SOAR Virginia account had a balance of $10.9 million. During fiscal year 2018, $411,761 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, 2018 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
4,428	$4,852,570	$2,370,500	$7,223,070

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

16. 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, 2018:

	Scholarship		Promotional	
Program	Accounts	Value	Accounts	Value
Invest529	234	$878,575	205	$1,121,807
Prepaid529	20	$318,332	16	$219,461

Prepaid529 value represents the cancellation value of accounts at June 30, 2018
Invest529 value represents the aggregate market value of the investments in the portfolios at June 30, 2018

17. 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 2018 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 2018 after it receives all Schedule K-1s at the end of calendar 2018.

Required Supplementary Information

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VA529 Pension Liability

Schedule of VA529's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Years Ended June 30, 2018, 2017, 2016 and 2015*

	2018	**2017**	**2016**	**2015**
VA529's Proportion of the Net Pension Liability (Asset)	0.18063%	0.17742%	0.17215%	0.15817%
VA529's Proportionate Share of the Net Pension Liability (Asset)	$10,526,000	$11,693,000	$10,540,000	$8,855,000
VA529's Covered Payroll	$ 7,365,537	$ 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	142.91%	165.59%	156.93%	143.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only four years 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, 2009 through 2018

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)
2018	$ 1,005,074	$ 1,005,074	$ -	$7,812,559	12.86%
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%
2014	$ 537,861	$ 537,861	$ -	$6,188,569	8.69%
2013	$ 496,607	$ 496,607	$ -	$5,745,850	8.64%
2012	$ 406,968	$ 406,968	$ -	$5,594,087	7.27%
2011	$ 318,610	$ 318,610	$ -	$4,505,956	7.07%
2010	$ 427,410	$ 427,410	$ -	$4,937,488	8.66%
2009	$ 437,497	$ 437,497	$ -	$3,905,757	11.20%

Notes to Required Supplementary Information
State Retirement Employment Plan

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, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre- retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

VA529 OPEB Liability

Schedule of VA529's Share of Net OPEB Liability Group Life Insurance Program (GLIP) For the Year Ended June 30, 2017*		
		2017
VA529's Proportion of the Net GLIP OPEB Liability (Asset)		0.03944%
VA529's Proportionate Share of the Net GLIP OPEB Liability (Asset)	$	593,000
VA529's Covered Payroll	$	7,061,526
VA529's Proportionate Share of the Net GLIP OPEB Liability (Asset) as a Percentage of its Covered Payroll		8.40%
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability		48.86%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is 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 - GLIP
For the Years Ended June 30, 2009 through 2018

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)
2018	$	40,625	$	101,528	$	(60,903)	$	7,812,559	1.30%
2017	$	38,301	$	95,395	$	(57,094)	$	7,365,537	1.30%
2016	$	33,895	$	83,516	$	(49,621)	$	7,061,526	1.18%
2015	$	32,239	$	79,067	$	(46,827)	$	6,716,544	1.18%
2014	$	29,705	$	72,864	$	(43,159)	$	6,188,569	1.18%
2013	$	27,580	$	67,981	$	(40,401)	$	5,745,850	1.18%
2012	$	16,223	$	56,984	$	(40,762)	$	5,594,087	1.02%
2011	$	12,617	$	53,499	$	(40,883)	$	4,505,956	1.19%
2010	$	13,331	$	30,122	$	(16,790)	$	4,937,488	0.61%
2009	$	12,889	$	32,326	$	(19,437)	$	3,905,757	0.83%

Schedule of VA529's Share of Net OPEB Liability
Health Insurance Credit Program (HICP)
For the Year Ended June 30, 2017*

		2017
VA529's Proportion of the Net HICP OPEB Liability (Asset)		0.11259%
VA529's Proportionate Share of the Net HICP OPEB Liability (Asset)	$	1,025,000
VA529's Covered Payroll	$	7,061,526
VA529's Proportionate Share of the Net HICP OPEB Liability (Asset) as a Percentage of its Covered Payroll		14.52%
Plan Fiduciary Net Position as a Percentage of the Total HICP OPEB Liability		8.03%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is 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 - HICP
For the Years Ended June 30, 2009 through 2018

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)
2018	$	92,188	$	91,582	$	606	$	7,812,559	1.17%
2017	$	86,913	$	86,879	$	34	$	7,365,537	1.18%
2016	$	74,146	$	73,942	$	204	$	7,061,526	1.05%
2015	$	70,524	$	69,761	$	763	$	6,716,544	1.04%
2014	$	61,886	$	61,137	$	749	$	6,188,569	0.99%
2013	$	57,459	$	56,716	$	743	$	5,745,850	0.99%
2012	$	78,317	$	56,984	$	21,333	$	5,594,087	1.02%
2011	$	4,506	$	53,985	$	(49,479)	$	4,505,956	1.20%
2010	$	49,375	$	38,312	$	11,063	$	4,937,488	0.78%
2009	$	46,088	$	46,011	$	77	$	3,905,757	1.18%

Schedule of VA529's Share of Net OPEB Liability
Virginia Sickness and Disability Program (VSDP)
For the Year Ended June 30, 2017*

		2017
VA529's Proportion of the Net VSDP OPEB Liability (Asset)		0.19152%
VA529's Proportionate Share of the Net VSDP OPEB Liability (Asset)	$	(393,000)
VA529's Covered Payroll	$	7,061,526
VA529's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll		-5.57%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability		186.63%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only one year of data is 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 - VSDP
For the Years Ended June 30, 2009 through 2018

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)
2018	$ 51,563	$ 50,835	$ 728	$ 7,812,559	0.65%
2017	$ 48,613	$ 48,260	$ 352	$ 7,365,537	0.66%
2016	$ 46,606	$ 46,054	$ 552	$ 7,061,526	0.65%
2015	$ 44,329	$ 43,530	$ 799	$ 6,716,544	0.65%
2014	$ 29,086	$ 28,664	$ 422	$ 6,188,569	0.46%
2013	$ 27,005	$ 26,479	$ 527	$ 5,745,850	0.46%
2012	$ 1,678	$ 36,555	$ (34,877)	$ 5,594,087	0.65%
2011	$ -	$ 36,765	$ (36,765)	$ 4,505,956	0.82%
2010	$ 49,375	$ 38,094	$ 11,281	$ 4,937,488	0.77%
2009	$ 69,913	$ 70,742	$ (829)	$ 3,905,757	1.81%

Notes to Required Supplementary Information
Commonwealth of Virginia GLIP, VSDP, and HICP

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Schedule of VA529's Share of Total OPEB Liability Pre-Medicare Retirees For the Year Ended June 30, 2018*		
		2018
VA529's proportion of the collective total OPEB liability		0.11627%
VA529's proportionate share of the collective total OPEB liability	$	1,510,217
VA529's covered-employee payroll	$	7,812,559
VA529's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll		19.33%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

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

Notes to Required Supplementary Information
Commonwealth of Virginia State Health Plans Program
for Pre-Medicare Retirees

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the July 1, 2016 valuation based on the results of a Virginia Retirement System actuarial experience study performed for the period of July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates – updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates – adjusted rates to better fit experience at each year age and service through 9 years of service

The discount rate was increased from 2.85% to 3.58% based on the *Bond Buyer's* GO 20 Municipal Bond Index and spousal coverage was reduced from 70% to 50% based on a blend of recent spousal coverage election rates and the prior year assumption. Based on the 2017 census, new retirees since 1/1/2015 have chosen to cover their spouses approximately 20% of the time. However, active employees cover their spouses at a rate close to 53%.

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Supplementary Information

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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

Prepaid529SM

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.	TIF International Equity Series
The Vanguard Group, Inc.	Institutional Index Fund

Invest529SM

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
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.	Total International Bond Index 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.	Real Estate Index Fund

APPENDIX B

Separate Accounts, Commingled Funds & Alternative Managers by Program

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 Alternative Asset Management	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
Golub Capital	Private Debt
Horsley Bridge Partners	Private Equity Fund of Funds
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	SMID Growth Domestic Equity

Invest529SM

Blackstone Property Partners	Private Real Estate
Invesco Advisers, Inc.	Stable Value Fixed Income
PGIM Fixed Income	High-Yield Fixed Income
Rothschild Asset Management, Inc.	SMID Cap Value Domestic Equity
UBS Realty Investors, LLC	Private Real Estate
Union Bank & Trust	FDIC-Insured (Cash & Equivalents)

Appendix C
Investment Details by Program as of June 30, 2018
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 Equity	Emerging Market Equity	$ 131,385,365	4.83%
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	132,923,584	4.88%
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	67,879,540	2.49%
Donald Smith & Co.	Small-Cap Value	N/A	65,833,131	2.42%
Templeton Institutional Funds, Inc.	International Value	TIF International Equity Series	134,989,454	4.96%
The Vanguard Group, Inc.	Large-Cap Domestic Blend	Institutional Index	94,220,395	3.46%
Thompson, Siegel & Walmsley, LLC	Small/Mid-Cap Value	N/A	91,184,465	3.35%
Westfield Capital Management Co., LP	SMID-Cap Growth	N/A	152,842,305	5.62%
Total Equities			*871,258,239*	*32.01%*
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	116,165,120	4.27%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	23,571,227	0.87%
Aurora Investment Management, LLC	Hedge Fund of Funds	N/A	183,490	0.01%
Aventura Holdings, LLC	Private Real Estate	N/A	8,502,801	0.31%
Blackstone Alternative Asset Management	Hedge Fund of Funds	N/A	134,547,104	4.94%
Commonfund	Private Equity Fund of Funds	N/A	18,131,920	0.67%
LGT Capital Partners	Private Equity Secondaries		2,054,578	0.08%
Neuberger Berman	Private Equity Fund of Funds	N/A	15,194,773	0.56%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	37,154,327	1.36%
UBS Realty Investors, LLC	Private Real Estate	N/A	63,594,161	2.34%
Total Alternative Investments			*419,099,501*	*15.40%*
Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	122,182,542	4.49%
BlackRock, Inc.	Intermediate Corporate Bonds	N/A	82,746,946	3.04%
BlackRock, Inc.[2]	Cash Equivalents	T-Fund	2,181,054	0.08%
Ferox Capital, LLP	Convertible Bonds	N/A	76,512,005	2.81%
Golub Capital	Private Debt	N/A	10,500,000	0.39%
Invesco Advisers, Inc.[3]	Stable Value	N/A	138,664,672	5.09%
PGIM Fixed Income	High Yield Bonds	N/A	265,425,130	9.75%
Schroders Investment Management, Inc.	Mortgage-Backed Securities	N/A	92,127,641	3.38%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	247,229,677	9.08%
State Street Global Advisors	Inflation-Protected Securities	N/A	137,322,525	5.04%
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	76,225,002	2.80%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	178,881,790	6.57%
Treasurer of Virginia	Cash Equivalents	N/A	1,174,466	0.04%
VA529 Transition Account	N/A	N/A	462,277	0.02%
Total Fixed Income			*1,431,635,726*	*52.60%*
Grand Total			*$ 2,721,993,466*	*100.00%*

[1]May not sum to 100% due to rounding. [2]BlackRock, Inc. operating cash in the amount of $17,269,007 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, 2018

Invest529[SM]

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	$61,246,028
Blackstone Property Partners	Private Real Estate	N/A	38,794,924
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	127,771,444
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	63,063,718
Templeton Institutional Funds, Inc.	International Value Equity	Templeton International Equity Series	125,549,220
Invesco Advisers, Inc.	Stable Value	N/A	1,032,997,159
PGIM Fixed Income	High Yield Bonds	N/A	124,108,321
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	82,762,278
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	218,124,508
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	401,033,353
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	266,726,500
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	60,390,836
UBS Trumbull Property	Private Real Estate	N/A	66,079,698
Total Age-Based Evolving Portfolios			*2,668,647,986*
Static Portfolios			
Parnassus Investments	Socially Targeted Large Cap Core Equity	Core Equity Fund	51,729,354
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	26,096,269
The Vanguard Group, Inc.	U.S. Real Estate	Real Estate Index Fund	101,712,661
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	252,913,255
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	343,587,514
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	912,060,416
The Vanguard Group, Inc.	International Fixed Income	Total International Bond Index Fund	85,600,319
Union Bank & Trust	FDIC - Insured (Cash & Equivalents)	N/A	79,055,201
Total Static Portfolios			*1,852,754,989*
Grand Total			*$4,521,402,975*

[1]Cash net of distributions liability held with Wells Fargo as well as with BNY Mellon (custodian) in the amount of $3,717,345 is not included in the total above.

APPENDIX D

SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDING JUNE 30, 2018

Prepaid529		2018
Management Fees:		
Domestic Equity Managers	$	2,310,116
International Equity Managers		3,564,455
Domestic Fixed Income Managers		2,446,156
International Fixed Income Managers		1,596,131
Convertibles Managers		1,503,287
Private Equity Managers		2,620,700
Hedge Fund Managers		1,443,280
Private Real Estate Managers		994,599
Total Management Fees	**$**	**16,478,723**
Private Investment Performance Fees & Expenses	**$**	**1,220,787**
Custodial and Other Expenses:		
Custodial Fees	$	560,298
Legal Fees		8,201
Proxy Voting Services		6,084
Actuarial Services		66,311
Total Custodial and Other Expenses	**$**	**640,892**
Investment Consulting	**$**	**145,648**
Total Prepaid529 Investment Expenses	**$**	**18,486,050**

Invest529		2018
Management Fees:		
Domestic Equity	$	987,184
International Equity		3,003,915
Domestic Fixed Income		1,018,184
International Fixed Income		1,503,531
Diversified Single Funds		601,372
Real Estate		1,295,131
Total Management Fees	**$**	**8,409,316**
Custodial and Other Expenses:		
Custodial Fees	$	886,703
Proxy Voting Services		9,616
Total Custodial and Other Expenses	**$**	**896,320**
Investment Consulting	**$**	**230,224**
Total Invest529 Investment Expenses	**$**	**9,535,860**

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, and therefore do not agree to the face of the financial statements for the Enterprise or Private Purpose Trust Fund.

Other Information

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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 the 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, 2018, approximately 2.30 million unique active accounts were open with net assets in excess of $64 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.

During fiscal year 2018, the American Funds College 2036 Fund was added to the CollegeAmerica mutual fund investment options and the American Funds College 2018 Fund was merged into the American Funds College Enrollment Fund to address the continuing evolution of their College Target Date options. As of June 30, 2018, the CollegeAmerica program offered 43 American Funds mutual funds. 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, 2018 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®	72,495	$2,338,823	2/28/18
EuroPacific Growth Fund®	35,980	2,008,123	3/31/18
The Growth Fund of America®	197,781	9,455,590	8/31/17
The New Economy Fund®	16,555	779,488	11/30/17
New Perspective Fund®	57,603	2,466,151	09/30/17
New World Fund®	17,406	1,138,323	10/31/17
SMALLCAP World Fund®	31,114	1,680,918	09/30/17
Growth-and-income funds			
American Mutual Fund®	28,893	1,179,964	10/31/17
Capital World Growth and Income Fund®	84,493	4,460,847	11/30/17
American Funds Developing World Growth and Income Fund℠	4,473	48,829	11/30/17
Fundamental Investors®	51,409	3,192,916	12/31/17
International Growth and Income Fund℠	6,201	205,787	6/30/18
The Investment Company of America®	84,242	3,392,758	12/31/17
Washington Mutual Investors Fund℠	62,455	2,817,687	4/30/18
Equity-income funds			
Capital Income Builder®	50,633	3,179,185	10/31/17
The Income Fund of America®	96,945	2,210,749	7/31/17
Balanced funds			
American Balanced Fund®	185,608	5,030,806	12/31/17
American Funds Global Balanced Fund℠	11,200	363,299	10/31/17
Bond funds			
American High-Income Trust®	44,320	464,580	9/30/17
American Funds Inflation Linked Bond Fund®	2,248	21,923	11/30/17
The Bond Fund of America®	107,662	1,388,063	12/31/17
Capital World Bond Fund®	22,520	449,499	12/31/17
Intermediate Bond Fund of America®	40,785	550,176	8/31/17
Short-Term Bond Fund of America®	46,942	467,206	8/31/17
American Funds Strategic Bond Fund℠	2,221	22,531	12/31/17
U.S. Government Securities Fund®	14,832	205,861	8/31/17
American Funds Mortgage Fund®	3,378	34,425	8/31/17
American Funds Corporate Bond Fund®℠	3,043	30,437	5/31/18
American Funds Emerging Markets Bond Fund℠	532	5,513	12/31/17
Money market fund			
American Funds U.S. Government Money Market Fund℠	1,587,580	1,587,783	09/30/17
American Funds College Target Date Series funds			
American Funds College 2021 Fund®	127,694	1,448,766	10/31/17
American Funds College 2024 Fund®	108,292	1,305,911	10/31/17
American Funds College 2027 Fund®	81,193	1,046,490	10/31/17
American Funds College 2030 Fund®	87,678	1,209,827	10/31/17
American Funds College 2033 Fund®	45,665	532,144	10/31/17
American Funds College 2036 Fund℠	-	-	
American Funds College Enrollment Fund®	37,209	369,316	10/31/17
American Funds Portfolio Series℠ funds			
American Funds Global Growth Portfolio℠	18,220	314,986	10/31/17
American Funds Growth Portfolio℠	46,243	833,792	10/31/17
American Funds Growth and Income Portfolio℠	43,422	652,833	10/31/17
American Funds Balanced Portfolio℠	29,998	445,266	10/31/17
American Funds Income Portfolio℠	13,426	169,150	10/31/17
American Funds Preservation Portfolio℠	14,389	142,569	10/31/17

Data compiled from American Funds audited fund statements. Funds listed are those open as of June 30, 2018.

CollegeAmerica
529 Share Class Net Assets as of June 30, 2018 (dollars and shares in thousands)

Fund	Shares	Net Assets
Growth funds		
AMCAP Fund®	73,992	$2,401,916
EuroPacific Growth Fund®	37,027	1,951,591
The Growth Fund of America®	204,172	10,821,382
The New Economy Fund®	18,475	876,576
New Perspective Fund®	60,074	2,665,193
New World Fund®	17,799	1,144,307
SMALLCAP World Fund®	32,224	1,831,086
Growth-and-income funds		
American Mutual Fund®	29,565	1,197,511
Capital World Growth and Income Fund®	87,799	4,443,565
American Funds Developing World Growth and Income Fund℠	4,931	49,783
Fundamental Investors®	51,502	3,219,005
International Growth and Income Fund℠	6,199	205,708
The Investment Company of America®	83,761	3,370,116
Washington Mutual Investors Fund℠	64,476	2,850,282
Equity-income funds		
Capital Income Builder®	50,811	3,045,170
The Income Fund of America®	96,261	2,180,241
Balanced funds		
American Balanced Fund®	187,759	5,087,995
American Funds Global Balanced Fund℠	12,473	398,498
Bond funds		
American High-Income Trust®	43,496	441,045
American Funds Inflation Linked Bond Fund℠	3,015	29,078
The Bond Fund of America®	109,353	1,372,379
Capital World Bond Fund®	22,633	440,102
Intermediate Bond Fund of America®	43,187	566,617
Short-Term Bond Fund of America®	53,110	520,391
U.S. Government Securities Fund®	2,851	28,337
American Funds Strategic Bond Fund℠	14,666	195,981
American Funds Mortgage Fund®	3,576	35,168
American Funds Corporate Bond Fund®	3,118	31,025
American Funds Emerging Markets Bond Fund®	873	8,350
Money market fund		
American Funds U.S. Government Money Market Fund℠	1,811,493	1,811,493
American Funds College Target Date Series funds		
American Funds College 2021 Fund®	147,200	1,615,601
American Funds College 2024 Fund®	128,933	1,519,617
American Funds College 2027 Fund®	98,467	1,235,472
American Funds College 2030 Fund®	104,717	1,428,854
American Funds College 2033 Fund®	65,508	771,085
American Funds College 2036 Fund℠	4,051	41,317
American Funds College Enrollment Fund®	142,149	1,379,181
American Funds Portfolio Series℠ funds		
American Funds Global Growth Portfolio℠	23,547	401,928
American Funds Growth Portfolio℠	53,400	1,001,701
American Funds Growth and Income Portfolio℠	48,118	731,715
American Funds Balanced Portfolio℠	34,182	422,784
American Funds Income Portfolio℠	16,414	242,428
American Funds Preservation Portfolio℠	15,867	154,390
Total Assets		**$64,165,962**

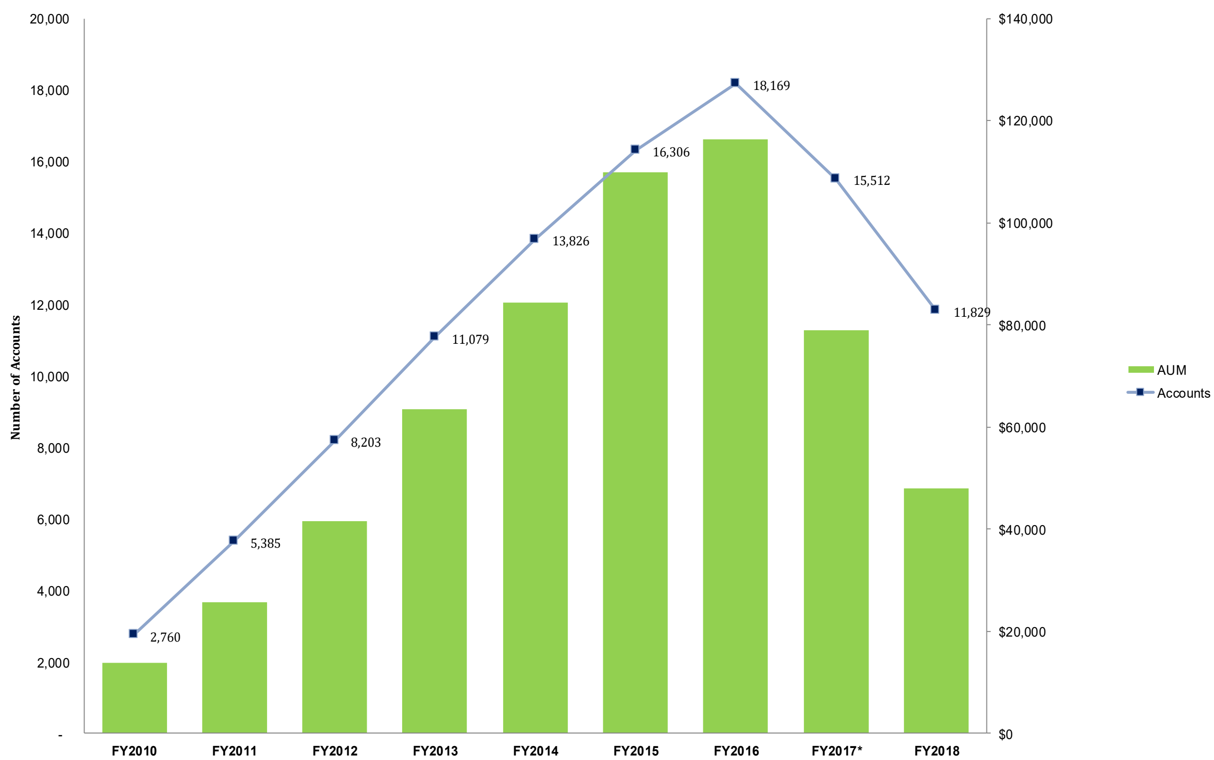
Data compiled from American Funds reports. Figures may not sum foot due to rounding.

CollegeWealth®

CollegeWealth is VA529's FDIC-insured, defined contribution, 529 college savings program, which closed to new participants in fiscal 2017. 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 FDIC insured. 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 UBT. With this offering VA529 terminated the existing CollegeWealth offering through UBT and transferred those remaining assets to the Invest529 FDIC-Insured Portfolio. On April 23, 2017, the CollegeWealth program offered through BB&T was closed to new participants. As of June 30, 2018, there were 11,829 unique active accounts with net assets of $47.9 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



* On April 3, 2017, $33.9 million representing 3,350 accounts was transferred from the CollegeWealth offering through Union Bank & Trust to the Invest529 FDIC-Insured Portfolio.

ABLEnow®

ABLEnow, Virginia's only IRC §529A savings option open during fiscal 2018, 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 development and implementation of ABLE program(s) 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, 2018, 3,299 accounts were open with more than $10 million in assets under management. More information on ABLEnow can be found at www.able-now.com.

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VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia

BOARD MEMBERS
As of June 30, 2018

Dr. Edward H. Bersoff, Chairman

Mr. Reggie Samuel, Vice Chairman

Mr. Peter A. Blake

Dr. Glenn DuBois

Mr. William E. Eastburn

Ms. Manju Ganeriwala

Mr. Shawn P. McLaughlin

Ms. Martha M. Mugler

Hon. Walter A. Stosch

Mr. Peter M. Vogt

Mr. David A. Von Moll

CHIEF EXECUTIVE OFFICER

Ms. Mary G. Morris

Committee Assignments

As of June 30, 2018

Audit and Actuarial Committee:

Board Members:

Hon. Walter A. Stosch, Chairman
David A. Von Moll, Vice Chairman
Dr. Edward H. Bersoff
Peter A. Blake
Manju Ganeriwala
Donna M. VanCleave, permanent designee for Dr. Glenn DuBois
Peter M. Vogt

Compensation Committee:

Board Members:

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

Investment Advisory Committee:

Board Members:

William E. Eastburn, Vice Chairman
Dr. Edward H. Bersoff
Manju Ganeriwala
Reggie Samuel
David A. Von Moll

Non-Board Members:

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

Ex Officio:

Mary G. Morris

Attachment B

Actuarial Valuation Report

Prepaid529 Program

for the year ended June 30, 2018

ACTUARIAL VALUATION
OF
Prepaid529

AS OF JUNE 30, 2018

By:

ALAN H. PERRY, FSA, CFA
GLENN D. BOWEN, FSA, EA
JILL M. STANULIS, EA

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December 7, 2018

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

Ladies & Gentlemen:

This report presents the results of the actuarial valuation of the Prepaid529 Program as of June 30, 2018.

Purpose

The main purposes of this report are:

- to calculate the actuarial present value of the obligations under Prepaid529 contracts purchased through June 30, 2018 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 2018 Special Session I, Virginia Acts of Assembly, Chapter 2 (2018 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. On March 28, 2018, the Board approved blending the core (25%) and non-core (27.5%) fixed income categories into one fixed income category.

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%
Fixed Income	52.5%
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 5.75% per year, net of investment related expenses (this is lower than the assumption used to prepare the prior year’s report of 6.25%); and,
- the annual tuition growth rate assumptions summarized in the following table.

	Universities	Community Colleges
Fall 2019 and thereafter	6.5%	6.0%

The tuition growth assumptions are consistent with those used in the prior year's report for universities and lower than last year's assumption of 6.5% per year for community colleges.

Summary of Results

The actuarial value of the obligations of Prepaid529 as of June 30, 2018 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	$2,109.4	n/a	n/a
Administrative Expenses	25.9	n/a	n/a
Grand Total	$2,135.3	$2,919.9	$784.6

As indicated above, Prepaid529 has assets that exceed the "best estimate" of the obligations by roughly $784.6 million or 36.7%. 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, 2018) 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 $25.9 million administrative expense obligation is equivalent to about $410 per contract.

Actuarial Gain/Loss Analysis

During the 2018 fiscal year, the actuarial reserve position of Prepaid529 decreased slightly from a surplus of $786.8 million to a surplus of $784.6 million or 36.7% of obligations. Actuarial gains add to the reserve while actuarial losses decrease the reserve. Each of the factors affecting the change in the actuarial reserve/(deficit) is discussed below.

The assets used in last year's valuation were overstated by $2.9 million.

The actuarial surplus was expected to grow during the year by about $49.0 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 5.18% on a time-weighted and 5.09% on a dollar-weighted basis. For the previous valuation, a 6.25% rate of return was assumed. This produced a net actuarial loss of approximately $30.3 million.

The enrollment-weighted average university tuition and mandatory fee amount for the 2018-2019 school year increased by 5.7%, a larger increase than the 5.0% rate assumed in the prior valuation. Enrollment-weighted tuition and mandatory fees at community colleges increased by about 2.4%, a smaller increase than the 5.0% rate assumed in the prior valuation. These differences from the assumptions resulted in an actuarial loss of $8.7 million.

Payouts for some of the contract holders are based on the account balance brought forward at the reasonable rate or the account balance brought forward at the actual rate of return on the portfolio. See Appendices C and F for an explanation of the assumptions and the payouts. During the past year the actual rate of return on the portfolio was 5.18% (1.07% lower than the 6.25% assumption). The lower than expected actual account balances resulted in an actuarial gain of approximately $2.4 million.

The Plan sold 3,748 new contracts during the year. Each contract was priced so as to contribute to the actuarial reserve. We estimate that the reserve was increased by approximately $9.3 million from these new contracts.

Prepaid529 received $44.6 million in administrative fee revenue from all the Plan programs, including CollegeAmerica. Total agency operating expenses were $25.1 million, of which $7.3 million was expected to be provided by the Prepaid529 program. The balance of the fee revenue, $26.8 million, is an increase to the reserve.

The assumption for the reasonable rate was changed, from 2.25% for 2018-2019 and 3.25% thereafter, to a fixed 1.51% for the first quarter of the current fiscal year and 2.25% for the remainder of the fiscal year. The assumptions for the rates in 2019-2020 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 $1.2 million decrease to the reserve.

The investment return assumption was lowered from 6.25% to 5.75%. This decreased the reserve by $48.2 million.

The tuition increase assumption for community colleges was decreased from 6.5% per year to 6.0% per year. This increased the reserve by $0.9 million.

Other experience gains added about $0.7 million to the reserve. These could be from rollovers, cancellations, forfeitures, or more beneficiaries attending colleges with higher 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, 2017	$ 786.8
Restatement of beginning net position	(2.9)
Interest on the reserve at 6.25%	49.0
Investment gain / (loss)	(30.3)
Tuition gain / (loss)	(8.7)
Lower than expected actual account balances	2.4
Sales of new contracts	9.3
Administrative fee revenue from Virginia529	26.8
Change to reasonable rate and volatility assumptions	(1.2)
Change to investment return assumption	(48.2)
Change to community college tuition growth assumption	0.9
Other experience gains	0.7
Actuarial Reserve / (Deficit) as of June 30, 2018	$ 784.6

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, 2018	Probability of Prepaid529 Funds Exceeding Obligation
80%	$1,708.2	6%
90%	1,921.7	24%
100%	2,135.3	50%
105%	2,242.0	65%
110%	2,348.7	76%
120%	2,562.3	90%
130%	2,775.8	96%
137%	2,919.9	98%*
140%	2,989.3	99%
150%	3,202.8	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, 2018 of $2,919.9 million is 136.7% of the actuarially determined "Best Estimate" Reserve amount of $2,135.3 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 tuition increases 6.5% per year, Community College tuition increases 6.0% per year, and Prepaid529 assets earn 5.36% each year. The starting Market Value of Invested Assets as of July 1, 2018 is $2,725.6 million. At the end of the 2043 Fiscal Year all tuition obligations associated with contracts already purchased are expected to have been paid resulting in a final cumulative surplus of $2,894.1 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 5.75% per year, and;
2) the tuition growth assumption for universities of 6.5% per year and the tuition growth assumption for community colleges of 6.0% per year.

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

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

Glenn D. Bowen, FSA, EA
Member American Academy of Actuaries

Jill M Stanulis

Jill M. Stanulis, EA
Member American Academy of Actuaries

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Prepaid529

I. Statement of Assets as of June 30, 2018

	Investments	Market Value
1)	Equities	$ 1,223,508,983
2)	Fixed Income including Accrued Interest	1,376,714,582
3)	Futures, REIT Fund, and Real Estate	71,571,674
4)	Cash & Cash Equivalents	69,324,331
5)	Prepaid Assets	1,321,798
6)	Other Investments	367,970
7)	Pending Trade Receivables	14,975,314
8)	Property & Equipment	763,014
9)	Accounts Receivable	11,911,080
10)	Net OPEB Asset	393,000
11)	Other Receivables	7,053,081
12)	Accounts Payable	(35,996,938)
13)	Other Payables	(2,142,510)
14)	Deferred Outflow	1,949,994
15)	Deferred Inflow	(1,291,910)
16)	Accrued Liabilities	(14,793,997)
	Total Market Value of Investments	$ 2,725,629,466
	Present Value of Installment Contract Receivables	194,222,426
	Value of Total Fund Assets	$ 2,919,851,892

II. Reconciliation of Investments

1)	Market Value of Investments at June 30, 2017	$ 2,640,392,985
2)	Restatement of Beginning Net Position	(2,947,349)
3)	Contract Purchase Payments	111,964,872
4)	Application Fees	115,963
5)	Administrative Fee Revenue	44,641,685
6)	Interest and Dividends	71,938,359
7)	Realized and Unrealized Gains/(Losses)	70,684,779
8)	Tuition Benefits Paid	(123,616,214)
9)	Refunds Paid	(11,998,497)
10)	Net Rollovers	(40,698,194)
11)	Administrative Expenses	(25,146,793)
12)	Investment Management Fees	(9,659,358)
13)	Net Transfers to the Commonwealth	(645,854)
14)	Net Effect of Changes in Accruals of Assets and Liabilities	603,082
15)	Market Value of Investments at June 30, 2018	$ 2,725,629,466

Time-weighted rate of return	5.18%
Dollar-weighted rate of return	5.09%

Prepaid529

Contract Data as of June 30, 2018 – Contracts Purchasing Tier I Units Only - Number of Contracts

	Total Years of Community College Purchased Total Years of University Purchased											
Matriculation	0	0	0	0	0	0	0	0	0	0	**Total by Payout**	**Percent of**
Year	0.5	1	1.5	2	2.5	3	3.5	4	4.5	5	**Year**	**Total**
2000-2001	0	0	0	2	0	1	0	20	0	1	24	0.0%
2001-2002	0	3	0	2	0	0	0	32	0	0	37	0.1%
2002-2003	0	9	0	3	0	0	0	40	0	6	58	0.1%
2003-2004	0	3	0	7	0	1	0	58	0	1	70	0.1%
2004-2005	0	6	0	11	0	2	0	81	0	6	106	0.2%
2005-2006	0	18	0	19	0	2	0	149	0	11	199	0.3%
2006-2007	0	14	0	27	0	13	0	182	0	17	253	0.4%
2007-2008	0	26	0	40	0	7	0	212	0	19	304	0.5%
2008-2009	0	39	0	36	0	11	0	306	0	33	425	0.7%
2009-2010	0	41	0	44	0	19	0	438	0	37	579	1.0%
2010-2011	0	65	0	80	0	19	0	481	0	54	699	1.2%
2011-2012	0	56	0	73	0	22	0	595	0	57	803	1.4%
2012-2013	1	98	1	100	0	29	0	690	0	82	1,001	1.7%
2013-2014	0	98	0	123	0	37	1	852	0	80	1,191	2.0%
2014-2015	0	146	1	148	0	47	1	1,221	0	116	1,680	2.9%
2015-2016	0	194	0	315	2	76	6	2,625	0	108	3,326	5.7%
2016-2017	4	303	9	345	5	156	3	2,687	0	120	3,632	6.2%
2017-2018	37	441	10	549	10	160	9	2,550	1	137	3,904	6.7%
2018-2019	81	588	29	594	6	122	4	2,557	1	157	4,139	7.1%
2019-2020	155	617	32	587	13	142	4	2,374	1	139	4,064	7.0%
2020-2021	195	625	34	532	18	130	6	2,033	0	115	3,688	6.3%
2021-2022	305	745	61	598	33	171	8	2,112	2	138	4,173	7.2%
2022-2023	358	676	58	631	24	131	6	1,558	2	60	3,504	6.0%
2023-2024	383	652	46	478	21	123	7	1,404	2	62	3,178	5.5%
2024-2025	373	554	57	427	17	95	3	1,158	4	75	2,763	4.7%
2025-2026	374	522	49	418	21	70	6	987	1	57	2,505	4.3%
2026-2027	365	467	32	300	9	59	4	777	2	35	2,050	3.5%
2027-2028	339	428	45	328	13	58	7	706	3	40	1,967	3.4%
2028-2029	320	344	34	269	13	41	8	580	1	25	1,635	2.8%
2029-2030	331	328	32	216	7	26	2	459	0	26	1,427	2.4%
2030-2031	319	266	31	192	12	32	2	335	1	18	1,208	2.1%
2031-2032	324	237	24	125	11	16	5	257	2	15	1,016	1.7%
2032-2033	259	173	13	111	5	27	5	203	1	16	813	1.4%
2033-2034	227	146	24	92	11	18	4	157	1	11	691	1.2%
2034-2035	178	109	10	85	7	16	2	138	0	9	554	1.0%
2035-2036	123	99	7	67	9	21	0	125	1	9	461	0.8%
2036-2037	33	24	2	24	1	5	1	33	0	3	126	0.2%
Total	5,084	9,160	641	7,998	268	1,905	104	31,172	26	1,895	58,253	
Percent of Total	8.7%	15.7%	1.1%	13.7%	0.5%	3.3%	0.2%	53.5%	0.0%	3.3%		

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Contract Data as of June 30, 2018 – Contracts Purchasing Tier II 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
	0.5	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	0.6%
2002-2003	0	2	0	7	0	0	0	0	0	0	0	0	0	0	9	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	23	0	1	0	0	0	0	0	0	0	0	26	1.0%
2006-2007	0	1	0	19	0	1	0	0	0	0	0	0	0	0	21	0.8%
2007-2008	0	2	0	32	0	3	0	0	0	0	0	0	0	0	37	1.5%
2008-2009	0	3	0	28	0	1	0	0	0	0	0	0	0	0	32	1.3%
2009-2010	0	2	0	38	0	5	0	0	0	0	0	0	0	0	45	1.8%
2010-2011	0	13	0	40	0	2	0	0	0	0	0	0	0	0	55	2.2%
2011-2012	0	5	0	49	0	9	0	0	0	0	0	0	0	0	63	2.5%
2012-2013	1	13	0	48	0	9	0	0	0	0	0	0	0	0	71	2.8%
2013-2014	0	11	0	51	0	2	0	0	0	0	0	0	0	0	64	2.5%
2014-2015	0	21	0	65	0	13	0	0	0	0	0	0	0	0	99	3.9%
2015-2016	0	18	0	88	0	4	0	0	0	0	0	0	0	0	110	4.4%
2016-2017	0	22	0	79	1	7	0	0	0	0	0	0	0	0	109	4.3%
2017-2018	2	28	0	98	0	12	0	0	0	0	0	0	0	1	141	5.6%
2018-2019	8	32	1	104	2	14	0	0	0	1	0	0	0	1	163	6.5%
2019-2020	11	44	0	97	0	18	0	2	0	0	1	0	0	2	175	6.9%
2020-2021	9	42	1	98	1	10	0	0	0	0	0	0	0	0	161	6.4%
2021-2022	6	45	2	92	1	9	0	0	0	0	0	0	0	0	155	6.2%
2022-2023	11	38	0	82	1	2	0	1	0	0	0	0	0	0	135	5.4%
2023-2024	9	42	1	72	2	7	0	2	0	0	0	0	0	1	136	5.4%
2024-2025	9	39	1	51	1	4	0	1	0	0	0	0	0	0	106	4.2%
2025-2026	10	31	1	40	0	2	0	1	0	1	0	0	0	2	88	3.5%
2026-2027	8	12	0	42	0	8	0	1	1	0	0	0	0	0	72	2.9%
2027-2028	10	19	0	35	0	4	0	0	0	2	0	0	0	1	71	2.8%
2028-2029	11	20	1	40	1	2	0	1	0	0	0	0	0	0	76	3.0%
2029-2030	10	12	0	41	0	3	1	1	1	0	0	0	0	0	69	2.7%
2030-2031	21	11	0	22	1	1	1	3	0	0	0	0	0	1	61	2.4%
2031-2032	18	6	2	16	0	2	0	0	0	0	0	0	0	0	44	1.7%
2032-2033	12	10	0	15	0	2	0	0	0	0	0	0	0	0	39	1.5%
2033-2034	11	5	1	8	0	1	0	3	0	0	0	0	0	0	29	1.2%
2034-2035	4	4	0	4	0	0	0	0	0	0	0	0	0	0	12	0.5%
2035-2036	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0.0%
2036-2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total	181	559	11	1,563	11	160	2	16	2	4	1	0	0	9	2,519	
Percent of Total	7.2%	22.2%	0.4%	62.0%	0.4%	6.4%	0.1%	0.6%	0.1%	0.2%	0.0%	0.0%	0.0%	0.4%		

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Contract Data as of June 30, 2018 – 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	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0.1%
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	1	0	9	0	0	0	0	0	0	0	0	0	1	0	0	0	0	11	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	1.0%
2007-2008	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	13	1	0	0	0	0	1	0	0	0	0	0	0	0	0	17	0.7%
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	23	0	0	0	0	0	1	0	0	0	1	0	0	0	0	34	1.5%
2009-2010	0	0	0	0	0	0	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	30	1	0	1	0	0	0	0	0	0	1	0	0	0	0	36	1.6%
2010-2011	0	0	0	0	0	0	0	2	0	0	0	3	0	0	0	0	0	0	0	0	0	0	2	0	41	2	0	1	0	0	0	0	0	0	1	0	0	0	0	52	2.3%
2011-2012	0	0	0	0	0	0	0	4	0	4	0	2	0	0	0	0	0	0	0	0	0	0	3	0	44	0	1	0	0	0	0	0	0	0	3	0	0	0	0	61	2.7%
2012-2013	0	0	0	0	0	0	0	5	0	3	0	4	1	0	0	0	0	0	0	0	0	0	2	0	49	1	0	0	0	0	0	0	0	0	0	0	0	0	0	65	2.8%
2013-2014	0	0	0	0	0	0	0	6	0	2	0	5	1	0	0	0	0	0	0	0	0	0	2	0	65	3	1	1	0	0	0	0	1	0	2	0	0	0	0	89	3.9%
2014-2015	0	0	0	0	0	0	0	4	0	4	0	10	0	0	1	0	0	0	0	0	0	0	5	0	105	2	0	0	0	0	0	0	0	0	1	0	0	0	0	132	5.7%
2015-2016	0	0	0	0	0	0	1	10	0	1	0	6	0	0	0	0	0	0	0	0	0	0	8	0	112	1	2	0	0	0	2	0	1	0	2	0	0	0	0	146	6.3%
2016-2017	0	0	0	1	0	0	1	9	1	7	0	8	1	0	1	0	0	0	0	0	0	0	13	0	133	0	3	0	0	0	1	0	0	0	3	0	0	0	0	182	7.9%
2017-2018	1	1	1	1	0	0	1	20	0	5	0	7	0	0	0	0	2	0	0	0	1	0	9	0	148	4	1	0	0	0	1	0	0	0	2	0	0	0	0	205	8.9%
2018-2019	0	1	0	0	0	0	0	13	0	3	0	6	2	0	0	1	0	0	0	0	0	0	7	1	130	2	0	0	0	0	3	0	1	0	1	0	0	0	0	171	7.4%
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	8.3%
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	6.3%
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	2	0	1	0	4	0	0	0	0	132	5.7%
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	71	4	0	0	0	1	2	1	0	0	0	0	0	1	0	109	4.7%
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	4.7%
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	3.3%
2025-2026	1	0	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	70	3.0%
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	26	0	0	0	0	0	0	0	0	0	1	0	0	0	0	45	2.0%
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	2.1%
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	1.8%
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	3	0	13	0	1	0	0	0	0	0	0	0	1	0	0	0	0	24	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	0.7%
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	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	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	6	9	4	1	2	12	154	6	63	3	108	15	0	4	2	3	1	1	1	1	4	132	3	1,624	38	11	6	1	2	16	2	4	0	29	0	0	1	0	2,301	
Percent of Total	1.4%	0.3%	0.4%	0.2%	0.0%	0.1%	0.5%	6.7%	0.3%	2.7%	0.1%	4.7%	0.7%	0.0%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	5.7%	0.1%	70.6%	1.7%	0.5%	0.3%	0.0%	0.1%	0.7%	0.1%	0.2%	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%		

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Participant Data as of June 30, 2018 – Remaining Years of Tuition

Expected Payout Year	University Years	Community College Years
2018-2019	20,664	1,064
2019-2020	16,369	842
2020-2021	14,878	701
2021-2022	14,174	685
2022-2023	11,916	560
2023-2024	10,853	515
2024-2025	9,699	448
2025-2026	8,135	364
2026-2027	6,926	301
2027-2028	5,931	260
2028-2029	5,039	229
2029-2030	4,222	198
2030-2031	3,523	171
2031-2032	2,866	134
2032-2033	2,276	108
2033-2034	1,821	87
2034-2035	1,457	61
2035-2036	1,189	39
2036-2037	856	25
2037-2038	560	13
2038-2039	332	5
2039-2040	153	2
2040-2041	64	1
2041-2042	26	0
2042-2043	5	0
Total	143,934	6,813

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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 5.75%, which is the assumption set by the Board.

	Inflation	Reasonable Rate	Global Equity	Non-Core Fixed Income	Core Fixed Income	Alternative Investments	University Tuition	CC Tuition
Expected Arithmetic Mean Annual Return	2.50%	3.27%	8.25%	5.30%	3.36%	7.97%	6.57%	6.09%
Standard Deviation	2.00%	2.00%	18.60%	9.15%	3.90%	18.50%	4.30%	6.65%
Correlation:								
Inflation	1.00	0.61	0.25	0.09	0.22	0.21	0.20	-0.01
Reasonable Rate		1.00	0.20	0.20	0.54	0.01	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	-0.01
Core Fixed Income					1.00	-0.21	0.29	0.26
Alternative Investments						1.00	-0.18	-0.29
University Tuition							1.00	0.60
CC Tuition								1.00

Based on the economic assumptions above, the expected long-term annualized compound rate of return on investments is 5.75%. The expected annualized compound rate of tuition growth is 6.5% per year for university tuition and 6.0% per year for community college tuition. The Reasonable Rate for 2018-2019 was fixed at 1.51% for the first quarter of the year and then the expected mean of the Reasonable Rate grades up to 2.25% for the remainder of 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 177% 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 = $60.74
Annual Distribution Cost per Contract in Payment Status = $26.89

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 2018 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.

Prepaid529

Derivation of Enrollment-Weighted Average Tuition and Mandatory Fees at Four Year Universities Based on Projected Enrollment for 2018-2019

School	Tuition and Fees 2018-2019	Projected FTE for In-State Undergraduate 2018-2019	Percent Distribution
Christopher Newport	$14,754	4,437	3.48%
George Mason	12,462	18,196	14.27%
James Madison 2018 Students	12,016	3,603	2.83%
James Madison Returning Students	11,386	10,808	8.48%
Longwood	13,590	4,200	3.29%
Mary Washington	12,714	3,416	2.68%
Norfolk State	9,490	3,424	2.69%
Old Dominion	10,872	13,603	10.67%
Radford	11,210	7,404	5.81%
University of Virginia 2018 Students	16,520	2,743	2.15%
University of Virginia 2017 Students	16,520	2,743	2.15%
University of Virginia 2016 Students	16,520	2,743	2.15%
University of Virginia 2015 Students	15,472	2,743	2.15%
UVA - Wise	10,119	902	0.71%
Virginia Commonwealth	14,490	18,874	14.80%
Virginia Military Institute	18,862	1,151	0.90%
Virginia Tech	13,620	19,380	15.20%
Virginia State	9,056	3,184	2.50%
William & Mary - 2018 Students	23,400	991	0.78%
William & Mary - 2017 Students	22,336	991	0.78%
William & Mary - 2016 Students	21,640	991	0.78%
William & Mary - 2015 Students	19,944	991	0.78%
Weighted Average Tuition and Fees*	**$13,210**	127,520	100.00%

*Assumes that 2018 students are 25% of total FTE for James Madison. Assumes that 2015 students are 25% of total FTE for UVA. Assumes that 2015, 2016, 2017, and 2018 students are each 25% of total FTE for William & Mary.

Prepaid529

Derivation of Enrollment-Weighted Average Tuition
and Mandatory Fees at Community Colleges
Based on Actual Enrollment for 2017-2018

School	Tuition and Fees 2018-2019	Annualized In-State FTE Academic Year 2017-2018	Percent Distribution
Blue Ridge	$5,722	2,360	2.41%
Central Virginia	5,160	2,356	2.41%
Dabney S. Lancaster	5,040	675	0.69%
Danville	5,024	1,793	1.83%
Eastern Shore	5,120	350	0.36%
Germanna	5,240	4,013	4.10%
J Sargeant Reynolds	5,331	5,553	5.67%
John Tyler	5,120	5,472	5.59%
Lord Fairfax	5,051	3,853	3.93%
Mountain Empire	5,024	1,606	1.64%
New River	5,010	2,654	2.71%
Northern Virginia	5,984	29,134	29.75%
Patrick Henry	5,035	1,543	1.58%
Paul D Camp	4,928	757	0.77%
Piedmont Virginia	5,109	2,785	2.84%
Rappahannock	5,141	1,828	1.87%
Richard Bland	8,100	1,181	1.21%
Southside Virginia	5,008	2,134	2.18%
Southwest Virginia	5,016	1,577	1.61%
Thomas Nelson	5,126	5,042	5.15%
Tidewater	5,931	14,400	14.70%
Virginia Highlands	5,024	1,401	1.43%
Virginia Western	5,712	3,848	3.93%
Wytheville	5,040	1,630	1.66%
Weighted Average Tuition and Fees	**$5,569**	97,945	100.00%

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%
2018-2019	13,210	5.7%	5,569	2.4%

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

Compounded Increase in Average Tuition

Over last 5 years:	5.3%	3.8%
Over last 10 years:	5.7%	8.0%
Over last 15 years	6.6%	7.5%
Over last 20 years:	5.9%	7.0%
Over last 25 years:	5.3%	5.9%
Over last 30 years:	5.9%	6.8%

Prepaid529

Cash Flow Projection
(amounts in millions)

Fiscal Year	Beginning Balance	Installment Payments*	Tuition Benefits	Expenses	Investment Income	Ending Balance
2019	$2,725.6	$47.7	$281.4	$4.3	$136.0	$2,623.6
2020	2,623.6	38.1	239.5	4.0	131.9	2,550.1
2021	2,550.1	32.2	232.6	3.7	128.2	2,474.2
2022	2,474.2	25.7	237.8	3.5	123.7	2,382.3
2023	2,382.3	21.1	215.6	2.9	119.6	2,304.5
2024	2,304.5	17.0	210.7	2.6	115.5	2,223.7
2025	2,223.7	13.6	201.7	2.3	111.5	2,144.8
2026	2,144.8	10.9	181.6	2.0	107.9	2,080.0
2027	2,080.0	8.7	165.2	1.7	105.1	2,026.9
2028	2,026.9	6.8	151.0	1.5	102.7	1,983.9
2029	1,983.9	5.1	136.9	1.3	101.0	1,951.8
2030	1,951.8	3.8	122.3	1.1	99.9	1,932.1
2031	1,932.1	2.9	108.6	0.9	99.3	1,924.8
2032	1,924.8	2.1	93.8	0.7	99.4	1,931.8
2033	1,931.8	1.5	79.1	0.6	100.4	1,954.0
2034	1,954.0	1.0	67.2	0.5	102.2	1,989.5
2035	1,989.5	0.5	56.9	0.3	104.3	2,037.1
2036	2,037.1	0.1	49.1	0.3	107.3	2,095.1
2037	2,095.1	0.0	37.4	0.2	110.7	2,168.2
2038	2,168.2	0.0	25.9	0.1	115.2	2,257.4
2039	2,257.4	0.0	16.2	0.1	120.4	2,361.5
2040	2,361.5	0.0	7.9	0.0	126.1	2,479.7
2041	2,479.7	0.0	3.5	0.0	132.8	2,609.0
2042	2,609.0	0.0	1.5	0.0	139.7	2,747.2
2043	2,747.2	0.0	0.3	0.0	147.2	2,894.1

* Future installment payments for contracts as of June 30, 2018.

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

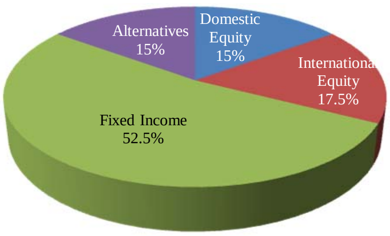
Asset Allocation and Performance

Prepaid529 Program

June 30, 2018

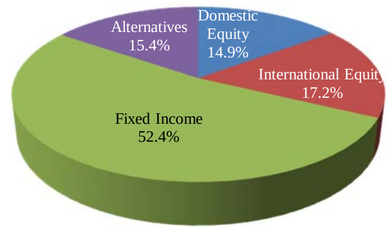
Prepaid529SM
Asset Allocation Report (Target vs. Actual)
as of June 30, 2018

Target Allocation

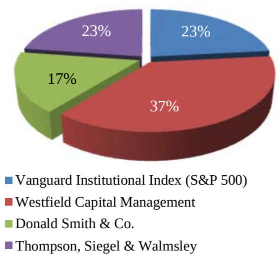


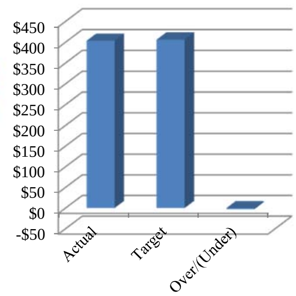
Asset Class	Over/(Under) Target	
	Dollars	% of Total Fund
Domestic Equity	(2,868,368)	-0.1%
International Equity	(6,881,540)	-0.3%
Fixed Income	(2,094,956)	-0.1%
Alternatives	11,844,864	0.4%

Actual

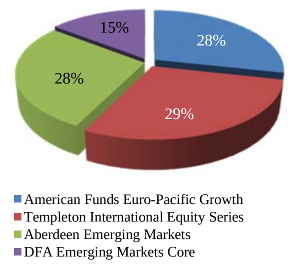


Domestic Equity

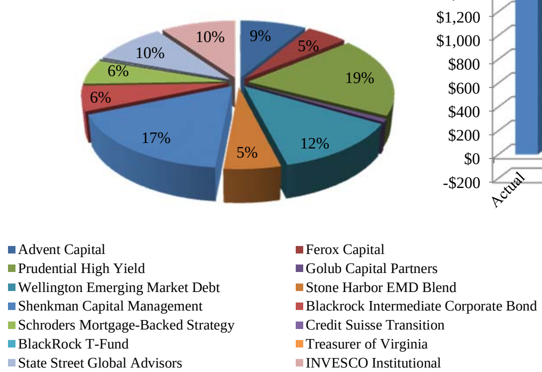


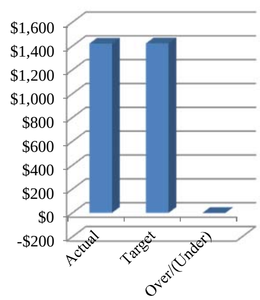


International Equity

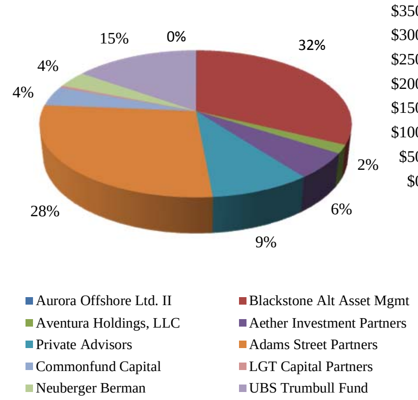


Fixed Income





Alternatives



Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current Allocation	3 Mo	Calendar YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Return	Since
			Ending June 30, 2018							**Return Since Inception**	
Total Fund	**$2,708,495,503**	**100.0%**	**-0.07%**	**0.27%**	**5.18%**	**5.18%**	**5.23%**	**5.69%**	**5.42%**	**6.25%**	**Oct-97**
Prepaid529 Total Fund Index			*-0.18%*	*0.08%*	*5.52%*	*5.52%*	*5.48%*	*5.82%*	*5.48%*	*5.69%*	*Oct-97*
Prepaid529 Total Equity	**$870,646,275**	**32.1%**	**-1.16%**	**-1.04%**	**8.82%**	**8.82%**	**7.12%**	**8.33%**	**6.67%**	**7.05%**	**Oct-97**
Total Equity Index			*-0.04%*	*-0.23%*	*11.75%*	*11.75%*	*8.25%*	*9.15%*	*6.48%*	*6.04%*	*Oct-97*
Prepaid529 Total Domestic Equity	**$403,468,332**	**14.9%**	**4.31%**	**4.57%**	**14.19%**	**14.19%**	**9.53%**	**11.61%**	**9.48%**	**8.06%**	**Oct-97**
Domestic Equity Policy Index			*5.58%*	*5.23%*	*16.04%*	*16.04%*	*11.11%*	*12.67%*	*10.26%*	*7.61%*	*Oct-97*
Vanguard Institutional Index	$94,220,395	3.5%	3.43%	2.64%	14.36%	14.36%	11.91%	*13.35%*	*10.14%*	5.14%	Jan-00
S&P 500 Index (Total Return)			*3.43%*	*2.65%*	*14.37%*	*14.37%*	*11.93%*	*13.42%*	*10.17%*	*5.40%*	*Jan-00*
Westfield Capital Management	$150,673,908	5.6%	5.21%	9.58%	25.17%	25.17%	10.46%	13.24%	10.88%	12.10%	Oct-03
Russell 2500 Growth			*5.53%*	*8.04%*	*21.53%*	*21.53%*	*10.86%*	*13.87%*	*11.38%*	*10.94%*	*Oct-03*
Thompson, Siegel and Walmsley	$91,514,478	3.4%	5.79%	4.84%	5.97%	5.97%	7.67%	11.15%	8.61%	10.75%	Oct-03
TSW Custom Benchmark [1]			*5.80%*	*3.00%*	*11.49%*	*11.49%*	*9.76%*	*10.78%*	*10.02%*	*9.64%*	*Oct-03*
Donald Smith and Company	$67,059,550	2.5%	1.91%	-3.58%	3.68%	3.68%	4.81%	5.64%	9.04%	10.68%	Oct-03
Russell 2000 Value			*8.30%*	*5.44%*	*13.10%*	*13.10%*	*11.22%*	*11.18%*	*9.88%*	*9.55%*	*Oct-03*
Prepaid529 Total International Equity	**$467,177,943**	**17.2%**	**-5.81%**	**-5.79%**	**4.16%**	**4.16%**	**4.93%**	**5.28%**	**3.55%**	**6.11%**	**Oct-97**
International Equity BM			*-4.87%*	*-4.90%*	*7.89%*	*7.89%*	*5.61%*	*5.87%*	*2.17%*	*4.70%*	*Oct-97*
Capital Research American Funds	$132,923,584	4.9%	-2.82%	-1.82%	9.34%	9.34%	6.51%	8.33%	4.83%	8.11%	Nov-01
MSCI ACWI ex US			*-2.61%*	*-3.77%*	*7.28%*	*7.28%*	*5.07%*	*5.99%*	*2.54%*	*6.92%*	*Nov-01*
Franklin Templeton	$134,989,454	5.0%	-1.62%	-3.50%	4.74%	4.74%	3.41%	5.15%	2.88%	5.72%	Aug-97
Templeton Custom Benchmark [7]			*-2.61%*	*-3.77%*	*7.28%*	*7.28%*	*5.07%*	*5.99%*	*2.54%*	*4.70%*	*Aug-97*
Aberdeen Asset Management	$131,385,365	4.9%	-11.08%	-11.03%	-2.65%	-2.65%	3.44%	2.17%		5.20%	Nov-09
MSCI EM (Emerging Markets)			*-7.86%*	*-6.51%*	*8.59%*	*8.59%*	*5.98%*	*5.39%*		*4.61%*	*Nov-09*
DFA Emerging Markets Core	$67,879,540	2.5%	-9.87%	-8.35%	5.15%	5.15%				14.60%	Jan-16
MSCI EM (Emerging Markets)			*-7.86%*	*-6.51%*	*8.59%*	*8.59%*				*15.62%*	*Jan-16*
Prepaid529 Alternatives	**$418,940,201**	**15.5%**	**3.85%**	**6.54%**	**11.06%**	**11.06%**	**7.72%**	**6.99%**	**4.51%**	**5.25%**	**May-05**
Alternatives BM			*1.27%*	*4.42%*	*10.13%*	*10.13%*	*7.87%*	*7.40%*	*4.08%*	*4.94%*	*May-05*
Blackstone Offshore*	$134,547,104	5.0%	1.20%	2.87%	5.86%	5.86%				6.78%	Oct-16
HFRI FOF Conservative Index			*1.00%*	*1.56%*	*4.09%*	*4.09%*				*4.20%*	*Oct-16*
T-BILLS + 4%			*1.41%*	*2.75%*	*5.33%*	*5.33%*				*4.98%*	*Oct-16*
Aventura	$8,343,501	0.3%	3.47%	4.90%	7.85%	7.85%	7.23%	*8.64%*	*4.73%*	*4.62%*	*Apr-08*
NCREIF Property Index (1Q in Arrears) [2]			*1.70%*	*3.53%*	*7.12%*	*7.12%*	*8.72%*	*10.00%*	*6.09%*	*6.11%*	*Apr-08*
UBS Trumbull Fund (1Q in Arrears)	$63,594,161	2.3%	2.37%	4.56%	6.63%	6.63%	7.48%	*8.71%*		*9.36%*	Jun-11
NCREIF NFI ODCE Net (1Q in Arrears) [4]			*1.97%*	*3.85%*	*7.11%*	*7.11%*	*9.00%*	*10.41%*		*11.21%*	*Jun-11*
Private Equity Managers [3]	$212,271,945	7.8%	6.10%	9.82%	16.94%	16.94%	13.74%	10.80%		4.15%	Oct-10
Private Equity Benchmark [5]			*1.23%*	*6.87%*	*16.49%*	*16.49%*	*11.88%*	*10.03%*		*4.36%*	*Oct-10*

*Performance returns for Blackstone Offshore Fund are presented with a one-month lag due to the availability of valuation of the investment vehicle

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

[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.

[5] Private Equity Managers custom Benchmark: Benchmark equals actual return for the first 4 years of each partnership, MSCI ACWI IMI +3% lag thereafter. One quarter lag due to value ations

Total Plan
Performance Summary

Net of Fees

Name	Current Market Value	Current 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, 2018								
Prepaid529 Total Fixed Income	**$1,418,909,027**	**52.4%**	**-0.50%**	**-0.72%**	**1.31%**	**1.31%**	**3.28%**	**3.49%**	**4.72%**	**5.41%**	**Oct-97**
Fixed Income BM			*-0.70%*	*-1.04%*	*0.48%*	*0.48%*	*3.04%*	*3.14%*	*4.82%*	*5.32%*	*Oct-97*
PGIM High Yield	$265,783,054	9.8%	1.06%	0.54%	2.75%	2.75%	5.69%	5.53%		7.09%	Nov-09
Bloomberg Barclays US HY Ba/B 1% Issuer			*0.55%*	*-0.53%*	*1.89%*	*1.89%*	*4.79%*	*5.20%*	*7.42%*	*7.35%*	*Nov-09*
Bloomberg Barclays Capital High Yield			*1.03%*	*0.16%*	*2.62%*	*2.62%*	*5.53%*	*5.51%*	*8.19%*	*7.92%*	*Nov-09*
Golub Capital	$10,500,000	0.4%								1.52%	May-18
S&P LSTA Leverage Loan (1Q in Arrears)										*0.48%*	*May-18*
Advent Capital Management	$122,613,936	4.5%	0.58%	-0.99%	0.31%	0.31%	1.58%			3.29%	Sep-13
TR Global Defensive Inv Gr USDH Index			*-0.96%*	*-1.37%*	*-2.96%*	*-2.96%*	*0.79%*			*1.85%*	*Sep-13*
Ferox Capital	$76,512,005	2.8%	0.03%	0.06%	1.28%	1.28%	1.80%			3.43%	Aug-13
TR Global Defensive Inv Gr USDH Index			*-0.96%*	*-1.37%*	*-2.96%*	*-2.96%*	*0.79%*			*1.85%*	*Aug-13*
Wellington Management	$178,881,790	6.6%	-3.91%	-5.89%	-3.12%	-3.12%	4.62%	4.66%		6.11%	Dec-09
JPMorgan EMBI Plus			*-4.14%*	*-6.12%*	*-4.34%*	*-4.34%*	*3.97%*	*4.03%*		*5.59%*	*Dec-09*
Stone Harbor	$76,225,002	2.8%	-9.47%	-7.27%	-3.15%	-3.15%	2.66%	0.48%		1.13%	Apr-11
Stone Harbor Custom Benchmark [6]			*-7.02%*	*-5.78%*	*-1.89%*	*-1.89%*	*3.37%*	*1.89%*		*2.57%*	*Apr-11*
Blackrock Intermediate Corporate	$82,746,946	3.1%	-0.10%	-1.42%	-0.45%	-0.45%	1.92%			1.50%	Jun-15
Bloomberg Barclays Intermediate Credit			*-0.08%*	*-1.45%*	*-0.36%*	*-0.36%*	*1.96%*			*1.60%*	*Jun-15*
Schroders MBS	$82,876,967	3.1%	0.22%	-0.55%	0.35%	0.35%	2.22%			2.70%	Oct-14
Bloomberg Barclays CMBS Index			*0.02%*	*-1.17%*	*0.00%*	*0.00%*	*1.99%*			*2.19%*	*Oct-14*
Bloomberg Barclays US MBS Index			*0.24%*	*-0.95%*	*0.15%*	*0.15%*	*1.46%*			*1.72%*	*Oct-14*
SSgA TIPS	$137,322,525	5.1%	0.75%	-0.06%	2.06%	2.06%	1.86%	1.56%		2.61%	Dec-10
Barclays Capital US TIPS			*0.77%*	*-0.02%*	*2.11%*	*2.11%*	*1.93%*	*1.68%*		*2.48%*	*Dec-10*
Shenkman Capital Management	$244,132,961	9.0%	0.94%	2.52%	5.04%	5.04%	3.31%			3.29%	Sep-13
Credit Suisse Leveraged Loans			*0.78%*	*2.38%*	*4.67%*	*4.67%*	*4.33%*			*4.15%*	*Sep-13*
INVESCO Institutional	$138,670,510	5.1%	0.60%	1.18%	2.34%	2.34%	2.17%	2.10%	2.60%	3.91%	Jan-00
Stable Value Custom BM			*0.69%*	*1.29%*	*2.34%*	*2.34%*	*1.64%*	*1.40%*	*1.43%*	*2.96%*	*Jan-00*
BlackRock Cash	$2,181,054	0.1%	0.40%	0.72%	1.20%	1.20%	0.56%	0.34%		0.24%	Apr-10
Citigroup 3-Month T-Bill			*0.44%*	*0.79%*	*1.33%*	*1.33%*	*0.64%*	*0.39%*	*0.31%*	*0.27%*	*Apr-10*

[6] 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.

[7] Templeton Custom Benchmark: MSCI ACWI ex US GROSS until 12/31/2000, MSCI ACWI ex US NET thereafter

Total Plan
Performance Summary

Gross of Fees

Name	Current Market Value	Current 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, 2018								
Total Fund	**$2,708,495,503**	**100.0%**	**-0.02%**	**0.37%**	**5.40%**	**5.40%**	**5.45%**	**5.91%**	**5.65%**	**6.46%**	**Oct-97**
Prepaid529 Total Fund Index			*-0.18%*	*0.07%*	*5.52%*	*5.52%*	*5.48%*	*5.82%*	*5.48%*	*5.69%*	*Oct-97*
Prepaid529 Total Equity	**$870,646,275**	**32.1%**	**-1.09%**	**-0.91%**	**9.10%**	**9.10%**	**7.39%**	**8.61%**	**6.97%**	**7.33%**	**Oct-97**
Total Equity Index			*-0.04%*	*-0.22%*	*11.76%*	*11.76%*	*8.25%*	*9.14%*	*6.48%*	*6.10%*	*Oct-97*
Prepaid529 Total Domestic Equity	**$403,468,332**	**14.9%**	**4.46%**	**4.87%**	**14.84%**	**14.84%**	**10.13%**	**12.22%**	**10.06%**	**8.51%**	**Oct-97**
Domestic Equity Policy Index			*5.58%*	*5.23%*	*16.03%*	*16.03%*	*11.11%*	*12.67%*	*10.26%*	*7.61%*	*Oct-97*
Vanguard Institutional Index	$94,220,395	3.5%	3.43%	2.64%	14.36%	14.36%	11.91%	*13.35%*	*10.14%*	5.14%	Jan-00
S&P 500 Index (Total Return)			*3.43%*	*2.65%*	*14.37%*	*14.37%*	*11.93%*	*13.42%*	*10.17%*	*5.40%*	*Jan-00*
Westfield Capital Management	$150,673,908	5.6%	5.40%	9.96%	26.06%	26.06%	11.28%	14.10%	11.71%	12.97%	Oct-18
Russell 2500 Growth			*5.53%*	*8.04%*	*21.53%*	*21.53%*	*10.86%*	*13.87%*	*11.38%*	*10.94%*	*Oct-03*
Thompson, Siegel and Walmsley	$91,514,478	3.4%	5.98%	5.23%	6.77%	6.77%	8.48%	12.00%	9.42%	11.58%	Oct-18
TSW Custom Benchmark [1]			*5.80%*	*3.00%*	*11.49%*	*11.49%*	*9.76%*	*10.78%*	*10.02%*	*9.64%*	*Oct-03*
Donald Smith and Company	$67,059,550	2.5%	2.13%	-3.16%	4.59%	4.59%	5.75%	6.54%	9.94%	11.65%	Oct-18
Russell 2000 Value			*8.30%*	*5.44%*	*13.10%*	*13.10%*	*11.22%*	*11.18%*	*9.88%*	*9.55%*	*Oct-03*
Prepaid529 Total International Equity	**$467,177,943**	**17.2%**	**-5.81%**	**-5.79%**	**4.16%**	**4.16%**	**4.93%**	**5.28%**	**3.55%**	**6.11%**	**Oct-97**
International Equity BM			*-4.87%*	*-4.90%*	*7.87%*	*7.87%*	*5.60%*	*5.86%*	*2.17%*	*4.93%*	*Oct-97*
Capital Research American Funds	$132,923,584	4.9%	-2.82%	-1.82%	9.34%	9.34%	6.51%	8.33%	4.83%	8.11%	Nov-18
MSCI ACWI ex US			*-2.61%*	*-3.77%*	*7.28%*	*7.28%*	*5.07%*	*5.99%*	*2.54%*	*6.92%*	*Nov-01*
Franklin Templeton	$134,989,454	5.0%	-1.62%	-3.50%	4.74%	4.74%	3.41%	5.15%	2.88%	5.72%	Aug-97
Templeton Custom Benchmark [7]			*-2.61%*	*-3.77%*	*7.28%*	*7.28%*	*5.07%*	*5.99%*	*2.54%*	*4.70%*	*Aug-97*
Aberdeen Asset Management	$131,385,365	4.9%	-11.08%	-11.03%	-2.65%	-2.65%	3.44%	2.17%		5.20%	Nov-18
MSCI EM (Emerging Markets)			*-7.86%*	*-6.51%*	*8.59%*	*8.59%*	*5.98%*	*5.39%*		*4.61%*	*Nov-09*
DFA Emerging Markets Core	$67,879,540	2.5%	-9.87%	-8.35%	5.15%	5.15%				14.60%	Jan-18
MSCI EM (Emerging Markets)			*-7.96%*	*-6.66%*	*8.20%*	*8.20%*				*15.21%*	*Jan-16*
Prepaid529 Alternatives	**$418,940,201**	**15.5%**	**3.85%**	**6.54%**	**11.06%**	**11.06%**	**7.75%**	**7.05%**	**4.55%**	**5.28%**	**May-18**
Alternatives BM			*1.29%*	*4.46%*	*10.18%*	*10.18%*	*7.88%*	*7.41%*	*4.08%*	*4.94%*	*May-05*
Blackstone Offshore*	$134,547,104	5.0%	1.20%	2.87%	5.86%	5.86%				6.78%	*Oct-18*
HFRI FOF Conservative Index			*1.09%*	*1.65%*	*4.19%*	*4.19%*				*4.26%*	*Oct-16*
T-BILLS + 4%			*1.41%*	*2.75%*	*5.33%*	*5.33%*				*4.98%*	*Oct-16*
Aventura	$8,343,501	0.3%	3.47%	4.90%	7.85%	7.85%	7.23%	*8.64%*	*4.73%*	*4.62%*	*Apr-18*
NCREIF Property Index (1Q in Arrears) [2]			*1.70%*	*3.53%*	*7.12%*	*7.12%*	*8.72%*	*10.00%*	*6.09%*	*6.11%*	*Apr-08*
UBS Trumbull Fund (1Q in Arrears)	$63,594,161	2.3%	2.37%	4.56%	6.63%	6.63%	7.48%	*8.71%*		*9.36%*	Jun-18
NCREIF NFI ODCE Net (1Q in Arrears) [4]			*1.97%*	*3.85%*	*7.11%*	*7.11%*	*9.00%*	*10.41%*	*4.16%*	*10.93%*	*Jun-11*
Private Equity Managers[3]	$212,271,945	7.8%	6.10%	9.82%	16.94%	16.94%	13.74%	10.80%		4.15%	Oct-18
Private Equity Benchmark [5]			*1.23%*	*6.88%*	*16.49%*	*16.49%*	*11.88%*	*10.03%*		*4.37%*	*Oct-10*

*Performance returns for Blackstone Offshore Fund are presented with a one-month lag due to the availability of valuation of the investment vehicle

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

[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.

[5] Private Equity Managers custom Benchmark: Benchmark equals actual return for the first 4 years of each partnership, MSCI ACWI IMI +3% lag thereafter. One quarter lag due to value ations

Total Plan
Performance Summary

Gross of Fees

Name	Current Market Value	Current 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, 2018								
Prepaid529 Total Fixed Income	**$1,418,909,027**	**52.4%**	**-0.44%**	**-0.61%**	**1.54%**	**1.54%**	**3.51%**	**3.70%**	**4.92%**	**5.57%**	**Oct-97**
Fixed Income BM			*-0.70%*	*-1.04%*	*0.48%*	*0.48%*	*3.04%*	*3.14%*	*4.82%*	*5.32%*	*Oct-97*
PGIM High Yield	$265,783,054	9.8%	1.13%	0.70%	3.08%	3.08%	6.04%	5.85%		7.42%	Nov-18
Bloomberg Barclays US HY Ba/B 1% Issuer			*0.55%*	*-0.53%*	*1.89%*	*1.89%*	*4.79%*	*5.20%*	*7.42%*	*7.35%*	*Nov-09*
Bloomberg Barclays Capital High Yield			*1.03%*	*0.16%*	*2.62%*	*2.62%*	*5.53%*	*5.51%*	*8.19%*	*7.92%*	*Nov-09*
Golub Capital	$10,500,000	0.4%								1.52%	*May 18*
S&P LSTA Leverage Loan (1Q in Arrears)										*0.48%*	*May 18*
Advent Capital Management	$122,613,936	4.5%	0.74%	-0.68%	0.95%	0.95%	2.22%			3.92%	Sep-18
TR Global Defensive Inv Gr USDH Index			*-0.96%*	*-1.38%*	*-2.96%*	*-2.96%*	*0.79%*			*1.85%*	*Sep-13*
Ferox Capital	$76,512,005	2.8%	0.03%	0.06%	1.28%	1.28%	1.80%			3.42%	Aug-18
TR Global Defensive Inv Gr USDH Index			*-0.96%*	*-1.38%*	*-2.96%*	*-2.96%*	*0.79%*			*1.85%*	*Aug-13*
Wellington Management	$178,881,790	6.6%	-3.90%	-5.87%	-3.07%	-3.07%	4.65%	4.67%		6.14%	Dec-18
JPMorgan EMBI Plus			*-4.14%*	*-6.09%*	*-4.31%*	*-4.31%*	*3.97%*	*4.04%*		*5.59%*	*Dec-09*
Stone Harbor	$76,225,002	2.8%	-9.47%	-7.27%	-3.15%	-3.15%	2.66%	0.48%		1.13%	Apr-18
Stone Harbor Custom Benchmark [6]			*-7.02%*	*-5.78%*	*-1.89%*	*-1.89%*	*3.37%*	*1.89%*		*2.57%*	*Apr-11*
Blackrock Intermediate Corporate	$82,746,946	3.1%	-0.09%	-1.40%	-0.39%	-0.39%	1.98%			1.56%	Jun-18
Bloomberg Barclays Intermediate Credit			*-0.08%*	*-1.45%*	*-0.36%*	*-0.36%*	*1.96%*			*1.60%*	*Jun-15*
Schroders MBS	$82,876,967	3.1%	0.28%	-0.43%	0.59%	0.59%	2.47%			2.94%	*Oct-18*
Bloomberg Barclays CMBS Index			*0.02%*	*-1.18%*	*-0.01%*	*-0.01%*	*1.99%*			*2.19%*	*Oct-14*
Bloomberg Barclays US MBS Index			*0.24%*	*-0.95%*	*0.15%*	*0.15%*	*1.46%*			*1.72%*	*Oct-14*
SSgA TIPS	$137,322,525	5.1%	0.78%	-0.03%	2.11%	2.11%	1.91%	1.61%		2.66%	Dec-18
Barclays Capital US TIPS			*0.77%*	*-0.02%*	*2.11%*	*2.11%*	*1.93%*	*1.68%*		*2.48%*	*Dec-10*
Shenkman Capital Management	$244,132,961	9.0%	1.07%	2.78%	5.56%	5.56%	3.82%			3.78%	Sep-18
Credit Suisse Leveraged Loans			*0.78%*	*2.38%*	*4.67%*	*4.67%*	*4.33%*			*4.16%*	*Sep-13*
INVESCO Institutional	$138,670,510	5.1%	0.61%	1.20%	2.40%	2.40%	2.22%	2.16%	2.67%	3.99%	Jan-00
Stable Value Custom BM			*0.69%*	*1.29%*	*2.34%*	*2.34%*	*1.64%*	*1.40%*	*1.43%*	*2.96%*	*Jan-00*
BlackRock Cash	$2,181,054	0.1%	0.40%	0.72%	1.20%	1.20%	0.56%	0.34%		0.24%	Apr-18
Citigroup 3-Month T-Bill			*0.44%*	*0.79%*	*1.33%*	*1.33%*	*0.64%*	*0.39%*		*0.27%*	*Apr-10*

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

Returns calculated by BNY Mellon Asset Servicing.

Attachment D

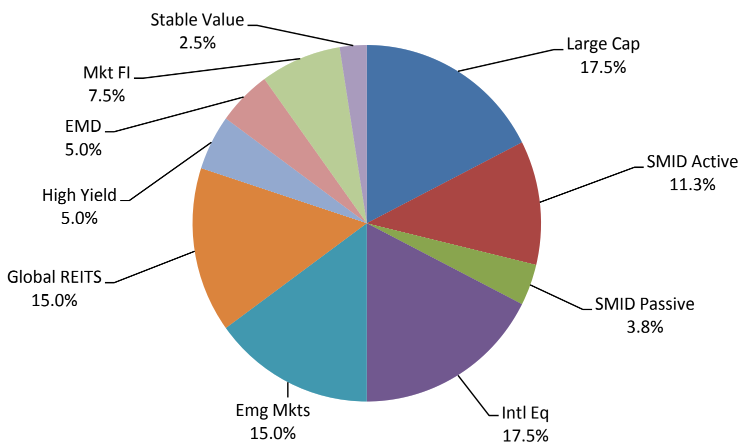
Asset Allocation and Performance

Invest529 Program

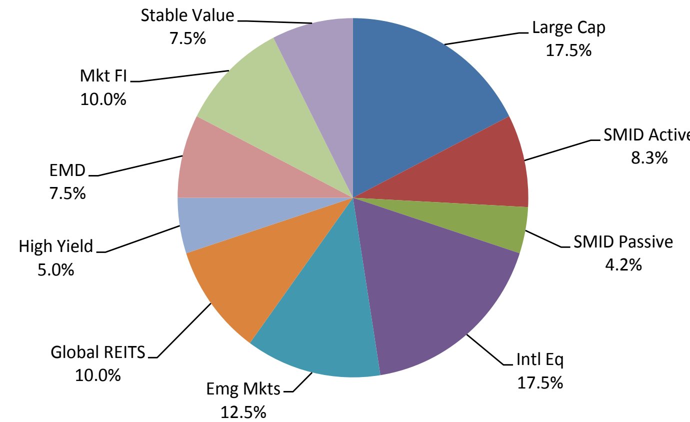
June 30, 2018

Fund Profile - Age-Based Portfolios

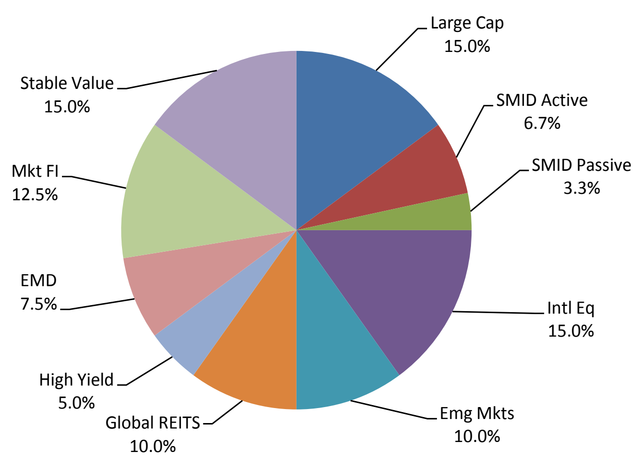
2036 Portfolio



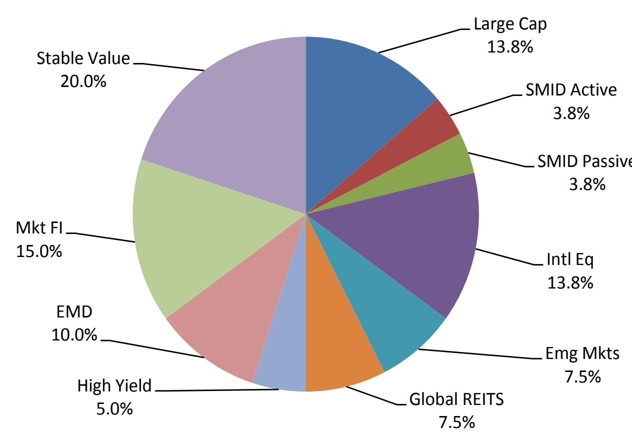
2033 Portfolio



2030 Portfolio

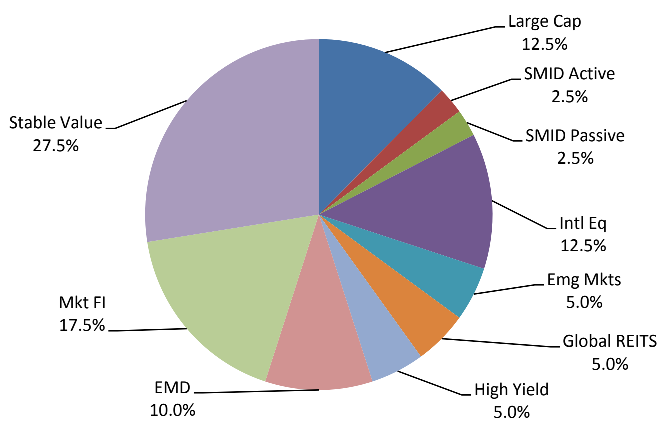


2027 Portfolio

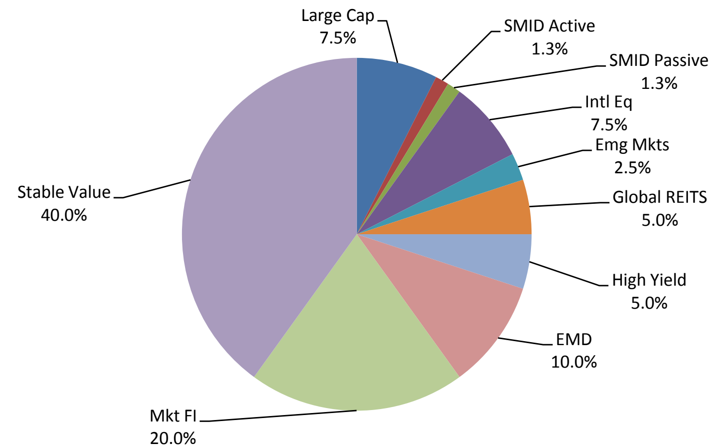


Fund Profile - Age-Based Portfolios

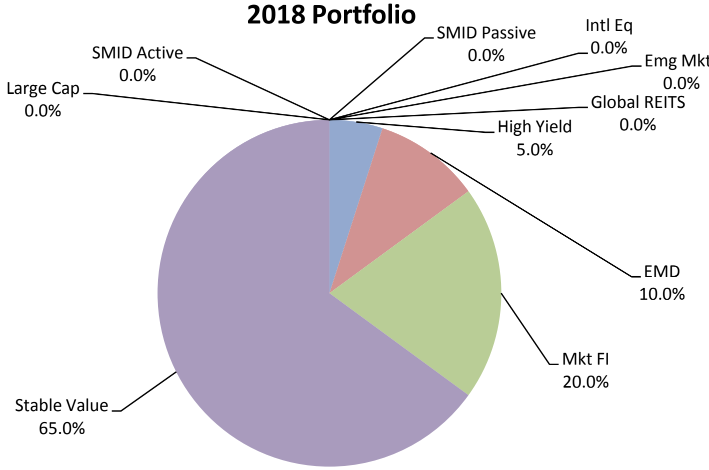
2024 Portfolio



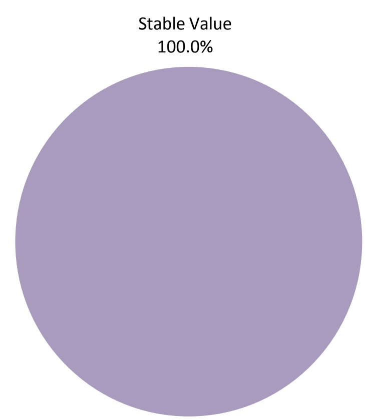
2021 Portfolio



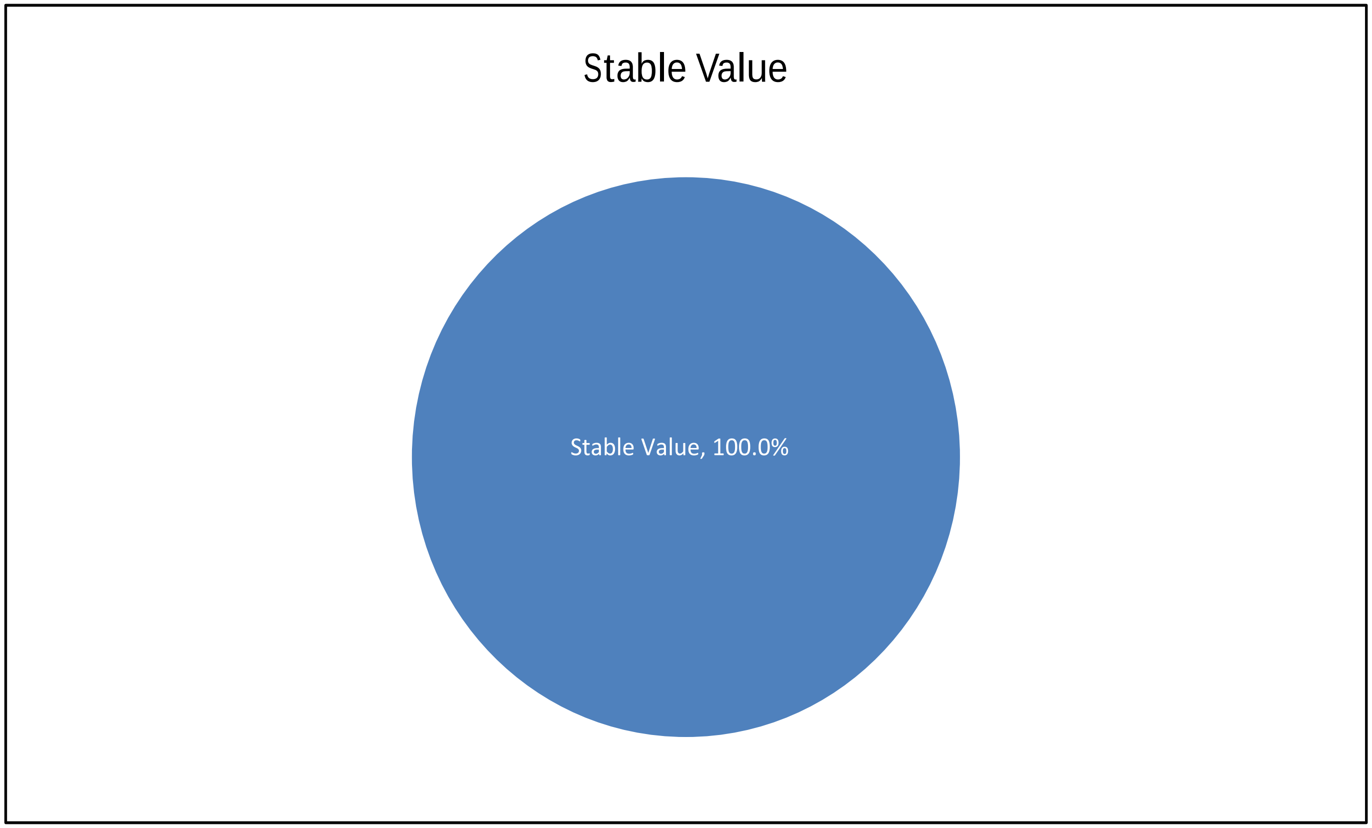
2018 Portfolio



2015 Portfolio

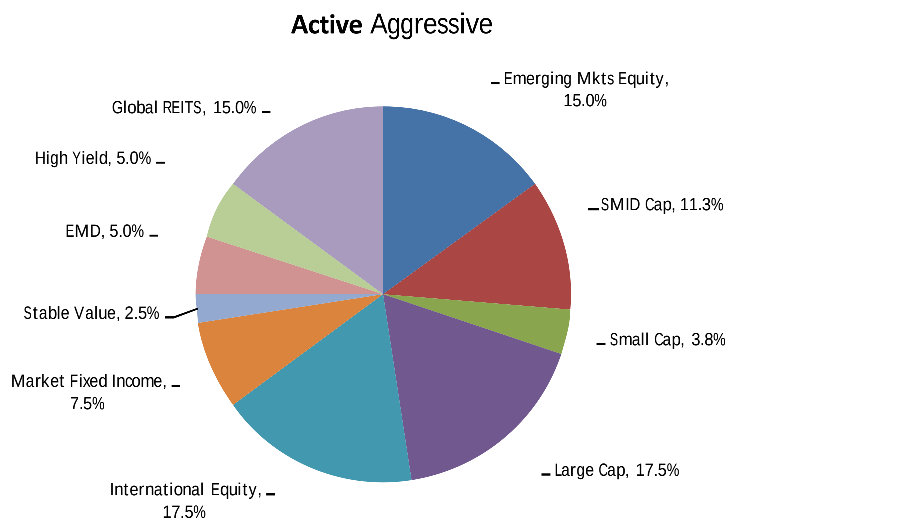


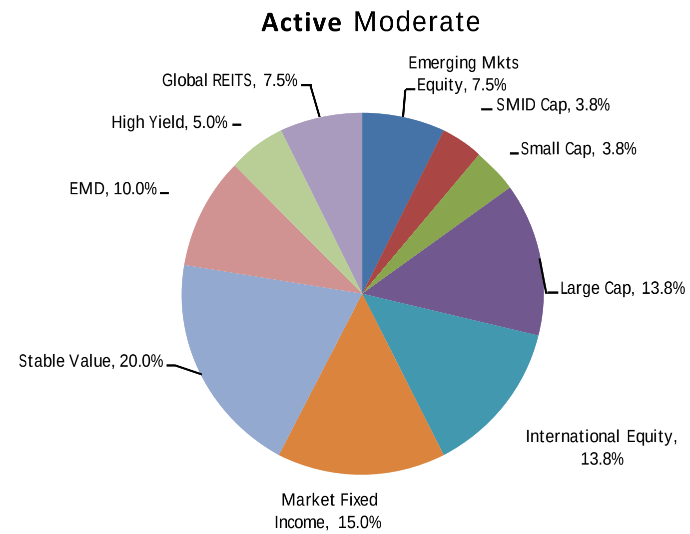
Fund Profile - Actively-Managed Static Portfolio

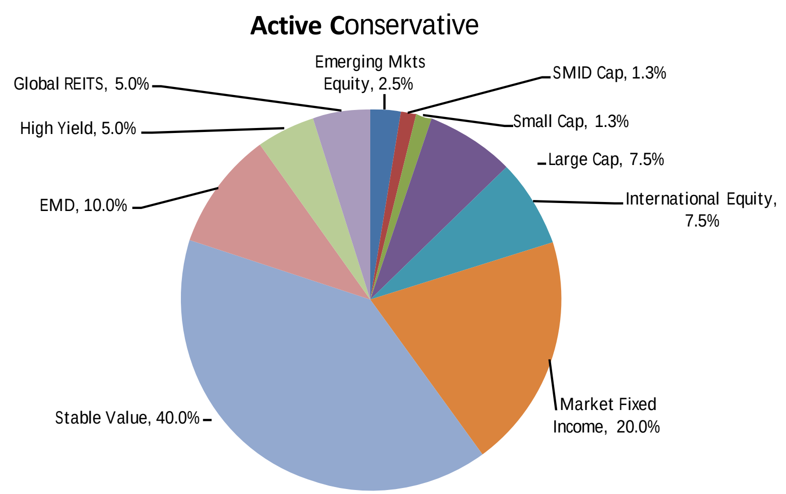


Invest529

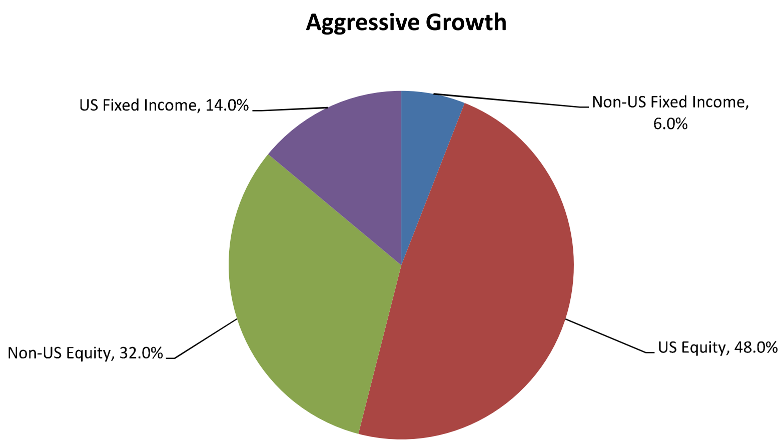
Fund Profile - Actively-Managed Static Portfolio

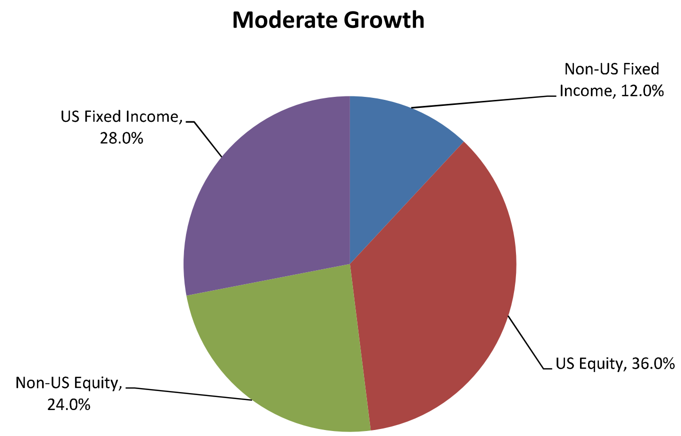


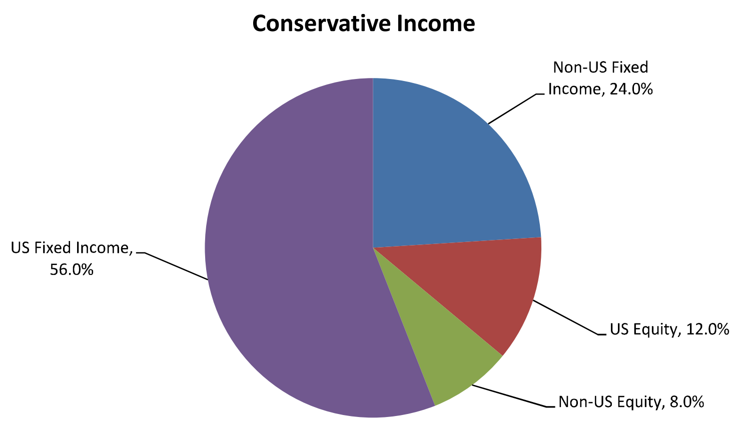




Fund Profile - Passively-Managed Static Portfolio







Virginia529

Invest529
Individual Manager Investment Performance
as of June 30, 2018
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	**0.61**	**3.43**	**2.64**	**14.36**	**11.86**	**13.46**	**10.22**	**5.42**	**Jan-00**
S&P 500	*0.62*	*3.43*	*2.65*	*14.37*	*11.93*	*13.42*	*10.17*	*5.40*	
Small/Mid Cap Domestic Equity									
Rothschild Asset Management	**0.71**	**4.09**	**3.46**	**13.46**	**10.11**	**13.65**	**10.45**	**11.31**	**Jan-00**
Russell 2500	*0.72*	*5.71*	*5.46*	*16.24*	*10.30*	*12.29*	*10.74*	*8.90*	
Vanguard Small Cap Index	**0.73**	**6.21**	**5.96**	**16.49**	**10.40**	**12.52**	**11.32**	**8.81**	**Jan-00**
Custom Small Cap Index [1]	*0.74*	*6.20*	*5.97*	*16.47*	*10.43*	*12.39*	*11.19*	*8.69*	
International Equity									
TIF International Equity Series	**-1.35**	**-1.63**	**-3.51**	**4.73**	**3.41**	**5.26**	**2.93**	**4.86**	**Jan-00**
Templeton Custom BM [6]	*-1.88*	*-2.61*	*-3.77*	*7.28*	*5.07*	*5.99*	*2.54*	*4.70*	
Am. Funds Euro-Pacific Growth	**-2.34**	**-2.82**	**-1.82**	**9.34**	**6.50**	**8.42**	**4.89**	**9.43**	**Jan-03**
MSCI ACWI Ex US	*-1.88*	*-2.61*	*-3.77*	*7.28*	*5.07*	*5.99*	*2.54*	*8.19*	
Aberdeen Emerging Markets Fund	**-4.52**	**-11.08**	**-10.78**	**-2.37**	**3.54**	**2.22**		**1.91**	**Jan-11**
MSCI Emerging Markets	*-4.09*	*-7.86*	*-6.51*	*8.59*	*5.98*	*5.39*		*1.80*	
DFA Emerging Markets Core Fund	**-5.21**	**-9.87**	**-8.35**	**5.15**				**12.69**	**Apr-16**
MSCI Emerging Markets	*-4.09*	*-7.86*	*-6.51*	*8.59*				*14.61*	
Global REITs									
Morgan Stanley Global REIT Fund	**2.18**	**6.59**	**1.49**	**7.64**	**5.14**	**5.87**		**6.21**	**Jan-11**
FTSE EPRA/NAREIT Developed RE	*1.58*	*5.45*	*0.91*	*6.70*	*6.70*	*6.89*		*7.59*	
Private Real Estate									
UBS Trumbull Fund (1Q in Arrears)	**1.67**	**1.67**						**1.67**	**Apr-18**
NCREIF NFI ODCE (1Q in Arrears)	*1.97*	*1.97*						*1.97*	
Fixed Income									
Invesco Advisers	**0.18**	**0.55**	**1.07**	**2.05**	**1.86**	**1.72**	**2.58**	**3.84**	**Jan-00**
Stable Value Custom Benchmark	*0.23*	*0.68*	*1.28*	*2.33*	*1.64*	*1.39*	*1.43*	*2.95*	
Stone Harbor Emerging Market Debt	**-3.00**	**-6.14**	**-7.01**	**-2.36**	**4.60**	**3.79**		**4.10**	**Jan-11**
JP Morgan EMBI Global Diversified	*-1.19*	*-3.54*	*-5.23*	*-1.60*	*4.63*	*5.15*		*5.50*	
PGIM High Yield Bond Fund	**0.50**	**1.05**	**0.57**	**2.67**	**5.73**	**5.53**		**5.86**	**Jan-11**
Bloomberg Barclays US HY Ba/B 1% Issuer	*0.27*	*0.55*	*-0.53*	*1.89*	*4.79*	*5.20*		*6.28*	

Virginia529℠

Invest529
Individual Manager Investment Performance
as of June 30, 2018
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									
Parnassus Core Equity	**1.10**	**2.73**	**2.52**	**11.88**	**10.10**	**12.20**		**12.94**	**Nov-09**
S&P 500	*0.62*	*3.43*	*2.65*	*14.37*	*11.93*	*13.42*		*14.14*	
Van. Total Stock Market Fund	**0.69**	**3.89**	**3.29**	**14.84**	**11.60**	**13.28**	**10.34**	**8.80**	**Aug-05**
Custom Total Stock Index[2]	*0.69*	*3.91*	*3.29*	*14.83*	*11.60*	*13.28*	*10.33*	*8.80*	
Van. Total Bond Market Fund	**0.04**	**-0.17**	**-1.64**	**-0.52**	**1.70**	**2.24**	**3.71**	**3.83**	**Sep-05**
Custom Total Bond Index[3]	*-0.14*	*-0.20*	*-1.67*	*-0.45*	*1.74*	*2.26*	*3.71*	*3.82*	
Van. Total Int'l Equity Fund	**-2.07**	**-3.19**	**-3.59**	**7.14**	**5.35**	**6.44**	**2.75**	**4.98**	**Sep-05**
Custom Int'l Stock Index[4]	*-2.00*	*-2.45*	*-3.51*	*7.89*	*5.77*	*6.84*	*2.95*	*4.77*	
Van. Infl. Protected Sec. Fund	**0.65**	**0.84**	**-0.09**	**1.93**	**1.94**	**1.68**	**2.87**	**3.56**	**Sep-05**
Bloomberg Barclays Cap. Treas Infl. Note	*0.40*	*0.77*	*-0.02*	*2.11*	*1.93*	*1.68*	*3.03*	*3.65*	
Van. Real Estate Index	**4.14**	**8.79**	**0.01**	**2.31**	**7.56**	**7.95**	**8.04**	**7.15**	**Sep-05**
MSCI U.S. REIT	*4.42*	*10.10*	*1.19*	*3.57*	*8.06*	*8.26*	*7.95*	*7.06*	
Van. International Bond Index Fund	**0.46**	**0.39**						**1.78**	**Feb-18**
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged)	*0.48*	*0.43*						*1.83*	

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.
6. Templeton Custom Benchmark: MSCI ACWI Ex US (Gross) until 12/31/2000, MSCI ACWI Ex US (Net) thereafter.

Invest529
Monthly Portfolio Performance Summary
as of June 30, 2018

	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	**-0.72**	**-0.35**	**-1.02**	**7.26**				**11.24**	**Jan-17**
2036 Benchmark	-0.52	0.18	-0.40	8.47				11.98	
2033 Portfolio	**-0.77**	**-0.56**	**-1.10**	**6.86**	**6.50**			**6.10**	**Jan-14**
2033 Benchmark	-0.55	0.00	-0.60	7.73	6.80			6.27	
2030 Portfolio	**-0.63**	**-0.40**	**-0.92**	**6.24**	**5.96**	**7.18**		**6.97**	**Jan-11**
2030 Benchmark	-0.42	0.08	-0.48	6.88	6.16	7.38		6.97	
2027 Portfolio	**-0.61**	**-0.47**	**-0.96**	**5.38**	**5.39**	**6.55**	**5.65**	**5.02**	**Feb-08**
2027 Benchmark	-0.38	-0.02	-0.61	5.78	5.54	6.69	5.49	4.96	
2024 Portfolio	**-0.51**	**-0.40**	**-0.83**	**4.69**	**4.91**	**5.95**	**5.24**	**5.33**	**Aug-05**
2024 Benchmark	-0.31	-0.02	-0.58	4.87	4.98	6.00	4.78	4.93	
2021 Portfolio	**-0.33**	**-0.26**	**-0.61**	**3.65**	**4.00**	**5.11**	**4.78**	**5.53**	**Jan-02**
2021 Benchmark	-0.14	0.07	-0.39	3.73	4.03	5.13	4.37	5.11	
2018 Portfolio	**-0.14**	**-0.25**	**-0.28**	**1.93**	**2.63**	**3.89**	**4.20**	**4.25**	**Jan-00**
2018 Benchmark	0.02	0.07	-0.08	2.03	2.70	3.92	3.74	3.22	
2015 Portfolio	**0.18**	**0.53**	**1.02**	**1.95**	**2.23**	**3.08**	**3.76**	**3.96**	**Jan-00**
2015 Benchmark	0.23	0.66	1.23	2.23	2.08	2.94	3.09	3.01	
PASSIVELY-MANAGED STATIC PORTFOLIOS									
Aggressive Growth Portfolio	**-0.27**	**0.86**	**0.31**	**9.34**	**7.66**	**9.07**	**6.71**	**6.21**	**Jan-02**
Aggressive Growth Benchmark	-0.31	1.06	0.29	9.65	7.84	9.15	7.18	6.53	
Moderate Growth Portfolio	**-0.14**	**0.66**	**0.10**	**7.15**	**6.36**	**7.48**	**6.09**	**5.75**	**Jan-02**
Moderate Growth Benchmark	-0.22	0.79	0.05	7.36	6.48	7.40	6.38	5.97	
Conservative Income Portfolio	**0.07**	**0.22**	**-0.46**	**2.76**	**3.51**	**4.15**	**4.20**	**4.20**	**Jan-02**
Conservative Income Benchmark	-0.05	0.24	-0.50	2.82	3.66	3.85	4.16	4.21	
Total Stock Market Portfolio	**0.67**	**3.88**	**3.25**	**14.74**	**11.48**	**13.13**	**10.15**	**8.60**	**Aug-05**
Ttl Stock Mkt Benchmark	0.68	3.89	3.24	14.73	11.48	13.14	10.14	8.60	
Total Bond Market Portfolio	**0.03**	**-0.20**	**-1.69**	**-0.61**	**1.57**	**2.08**	**3.52**	**3.63**	**Sep-05**
Ttl Bond Mkt Benchmark	-0.15	-0.22	-1.72	-0.55	1.62	2.13	3.54	3.63	
Ttl International Stock Portfolio	**-2.08**	**-3.20**	**-3.65**	**7.03**	**5.23**	**6.29**	**2.57**	**4.78**	**Sep-05**
Ttl Int'l Stock Benchmark	-2.00	-2.48	-3.57	7.79	5.65	6.70	2.76	4.56	
Inflation-Protected Securities Portfolio	**0.64**	**0.82**	**-0.14**	**1.83**	**1.82**	**1.54**	**2.69**	**3.37**	**Sep-05**
Inflation-Protected Benchmark	0.39	0.75	-0.07	2.01	1.81	1.54	2.86	3.46	
REIT Portfolio	**4.13**	**8.78**	**-0.03**	**2.22**	**7.44**	**7.81**	**7.85**	**6.94**	**Sep-05**
REIT Benchmark	4.41	10.08	1.14	3.47	7.95	8.12	7.75	6.85	
FDIC-Insured Portfolio	**0.10**	**0.29**	**0.42**	**0.63**				**0.55**	**Jan-17**
FDIC-Insured Benchmark	0.14	0.41	0.74	1.23				0.99	
ACTIVELY-MANAGED STATIC PORTFOLIOS									
Active Aggressive Portfolio	**-0.75**	**-0.39**	**-1.06**	**7.30**				**10.41**	**Oct-15**
Active Aggressive Benchmark	-0.52	0.18	-0.40	8.47				11.08	
Active Moderate Portfolio	**-0.60**	**-0.45**	**-0.98**	**5.06**				**7.71**	**Oct-15**
Active Moderate Benchmark	-0.38	-0.02	-0.61	5.48				7.86	
Active Conservative Portfolio	**-0.32**	**-0.24**	**-0.65**	**3.08**				**5.00**	**Oct-15**
Active Conservative Benchmark	-0.14	0.07	-0.39	3.22				4.93	
Socially Targeted Portfolio	**1.09**	**2.70**	**2.47**	**11.77**	**9.97**	**12.05**		**12.77**	**Nov-09**
Socially Targeted Benchmark	0.61	3.41	2.60	14.27	11.81	13.28		13.97	
Stable Value Portfolio	**0.18**	**0.53**	**1.02**	**1.95**	**1.74**	**1.59**	**2.41**	**3.48**	**Jan-00**
Stable Value Benchmark	0.23	0.66	1.23	2.23	1.52	1.26	1.26	2.63	

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

TABLE OF CONTENTS

I. PURPOSE & RESPONSIBILITIES

PURPOSE

The purpose of this Statement of Investment Policy and Guidelines ("Statement") is to identify a set of investment objectives, guidelines and performance standards for the Virginia529 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

<u>Board</u>

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.

<u>VA529 Management</u>

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;
- 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.

[1] The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on August 24, 2017.

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 VA529 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, which are primarily invested in U.S. investment grade debt securities, 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.
- For the non-core fixed income portfolios, which can hold non-investment grade debt securities, the portfolio is expected to maintain 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.

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.

GUIDELINES FOR PROSPECTIVE PRIVATE EQUITY MANAGER REVIEW

In developing recommendations for a private equity fund of funds or direct manager (GP) for the Prepaid529 portfolio, the Committee recognizes that the investment consultant may not have rated, or may not have a current rating for the prospective GP and/or fund that the Committee may want to consider.

The following list represents criteria by which a GP or fund would be eligible for further consideration by the Committee, and thus eligible for the commencement of diligence work and/or rating by the investment consultant (or other private equity consultant) prior to any allocation or commitment to such manager by the Committee. The GP should exhibit/meet most if not all of the following characteristics/criteria before a request is made of the investment consultant to proceed with a formal manager or fund rating. Any decision to proceed would be subject to availability of funds and a negotiated fee would be agreed to with the investment consultant.

If the manager/GP satisfies most if not all of the criteria, VA529 staff and/or the Committee may request whether the investment consultant has:

1) Published a "Research View" document;

2) Published a rating or a "Research Note" report; or

3) Has published neither but has developed either a positive or less than positive opinion on the firm that would provide an indication of whether we should consider proceeding with a Research Note or View report?

This will allow VA529 and the Committee to determine whether we should proceed with a Research View and/or a Research Note and formal rating.

Criteria:

- The GP has raised at least one or more prior fund of funds over a period that is reasonable given fund size, type, underlying fund size and allocation, etc.;

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

- The GP will have proven the ability to access high-quality underlying managers, and in amounts that are meaningful to the portfolios;

- The GP will have developed an organizational capability sufficiently robust to effectively invest and administer the private market program; and sufficient levels of assets, staffing and external resources will be in place to ensure successful implementation of the program;

- Total fund sizes and growth in such fund sizes has been reasonable with respect to the GP's history, underlying investment type or strategy, and the number and size of the underlying funds to which the managers allocates and commits;

- The GP's fund of funds has an advisory committee (LPAC) and Virginia529 will be assigned a seat on the LPAC;

- The Limited Partnership Agreement (LPA) has been reviewed by VA529 staff and counsel;

- The GP has agreed to provide transparency into the underlying funds;

- The GP's previous funds of funds (of similar strategy), as applicable, have on average been in the top two quartiles vs. a comparative peer group, and long-term performance exceeds that of comparable listed benchmarks;

- The GP's primary investment decision makers have on average meaningful experience as Limited Partners (LPs) with proven institutions and /or in the private equity industry in the space in which they expect to focus;

- If the fund of funds vehicle contains a fee waterfall, it is structured as a European waterfall; and

- The GP has successfully attracted other institutional LPs in current or past funds, with an aggregate amount of institutional commitments to current and previous fund of funds that is reasonable given the fund size, fund strategy, number of funds, etc.

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 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.

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

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.

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 March 28, 2018.

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%**
Fixed Income Comprised of asset classes such as Convertibles, High Yield, Emerging Market Debt, Private Debt, Bank Loans, and U.S. Investment Grade Debt	**52.5%**	**47.5 – 57.5%**

Note: This allocation is reviewed annually by the Investment Advisory Committee and the Board in establishing the long-term investment return assumption for Prepaid529's annual actuarial valuation report. This allocation was last updated March 28, 2018.

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 ACWI ex US	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
Diversified Hedge Fund of Funds	Alternatives	HFRI Fund of Funds Conservative Index	Diversified Hedge Funds
Private Equity Partnerships	Alternatives	ACWI IMI + 300 bps	NA
U.S. High Yield Fixed income	Non-Core Fixed Income	Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index	U.S. High Yield Fixed Income
Convertibles	Non-Core Fixed Income	TR Global Defensive Investment Grade	Convertibles
Emerging Markets Debt	Non-Core Fixed Income	JP Morgan EMBI (various)	Emerging Market Debt
Bank/Leveraged Loans	Core Fixed Income	Credit Suisse Leveraged Loan Index	Fixed / Bank /Leveraged Loans
Mortgage Backed Securities	Core Fixed Income	Bloomberg Barclays CMBS Bond Index	U.S. Fixed / Mortgage-Backed
Intermediate Term Fixed Income	Core Fixed Income	Bloomberg Barclays US Credit Intermediate Index	U.S. Fixed / Intermediate
U.S. Treasury Inflation Adjusted Fixed Income	Core Fixed Income	Bloomberg Barclays Capital U.S. TIPS	NA
Private Debt Partnerships	Private Debt	S&P Leveraged Loan Index	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 – COMPOSITE BENCHMARKS

Each investment manager is benchmarked against an index that best reflects their investment style and strategy. The benchmarks for the equity, fixed income, and alternatives categories are composite benchmarks comprised of a market weighted blend of the underlying manager benchmarks, as is the total fund benchmark. These blends are calculated monthly by the custodian using month end market values.

The benchmark for private equity is adjusted at the partnership level for the first 4 years to match the actual return. This methodology accommodates the long funding period typical of private equity investments.

Virginia College Savings Plan
Statement of Investment Policy and Guidelines
For

Invest529SM

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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).

General Description of Invest529 Investment Options

- **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.

- U.S. core fixed income (passively-managed)
- International fixed income (passively-managed)
- U.S. broad market equity (passively-managed)
- International equity (passively-managed)

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.

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 Invest529 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 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.

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

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

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

SECURITIES LENDING

Securities lending is not allowed in the separate accounts in 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 December 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 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 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	
2030 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		
2027 Portfolio Ages 10-12	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income			
2024 Portfolio Ages 13-15	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income				
2021 Portfolio Ages 16-18	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income					
2018 Portfolio Over Age 18	0% Stock 100% Fixed Income						

APPENDIX B: BENCHMARKS & PEER GROUPS

The table below outlines the target benchmarks and peer groups for the Invest529 portfolios. The table uses the initial target allocations as of January 1, 2018.

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 ACWI ex US / 15% MSCI Emerging Markets / 15% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 12.5% MSCI Emerging Markets / 10% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 10% MSCI Emerging Markets / 10% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 7.5% MSCI Emerging Markets / 7.5% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 5% MSCI Emerging Markets / 5% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 2.5% MSCI Emerging Markets / 5% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 U.S. High Yield Ba/B 1% Issuer Cap Index / 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	Federal Reserve Bank of New York Overnight Bank Funding Rate less 50 basis points	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 ACWI ex US / 2.5% MSCI Emerging Markets / 5% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 7.5% MSCI Emerging Markets / 7.5% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 ACWI ex US / 15% MSCI Emerging Markets / 15% NCREIF NFI ODCE / MSCI REIT / 5% Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index / 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 U.S. High Yield Ba/B 1% Issuer Cap Index	U.S. High Yield Fixed Income Managers
Private Real Estate/Actively-Managed	NCREIF NFI ODCE / MSCI REIT	Private Real Estate
International Equity/Actively-Managed	MSCI ACWI ex US	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.

<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 ABLEnow 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 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.

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.

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