



Virginia College Savings Plan Annual Report

For the period ended
on June 30, 2020

Virginia529SM
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LETTER OF TRANSMITTAL

November 15, 2020

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, 2020, 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 and Appropriations, 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, Prepaid529SM (Prepaid529), Invest529SM (Invest529) and CollegeAmerica[®], and our early commitment scholarship program, SOAR Virginia[®], as part of our statutory mandate to help make higher education more affordable and accessible for all Virginians; 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. Note that Prepaid529 closed to new participants in May 2019; a successor defined benefit option will open in the first quarter of calendar 2021 as a portfolio within the Invest529 program.

Congress passed the Tax Cuts and Jobs Act (TCJA) in 2017 which expanded the use of benefits in 529 education savings plans to include certain public, private or religious K-12 tuition expenses. This legislation also provided for tax-free rollovers from 529 education savings plans to ABLE plans. The Setting Every Community up for Retirement (SECURE) Act of 2019 allows 529-education savings benefits to be used to pay registered apprenticeship program expenses and up to \$10,000 in certain student loan repayments, bringing new flexibility and expanded utility to 529 plans. All of these provisions are subject to certain limitations as required by law.

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Toll-Free 1-888-567-0540 Virginia529.com able-now.com

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.

COVID-19 RESPONSE

In March 2020, the Governor of Virginia issued a state of emergency, requiring a statewide shelter in place resulting from the global SARS-CoV-2 coronavirus (COVID-19) pandemic. VA529 immediately activated its Continuity of Operations Plan (COOP) requiring leadership and staff to leverage communications, technology, facilities protocols, and critical vendor services to shift staff and operations to a virtual environment. Many operational enhancements were achieved during the first months of remote operations, which is a testament to VA529's preparedness and resiliency. Operations have continued without disruption and VA529 is poised to continue its primary business of serving customers through remote operations as long as the state of emergency continues.

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, 2020 and compares the value of the current and projected assets of Prepaid529 to the value of the expected future disbursements and program costs. The actuarial valuation was performed based upon generally accepted actuarial principles. The two most significant assumptions used to prepare Prepaid529's actuarial valuation report are the long-term rates of investment return and future tuition growth. The report indicated an increase in Prepaid529's actuarially determined funded position from the position as of June 30, 2019 primarily due to lower than expected tuition growth and a decrease in the long-term tuition assumption. We are pleased to report that Prepaid529 was 157.4 percent funded on an actuarial basis as of June 30, 2020.

VA529 maintains its optimistic outlook that its asset allocation and investment strategies will result in the Prepaid529 portfolio meeting or exceeding performance expectations over the long term. VA529 has an assumed long-term rate of return of 5.75 percent on Prepaid529

investments. As of June 30, 2020, the total return since inception was 5.97 percent net of fees, and reflected the lower than expected 1.64 percent overall fund performance during fiscal 2020. VA529 has adopted a long-term target asset allocation strategy for Prepaid529 as set forth within its Investment Policy and Guidelines. The Investment Advisory Committee and Board revised this target allocation on August 29, 2019 and the Prepaid529 portfolio was transitioning towards the new allocation as of June 30, 2020

Much like the United States macro economy, significant volatility in capital markets during the second half of fiscal 2020 due to the COVID-19 pandemic affected Prepaid529 portfolio performance. The rapid sell-off in all asset classes, chiefly equities and fixed income, resembled volatility levels last witnessed during the Great Recession of 2008-2009. During the third quarter of fiscal 2020, significant monetary and fiscal support from the Federal Reserve and US policymakers attempted to remedy some of this instability. During fiscal 2020, both the S&P 500 and MSCI Emerging Markets rose 4.67 and 0.84 percent, respectively, while the Dow Jones Industrial Average sunk -3.15 percent and the MSCI ACWI ex US Index fell -2.58 percent. These returns were in stark contrast to the returns exhibited over the first half of the fiscal year, with 9.8, 8.5, 5.0, and 6.7 percent returns posted by the S&P 500, DJIA, MSCI ACWI ex. US Index, and MSCI Emerging Markets Index, respectively.

The Federal Open Market Committee, or the Fed, began the 2020 fiscal year with the target range for the federal funds rate from 2.25 to 2.50 percent. On October 31, 2019, the Fed altered this target range to 1.50 to 1.75 percent, a decrease of 75 basis points. Due to the economic concerns resulting from the coronavirus, this range was lowered by 50 basis points on March 3, 1.00 to 1.25 percent. About two weeks later, the Fed dropped this rate 100 basis points, setting the target range for the federal funds rate at 0.00 to 0.25 percent. The Fed has signaled that no plans exist to alter this range in the near future.

On average, the unemployment rate persisted at 6.01 percent over the 2020 fiscal year. From July through December 2019, the US economy maintained an impressive and historical low of 3.58 percent. The outbreak of COVID-19 disrupted this strong performance, leading to monthly rates of 14.7, 13.3 and 11.1 percent in April, May, and June 2020, respectively. Significant and unprecedented monetary and fiscal response from United States policymakers has aided in mitigating further economic damage. Concerns continued through the end of the 2020 fiscal year regarding when the spike in unemployment will retreat to its pre-COVID values.

Following the unprecedented economic injunction in closing markets to much of domestic activity and foreign travel, many countries around the world have begun reopening segments of their respective economies, including the United States. However, questions remain regarding the haste which the relaxation of these safety protocols will have on the long-term health of citizens. Further waves of COVID-19 outbreaks may lead to a renewal of business restrictions or shutdowns in an attempt to slow the spread of COVID-19. Signs of a fall "surge" in COVID-19 cases already are appearing in Europe and other parts of the world, including the United States.

These volatility-inducing macroeconomic factors shaped the returns of the Prepaid529 fund, demonstrating a stark contrast in fiscal year and calendar year return rates:

Prepaid529 Fund Returns (as of June 30, 2020)

Type of Investment	1 Year Return	1 Year Return Benchmark	Calendar YTD Return	Calendar YTD Benchmark
Total Fund	1.64 %	2.27 %	(3.05)%	(2.60)%
Total Equity	2.22 %	1.57 %	(5.75)%	(6.58)%
Total Fixed Income	1.83 %	2.78 %	(1.37)%	(0.45)%
Alternatives	0.90 %	(1.51)%	(2.28)%	(4.44)%

VA529 optimistically maintains its long-term asset allocation and return focus, designed to endure economic downturns and meet established expectations for the future.

The other significant factor in Prepaid529’s ability to meet future contractual obligations is the future growth in tuition and mandatory fees at Virginia's public colleges and universities. Given the economic downturn and impacts due to the pandemic, many Virginia institutions of higher education froze tuition rates for the upcoming academic year, although fees increased for the majority of schools. Due to the shift to virtual learning in the spring 2020 semester, some universities refunded housing, dining, and other campus fees. As the State Council of Higher Education for Virginia (SCHEV) highlighted in its 2020-21 Tuition and Fees report, Tuition and Mandatory Educational & General (E&G) Fees increased an average of 1.2 percent across four-year institutions, with Mandatory Non-E&G Fees (those related to non-instructional activities) increasing 2.1 percent for the upcoming academic year. In aggregate, tuition and total mandatory fees rose 1.5 percent, or \$203, across four-year Virginia public colleges and universities.

In its assessment of Prepaid529’s financial condition, VA529 has forecast tuition and fees at Virginia's public universities to increase annually at a rate of 4 percent for fall 2021 and fall 2022 and then resulting in a 6 percent increase thereafter. Tuition increases for community colleges are forecast to increase annually at a rate of 2 percent for fall 2021 and fall 2022 and 6 percent thereafter. Future budget shortfalls, spurred in part by a significant decrease in tax revenues, as well as reductions in funding support to higher education institutions may result in more volatile tuition rates in the coming years. A significant increase in these rates could negatively affect the current stability of the Prepaid529 portfolio, altering projected long-term Prepaid529 obligations. As SCHEV is statutorily obligated to report such tuition and fee changes, VA529 remains in a strong position to stay informed and adjust accordingly.

2020 PROGRAM HIGHLIGHTS

- **Legacy Prepaid529 Program and New Benefit Option**

Prepaid529 closed to new participants after its final enrollment period during fiscal 2019. However, VA529 continues to service existing customers. Planning and development for a new defined benefit option began in fiscal 2020 for a targeted launch in early calendar 2021. Integral to the planning and development for the new program is the focus on program design and materials, development of internal systems, and operational milestones all with the goal of providing a savings vehicle that will be more affordable, more flexible, and more simple to broaden the appeal and accessibility of the benefits of the program to a broader demographic

across Virginia. Finalization of key assumptions for valuation and pricing of the new program was ongoing at fiscal year-end.

- **Invest529 and CollegeAmerica Investment Updates**

For the fourth year in a row, Invest529 received a coveted Gold Rating from Morningstar, a leading provider of independent investment research and advice. Morningstar introduced its ratings on 529 plans in 2010 and evaluates education savings plans on five key pillars - Process, People, Parent, Price, and Performance - 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 2019. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Only four college savings programs received a Gold rating and they were noted as standing out for their low costs, strong stewardship, and exceptional investment options. CollegeAmerica retained its strong Silver rating, one of only two advisor based programs to receive such a high rating. Invest529 and CollegeAmerica are two of only seventeen plans that received one of the top two ratings and Virginia is one of only two states to have two programs receive Gold and Silver ratings.

In January 2020, VA529 reduced Invest529 administrative fees by 10 percent from 10 to 9 basis points. For CollegeAmerica accounts, the first break point for administrative fees was also reduced by 10 percent, from 10 to 9 basis points, for a current effective rate across accounts of approximately 6 basis points. No changes were made to the remaining break points for assets in excess of \$20 billion and \$100 billion respectively.

During fiscal year 2020, three new CollegeAmerica investment options were approved by the VA529 Board. These options included the Global Insight Fund, the International Vantage Fund and the Multi-Sector Income Fund. As of June 30, 2020, the CollegeAmerica program offered 46 American Funds mutual funds and Invest529 offered 22 investment options.

- **ABLEnow and ABLEAmerica® Growth**

Virginia continued to experience growth in its disability savings program, ABLEnow and ABLEAmerica. ABLEnow is a direct-sold, defined contribution program designed to allow individuals with disabilities to save for qualified disability expenses without impacting 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 offered 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. During fiscal 2020, VA529 through its partnership with PNC continued to focus on strategic initiatives to improve the overall customer experience and engagement with ABLEnow accounts. As of June 30, 2020 ABLEnow had 8,831 active accounts and over \$40.5 million in assets under management.

In July 2018, the American Funds launched ABLEAmerica, the first ABLE plan available through financial advisors. ABLEAmerica compliments ABLEnow by giving those individuals and families who utilize financial advisors another means through which to access an

ABLE plan. Investments are offered through seven approved mutual funds at the ABLE-A share class level. As of June 30, 2020, ABLEAmerica had 745 total accounts and over \$8.4 million in assets under management.

- **Account Growth and Transaction Volume**

During fiscal 2020, VA529 experienced varying account growth by program as shown in the table below. Invest529’s 10.6 percent growth rate depicts continued strong growth and corresponds to an additional 53,986 accounts opened during the fiscal year. As was expected, Prepaid529 accounts decreased as the program closed to new enrollment in May 2019 and this trend will continue as contracts are used for their intended purpose.

Fiscal 2020 Growth in Accounts¹	
Prepaid529	(7.3)%
Invest529	10.6 %
CollegeAmerica	2.7 %
ABLEnow	43.9 %
ABLEAmerica	121.1 %

¹Gross accounts opened during fiscal year, except for CollegeAmerica (net) and ABLEnow (net)
* ABLEAmerica was launched in FY19

Transaction volume also continued to increase as participants utilized their education savings accounts. During fiscal 2020, the Plan processed 87,177 Invest529 distribution requests and 20,557 Prepaid529 payments to institutions, representing an 8 percent increase and 2 percent increase over the prior fiscal year, respectively.

- **Operational and System Improvements**

During fiscal 2020, VA529 made operational improvements to its technology platforms to improve customer service delivery and support agency and program operations. This included implementation of a customer account validation system for fraud prevention enhancement and substantial completion of the Banner Forms Transformation project, a major system initiative that began in fiscal 2019. VA529 continued to enhance its customer 529 gifting platform to allow for expanded capabilities for contributions to education savings accounts.

VA529 completed a customer service operational assessment and launched a multi-year contact center enhancement project with focus on technology, quality assurance, training, reporting and analytics. A Financial Operations Training Program was also launched to develop internal training that focuses on education and disability savings programs, customer service platforms and service delivery.

VA529 continued efforts to implement cloud based accounting systems. This included successful implementation of a financial reporting system and the launch of a budget software system that is targeted for completion in fiscal 2021. The Cardinal Human Capital Management (Cardinal HCM) project continued through fiscal 2020. This is a multiyear project to replace legacy payroll and benefit systems across the Commonwealth of Virginia.

VA529 completed the decentralization of Prepaid529 disbursements that carried over from fiscal 2019. This resulted in VA529's implementation of a controlled disbursement account on July 1, 2019, which allows for the prompt and efficient disbursement of funds to customers and higher education institutions from its own bank accounts with summary reporting of accounting transactions to the Commonwealth's Cardinal Financials System.

- **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 staff produces biennial oversight reports on the status of VA529, oversee a quadrennial actuarial audit of Prepaid529, and publish an informational guide to VA529 for members of the General Assembly. JLARC is also required to perform special studies of VA529 as requested by the General Assembly, the House Appropriations Committee, or the Senate Finance Committee.

Historical information can 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 being responsible stewards of the funds in our care. We express our sincere thanks and appreciation to our outstanding staff and our business partners and for the guidance and dedication of our Board and Committee members.

Respectfully Submitted,



Mary G. Morris
Chief Executive Officer



Vivian L. Shields
Chief Finance Officer

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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, 2020, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, 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, 2020, 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 4 to the financial statements of the Plan, total system investments include investments valued at \$1,179.2 million (39.5% of total assets) for the Enterprise Fund and \$251.10 million (4.6% of total assets) for the Private Purpose Trust Fund, respectively, as of June 30, 2020, 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.

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 73-79, 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 4, 2020 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 Plan's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
November 4, 2020

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Management's Discussion and Analysis

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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, 2020. This presentation includes summarized data and should be read in conjunction with the accompanying financial statements and notes.

VA529 operates the Commonwealth of Virginia's (the Commonwealth's) Internal Revenue Code (IRC) Section 529 qualified tuition plan, which offers three programs, Prepaid529SM (Prepaid529), Invest529SM (Invest529), and CollegeAmerica[®]. Prepaid529 is a defined benefit program, which closed to new participants in fiscal 2019. Contracts in this program are based on 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 46 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 programs. 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. VA529 is the program sponsor for ABLEnow and provides customer service, investment management and marketing services, however, PNC Bank, N.A. acts as the program administrator and is responsible for account management. The American Funds acts as program manager for ABLEAmerica and provides all back office and operational services for the program. Programs managed and administered by the American Funds and PNC, respectively, are presented in Other Information and not included in the accompanying audited financial statements.

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; which 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 the June 30th fiscal year-end.

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 and 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 and 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

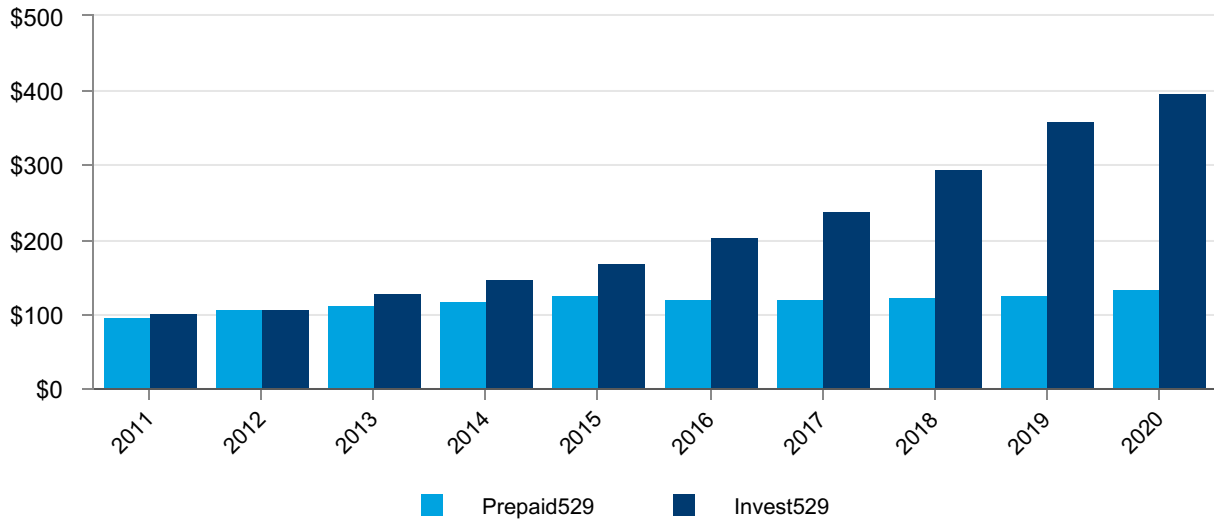
CollegeAmerica, ABLEnow, and ABLEAmerica are defined contribution savings programs and are presented as Other Information. CollegeWealth, which closed to new participants in fiscal 2017, is also presented as Other Information. Other Information is unaudited but presented as additional information.

Fiscal 2020 Financial Highlights

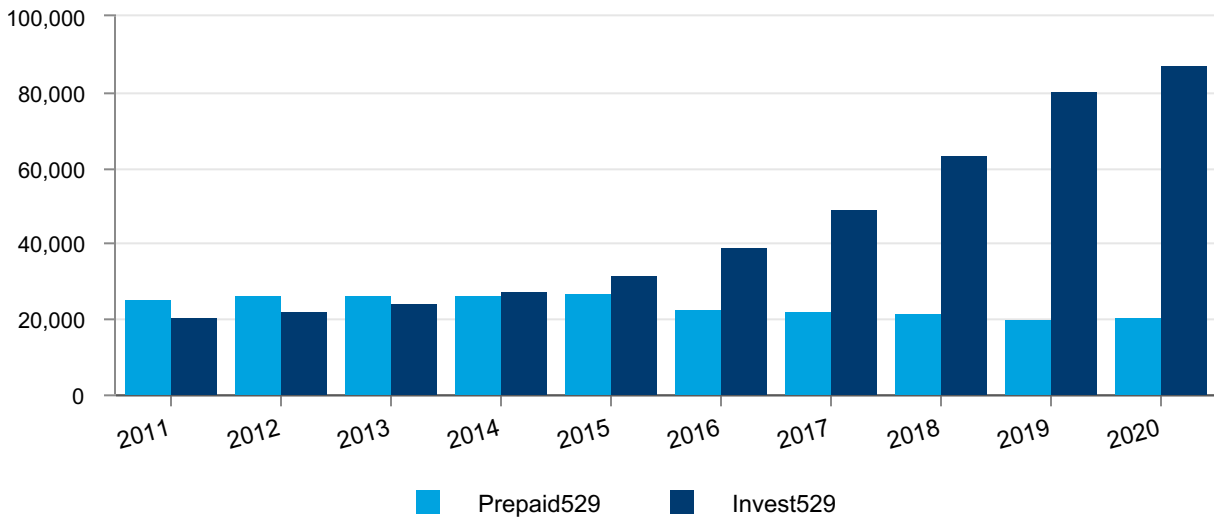
In aggregate, market movements had an overall net positive effect on fixed income and equity security prices in the Prepaid529 and Invest529 portfolios for the fiscal year ended June 30, 2020. Transaction activity also increased as customers continued to fund their college savings accounts and use them to pay higher education expenses. Since the Prepaid529 program is closed to new participants, total accounts under management and receipts from contract payments will decline over time.

The two graphs below represent Invest529 and Prepaid529 distributions since fiscal 2011.

Amounts Distributed per Fiscal Year
Dollars in Millions



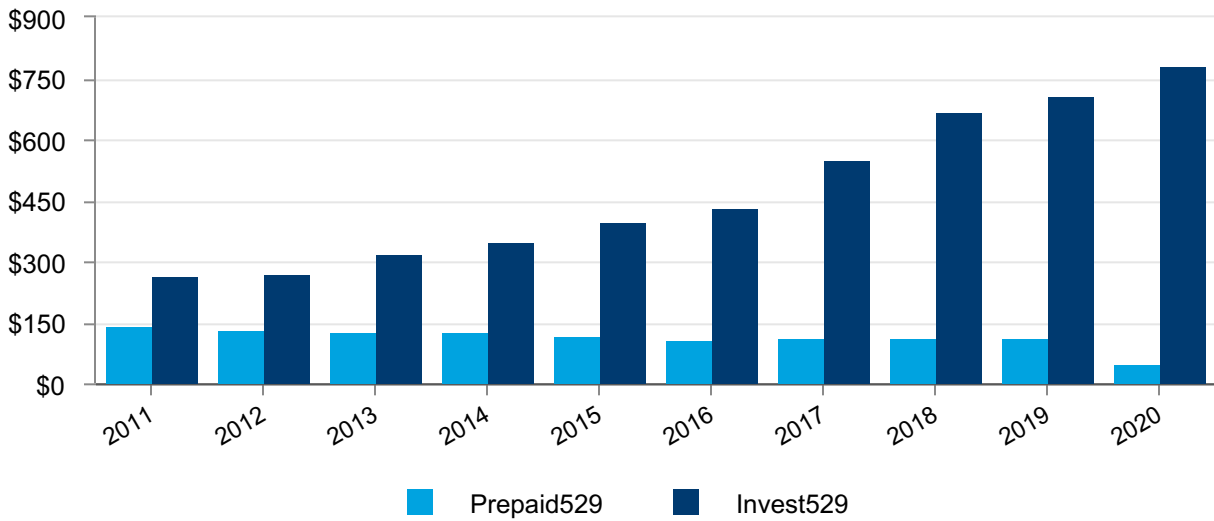
Number of Distributions on Behalf of Beneficiaries per Fiscal Year



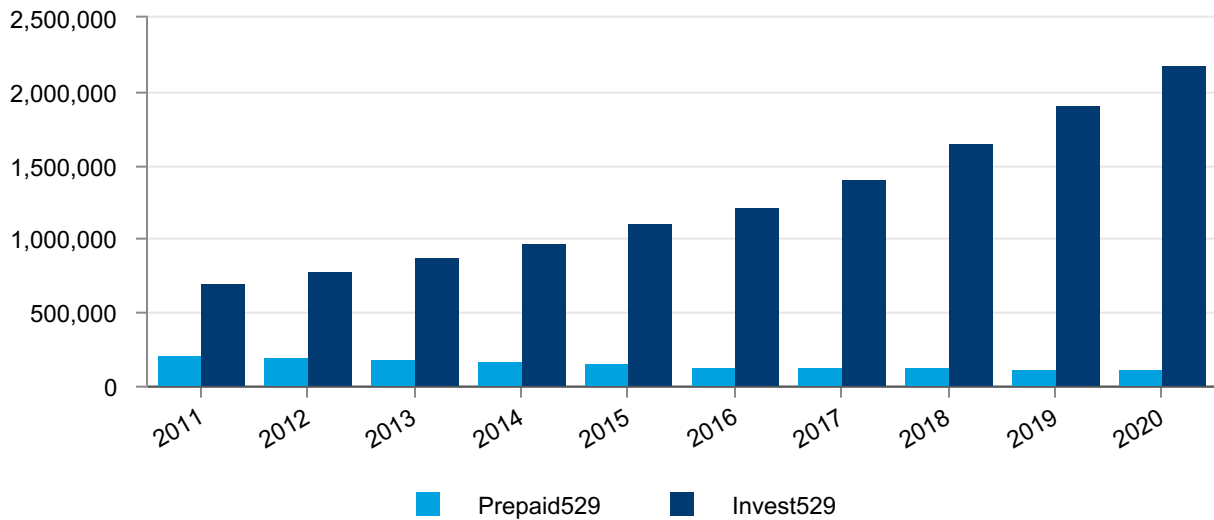
The two graphs below represent Prepaid529 contract payments and Invest529 contributions received since 2011.

Amounts Received per Fiscal Year

Dollars in Millions



Number of Payments/Contributions Received per Fiscal Year



The graph below represents Invest529 and Prepaid529 active accounts under management at fiscal year-end since fiscal 2011.

Growth in Accounts Under Management per Fiscal Year

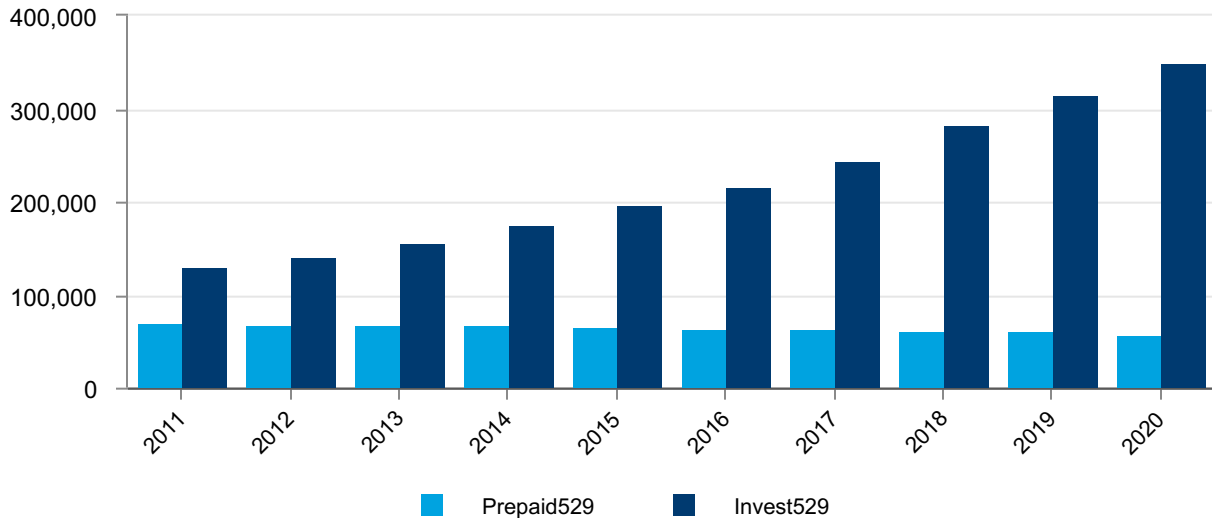


Table 1 demonstrates the numbers of students served, the amounts paid from Prepaid529 directly to Virginia public universities and community colleges, and the amounts paid from Invest529 on behalf of beneficiaries associated with the respective university or community college during fiscal year 2020. Actual payments from Invest529 may have been issued to account owners, beneficiaries, or the respective institution.

Table 1
Prepaid529 and Invest529 Payments to or Associated with Virginia Public Universities and Community Colleges
Fiscal Year 2020

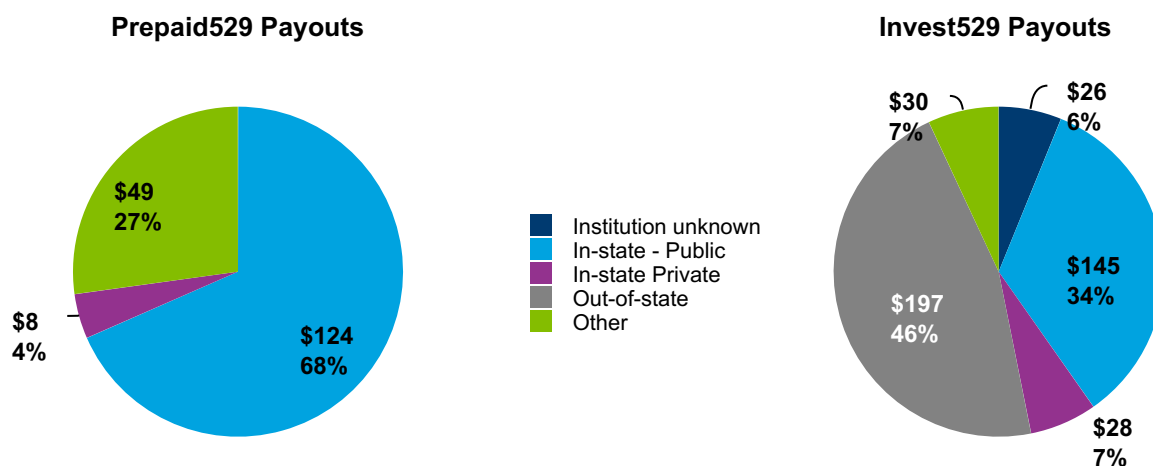
	Prepaid529		Invest529	
	Number of Students with Contracts	Payments to Universities	Number of Students with Accounts	Payments Associated with Universities
Public Universities				
Virginia Tech	2,007	\$ 26,356,208	2,510	\$ 32,957,207
University of Virginia	1,504	24,108,049	1,792	28,699,659
Virginia Commonwealth University	1,167	14,160,526	1,175	13,086,727
James Madison University	1,178	13,711,257	1,656	19,296,545
College of William & Mary	577	12,657,326	663	12,007,980
George Mason University	903	10,241,801	1,212	13,051,170
Christopher Newport University	465	6,595,092	461	5,973,194
University of Mary Washington	260	3,166,999	354	4,216,407
Old Dominion University	365	3,061,478	427	3,353,184
Longwood University	222	2,591,122	182	1,890,939
Radford University	230	2,347,471	280	2,585,013
Virginia Military Institute	58	1,054,922	72	1,012,587
University of Virginia's College at Wise	19	167,761	18	132,476
Virginia State University	17	147,444	17	68,814
Norfolk State University	12	110,198	18	76,588
Total Universities	8,984	\$ 120,477,655	10,837	\$ 138,408,489

Community Colleges	Prepaid529		Invest529	
	Number of Students with Contracts	Payments to Community Colleges	Number of Students with Accounts	Payments Associated with Community Colleges
Northern Virginia Community College	412	\$1,245,711	1,008	\$3,262,329
John Tyler Community College	110	298,357	159	457,243
J Sargeant Reynolds Community College	98	226,586	151	525,412
Germanna Community College	93	180,950	115	361,172
Tidewater Community College	71	185,693	148	522,341
Thomas Nelson Community College	49	138,101	62	175,281
Lord Fairfax Community College	47	127,119	70	182,775
Richard Bland College	14	109,283	20	96,224
Virginia Western Community College	40	107,701	59	156,795
Central Virginia Community College	31	62,260	29	72,896
New River Community College	16	51,697	49	154,348
Piedmont Virginia Community College	25	51,348	89	335,705
Blue Ridge Community College	22	51,137	33	132,440
Rappahannock Community College	16	49,641	25	43,948
Danville Community College	11	31,412	5	21,296
Southside Virginia Community College	11	23,135	6	10,957
Southwest Virginia Community College	5	20,534	4	9,195
Dabney S Lancaster Community College	5	15,712	2	5,534
Patrick Henry Community College	5	11,485	4	12,296
Wytheville Community College	4	7,245	6	11,400
Virginia Highlands Community College	3	6,594	8	19,973
Eastern Shore Community College	1	5,582	1	2,234
Mountain Empire Community College	1	4,867	1	3,894
Paul D Camp Community College	—	—	3	22,313
Total Community Colleges*	1,090	\$ 3,012,148	2,057	\$ 6,598,000

*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, which represent a portion of 'Other' Prepaid529 Payouts. The majority of Invest529 payments are made directly to account owners or beneficiaries for expenses paid to institutions, including out-of-state institutions. 'Other' payments reflected in Chart 1 include rollovers to another state's plan, rollovers/transfers to another VA529 program, other distributions to account owners and beneficiaries, and refunds to the account owner.

Chart 1
2020 Program Payouts by Institution Type (in millions)*



*Amounts may not sum due to rounding

Analysis of Enterprise Fund Financial Activities

The Enterprise Fund includes the activities of Prepaid529 and VA529's general operating activities. The Enterprise Fund ended the year with net position of \$1,068.2 million. The Enterprise Fund's change in net position increased by \$38.8 million during the fiscal year, primarily due to an increase in cash equivalents held with Prepaid529 investments managers and in Dreyfus Cash Management for the Agency Operating Fund. This was offset by increases in trades pending settlement and tuition benefits payables, a net decrease in investment return coupled with a decrease in tuition benefits expense as explained further in the following paragraphs.

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

As of JUNE 30,	2020	2019	CHANGE	% CHANGE
Assets and deferred outflows:				
Current assets	\$ 149.2	\$ 141.1	\$ 8.1	5.7 %
Investments	2,665.1	2,746.2	(81.1)	(3.0)%
Capital assets, net	0.7	1.0	(0.3)	(31.2)%
Other noncurrent assets	123.2	160.1	(36.8)	(23.0)%
Total assets	2,938.2	3,048.4	(110.2)	(3.6)%
Total deferred outflows	3.8	2.1	1.7	81.4 %
Assets and deferred outflows	2,942.0	3,050.5	(108.5)	(3.6)%
Liabilities and deferred inflows:				
Current liabilities	313.3	297.8	15.6	5.2 %
Noncurrent liabilities	1,558.7	1,721.5	(162.9)	(9.5)%
Total liabilities	1,872.0	2,019.3	(147.3)	(7.3)%
Total deferred inflows	1.8	1.8	0.1	2.9 %
Liabilities and deferred inflows	1,873.8	2,021.1	(147.2)	(7.3)%
Net Position				
Investment in capital assets	0.7	1.0	(0.3)	(31.2)%
Restricted	0.3	0.4	—	(10.2)%
Unrestricted	1,067.2	1,028.0	39.1	3.8 %
Total net position	\$ 1,068.2	\$ 1,029.4	\$ 38.8	3.8 %

*Amounts may not sum due to rounding

Assets

Long-term investments decreased by 3.0 percent, primarily attributable to market fluctuations during the third quarter of fiscal 2020. Other noncurrent assets represents the noncurrent portion of tuition contributions receivables which decreased by \$36.8 million for fiscal 2020. This represents the decrease in the actuarially determined amount expected to be collected from contract holders of record in future years. This is primarily due to the closure of the Prepaid529 program to new participants.

Liabilities

Current liabilities increased by \$15.6 million, primarily attributable to pending investment purchases, controlled disbursements account liability, and the current portion of the future tuition benefit obligation at June 30th. Noncurrent liabilities decreased by \$162.9 million. These decreases are due to 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 payouts and differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions.

Table 3 is a summary comparison of the Enterprise Fund's Statement of Revenues, Expenses, and Changes in Net Position for fiscal 2020 as compared to the prior year.

Table 3 – Enterprise Fund – Changes in Net Position (in millions)*

YEARS ENDED JUNE 30,	2020	2019	\$ CHANGE	% CHANGE
Operating revenues				
Charges for sales and services	\$ 48.1	\$ 46.7	\$ 1.4	3.0 %
Interest and dividends (net)	71.1	129.8	(58.7)	(45.2)%
Net increase (decrease) in fair value of investments	(27.5)	1.4	(28.9)	(2110.9)%
Prepaid529 contract payments	3.6	128.6	(125.0)	(97.2)%
Net operating revenues	95.3	306.4	(211.2)	(68.9)%
Operating expenses				
Tuition benefits expense	20.5	32.1	(11.6)	(36.0)%
Other operating expenses	35.6	29.1	6.5	22.2 %
Net operating expenses	56.1	61.2	(5.1)	(8.3)%
Operating income (loss)	39.2	245.2	(206.1)	(84.0)%
Income (loss) before transfers	39.2	245.2	(206.0)	(84.0)%
Transfer to the Commonwealth	(0.4)	(0.4)	—	— %
Change in net position	38.8	244.8	(206.0)	(84.2)%
Net position, beginning	1,029.4	784.6	244.8	31.2 %
Net position, ending	\$ 1,068.2	\$ 1,029.4	\$ 38.8	3.8 %

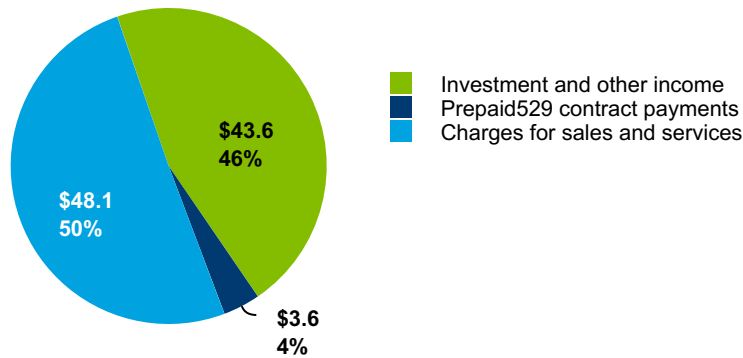
*Amounts may not sum due to rounding

Table 3 reflects tuition benefits expense, which is comprised of two components; actuarially determined and actual tuition benefits expenses. Tuition benefits expense decreased by \$(11.6) million from fiscal year 2019. 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 decreased from the previous fiscal year end accrual by \$(16.7) million, primarily due to tuition assumptions versus actual tuition increases. Actual tuition benefits expense represents actual distributions made during the fiscal year. This amount increased over the prior year by \$5.1 million, or 2.9 percent.

The Prepaid529 portfolio's asset allocation benefited from the strong performance of core fixed income investments as reflected in the rate of return for fiscal 2020 of 1.64 percent. For the fiscal year ended June 30, 2020, a net decrease is reflected in the fair value of investments of approximately \$27.5 million, versus the increase in the prior fiscal year of \$1.4 million. The fair market value of investment securities changes on a daily basis depending upon market conditions. This number will fluctuate from year to year,

depending upon market conditions as of 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 below.

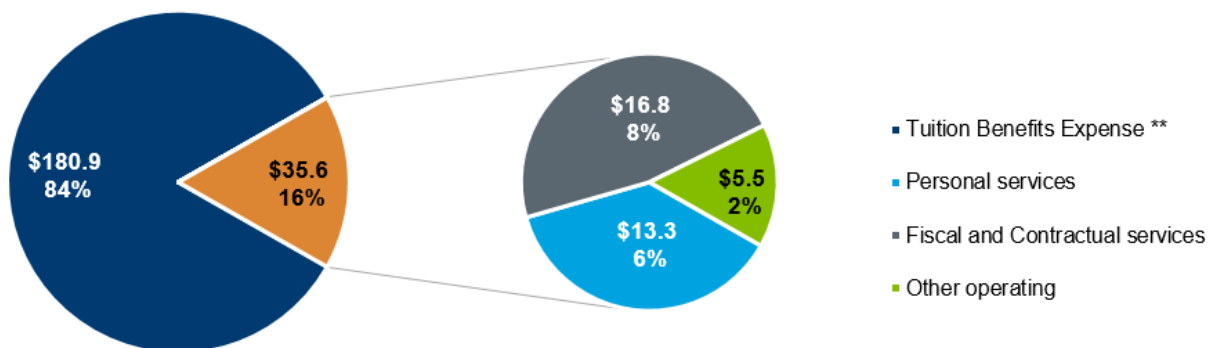
Chart 2
2020 Enterprise Fund Revenue
in millions



Prepaid529 contract payment revenue includes actual and actuarially estimated contract payments, and represents approximately 4 percent of enterprise fund revenue. Actual contract payments received from participants decreased by \$64.2 million over prior year receipts. This decrease is primarily attributable to the closure of the Prepaid529 program to new participants in May 2019. In addition, actuarially determined Prepaid529 contract payment revenue decreased by \$60.9 million. Receipts for charges for sales and services increased during fiscal 2020 by \$1.4 million. This increase is attributable to growth in assets in the CollegeAmerica program.

As shown in Chart 3, tuition benefit payments represent 84 percent of actual expenses of the Enterprise Fund. Of the \$35.6 million expended for plan administration and operations expenses, 84 percent were for personal and contractual services.

Chart 3
2020 Enterprise Fund Expenses
in millions*



* Amounts may not sum due to rounding

** Does not include actuarial tuition benefits

Table 4 provides a comparison of administration and operations expenses between fiscal years 2020 and 2019, which increased by 22.2 percent.

**Table 4 – Enterprise Fund
Plan Administration and Operations Expenses (in thousands)***

YEARS ENDED JUNE 30,	2020	2019	\$ CHANGE	% CHANGE
Personal services	\$ 13,297	\$ 11,536	\$ 1,761	15.3 %
Actuarial pension expense	1,773	829	944	113.9 %
Fiscal and contractual services	16,766	12,724	4,042	31.8 %
Supplies and materials	30	62	(32)	(51.3)%
Depreciation	194	227	(33)	(14.6)%
Rent, insurance, and other related charges	952	897	55	6.1 %
Expendable equipment	504	672	(167)	(24.9)%
SOAR Virginia	2,000	2,000	—	— %
Other	74	185	(111)	(60.1)%
Administration and Operations Expenses	\$ 35,591	\$ 29,133	\$ 6,458	22.2 %

* Amounts may not sum due to rounding

Personal services expense increased by \$1.8 million, or 15.3 percent, over the prior year's amount. The increase is attributable to hiring additional staff, and salary and incentive increases as provided in VA529's Compensation Plan approved by the General Assembly. Actuarial Pension expense increased by \$944 thousand. This expense is a function of the annual pension obligation recognition. Information on this expense can be found in Footnote 10 - Retirement and Pension Plan. Expenses for fiscal and contractual services represent about 47.1 percent of fiscal 2020 administrative expenses. This increase is due to plan operating expenses related to the decentralization of Prepaid529 disbursements.

Actuarial Soundness

VA529's statute requires that it annually determine the actuarial soundness of Prepaid529; which means the actuary's projection that the Program will have the funds needed to pay future obligations. 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 2020, Prepaid529's actuarial reserve position, as calculated by VA529's actuary and reported in the 2020 Actuarial Valuation Report, increased from an actuarial surplus of \$1,029.4 million to a surplus of \$1,068.2 million. Lower than expected tuition increases during fiscal 2020 also contributed to earnings on the actuarial reserve and other actuarial gains. Actuarial assumptions are discussed in Note 9 in the Notes to the Financial Statements.

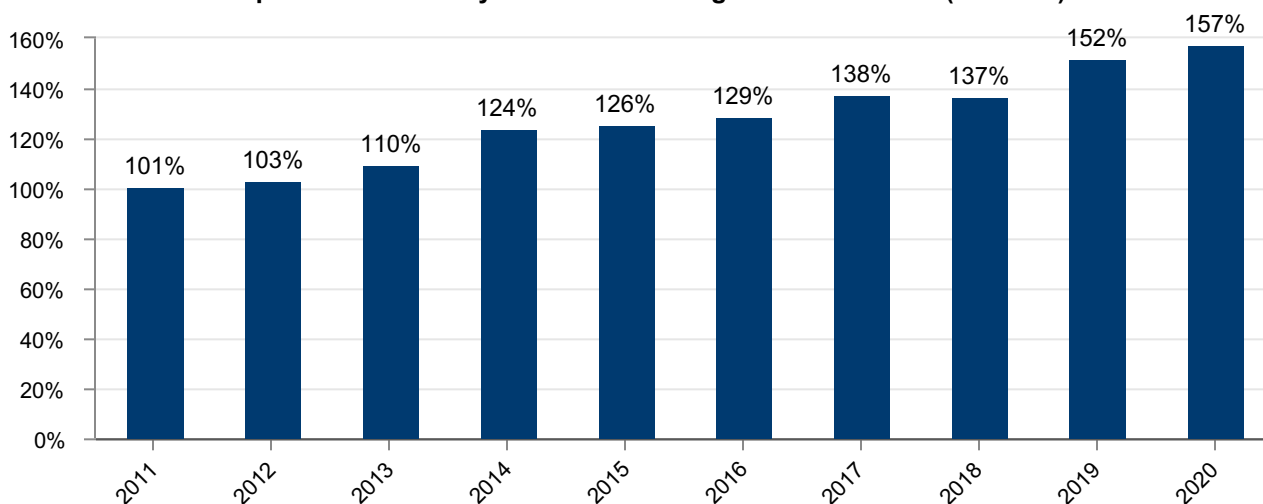
The overall effect of the changes on the actuarial reserve is summarized in Table 5. Table 5 reflects the actuarial gains and losses and the Actuarial Reserve as of June 30, 2020 as calculated by VA529's actuary using preliminary financial statements developed and provided by VA529 as reflected in the draft Actuarial Valuation Report as of October 30, 2020. The final report is expected to be completed no later than mid-December 2020. 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 2020 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, 2019	\$ 1029.4
Interest on the reserve at 5.75%	\$ 59.2
Investment gain / (loss)	\$ (116.3)
Tuition gain / (loss)	\$ 24.9
Lower than expected actual account balances	\$ 7.5
Administrative expenses less than expected	\$ 0.4
Change to reasonable rate and volatility assumptions	\$ 34.9
Change to tuition growth assumptions	\$ 14.3
Other experience	\$ (4.1)
Actuarial Reserve / (Deficit) as of June 30, 2020	<u>\$ 1,050.2</u>

Prepaid529's overall funded status, as calculated by the actuary, as of June 30, 2020 was 157 percent. Chart 4 provides Prepaid529's funded status since 2011.

Chart 4
Prepaid529 Actuarially Funded Percentage as of June 30th (rounded)

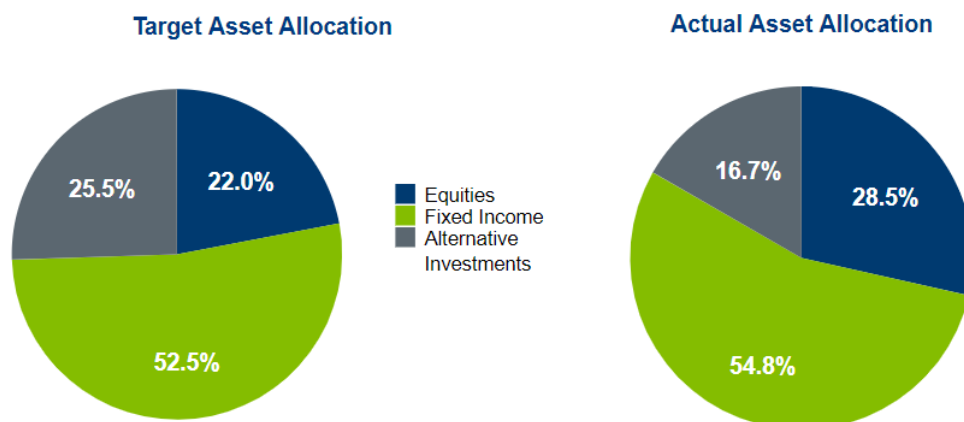


Prepaid529 Asset Allocation and Investments

In fiscal 2020, the Board conducted an asset liability study for Prepaid529 that resulted in changes to the target asset allocation. At a macro level, these changes encompassed a reduction of public equities in favor of alternatives and maintaining overall fixed income allocation while making some changes within the asset class. Chart 5 below illustrates the target and actual asset allocations of Prepaid529 as of fiscal year end.

In fiscal 2020, the Investment Advisory Committee terminated Templeton Institutional Funds as an international equity manager within Prepaid529, using proceeds to fund Acadian Asset Management as a new manager in the same category. Within fixed income, a new Multi Asset Credit category was established and funded with two managers, Schrodgers Investment Management and Loomis, Sayles & Company. These two managers will continue to be funded to their category target, using stand alone high yield fixed income, emerging markets debt and senior secured loan managers as a source of funds. Additionally within the fixed income category, the allocations to stable value and Treasury Inflation Protected Securities (TIPS) were eliminated. As a result, the respective mandates run by Invesco and State Street Global Advisors were redeemed. A complete list of Prepaid529 managers as of June 30, 2020 may be found in Appendices A and B.

Chart 5
Prepaid529 Asset Allocation as of June 30, 2020



Analysis of Fiduciary Fund (Invest529)
Financial Activities

Table 6 presents a summary of Invest529's assets and liabilities for fiscal 2020 and 2019. Cash increased by \$93.8 million from fiscal year 2019. 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 8.6 percent increase in investments.

Table 6 – Invest529
Statement of Fiduciary Net Position (in millions)*

Fiscal year ended June 30	2020	2019	Change	% Change
Assets:				
Cash	\$ 209.6	\$ 115.8	\$ 93.8	81.0 %
Receivables	4.9	5.4	(0.5)	(8.7)%
Investments	5,423.0	4,991.4	431.6	8.6 %
Total Assets	5,637.6	5,112.6	525.0	10.3 %
Liabilities	11.3	8.9	2.4	27.2 %
Net position held in trust, ending	\$ 5,626.2	\$ 5,103.7	\$ 522.5	10.2 %

*Amounts may not sum due to rounding

Table 7 reflects the change in Invest529's net position for fiscal 2020. 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 \$72 million and there were more than 54 thousand new Invest529 accounts opened during the fiscal year. The increase in contributions were offset by a net decrease in investment income during the fiscal year. Educational expense benefit payments made on behalf of participants represent 93 percent of Invest529 deductions. As anticipated, overall disbursements to Invest529 account owners, beneficiaries, and institutions increased over the prior year by approximately 6.8 percent as more participants withdrew funds for higher education expenses.

Table 7 – Invest529
Change in Fiduciary Net Position (in millions)

Fiscal year ended June 30	2020	2019	\$ Change	% Change
Additions	\$ 947.0	\$ 979.0	\$ (32.0)	(3.3)%
Deductions	424.5	397.3	27.1	6.8 %
Net Increase (decrease)	522.6	581.7	(59.1)	(10.2)%
Net position held in trust, beginning	5,103.7	4,522.0	581.7	12.9 %
Net position held in trust, ending	\$ 5,626.2	\$ 5,103.7	\$ 522.6	10.2 %

*Amounts may not sum due to rounding

In October 2019, Invest529 received a Gold rating from Morningstar, Inc. 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 the majority of 529 plans in 2019. 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 2020, 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. A new Target Enrollment Portfolio (2039 Portfolio) was introduced to the glide path with an 80% equity/20% fixed income target allocation. This evolution represented one of the minor steps in order to maintain a progressive evolution in the glide path. The next major step evolution will occur on January 1, 2021 where the portfolios will hit their respective triennial target allocations as set forth in the Invest529 Program Description.

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. As of June 30, 2020, the total return since inception was about 5.97 percent net of fees and reflected Prepaid529's 1.64 percent investment performance during fiscal 2020. Domestic equity and core fixed income markets continued to perform well during fiscal 2020 having a positive impact on Prepaid529 portfolio performance. All asset classes were impacted by market dislocation associated with onset of COVID-19 during the third quarter of fiscal 2020, but rebounded substantially during the fourth quarter. Portfolio performance through the balance of fiscal 2021 will depend on many factors.

In assessing Prepaid529's financial condition, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 4.0 percent for the two academic years beginning Fall 2021 and ending Spring 2023, and 6.0 percent thereafter. This applies to four-year universities. Virginia's community colleges and two-year institutions are projected to increase annually by 2.0 percent for the two academic years beginning Fall 2021 and ending Spring 2023, and 6.0 percent thereafter. These long-term tuition and fee increase projections were established for the June 30, 2020 Prepaid529 valuation.

The actuarial valuation reflects the Prepaid529 portion of the Enterprise Fund. This includes the market value of Prepaid529 assets and cash flows from program operating and investing activities. VA529 did not assign any of its net agency operating revenue to Prepaid529 during fiscal 2020.

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. It is too early to fully assess the impacts of the global COVID-19 pandemic on public education at Virginia's public universities and community colleges and its resulting impact to Prepaid529.

Legislation was proposed and adopted during the 2019 General Assembly Session, authorizing VA529 to proceed with the implementation of a new defined benefit program structure. Subsequently, the legacy Prepaid529 program was closed to new participants during fiscal 2019. However, the program continues to manage existing contracts through depletion. Investment return and tuition growth assumptions and other considerations previously referenced apply.

During fiscal 2020, VA529 launched the development off the new defined benefit structure, which will be based upon a weighted average tuition pricing methodology and an enrollment-weighted average tuition payout model. The new defined benefit structure has a target launch for early 2021.

Invest529, CollegeAmerica, ABLEnow, and ABLEAmerica portfolios will depend on many of the same investment factors as those impacting Prepaid529. In the college and disability savings programs the participants, rather than VA529, bear the risk of portfolio declines as a result of the market or other factors.



Basic Financial Statements

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VIRGINIA529
STATEMENT OF NET POSITION
ENTERPRISE FUND
as of June 30, 2020

	Administration and Operations	Prepaid529	Total Enterprise
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 1D and 2)	\$ 19,545,217	\$ 66,438,238	\$ 85,983,455
Interest receivable	4,861	5,125,255	5,130,116
Prepaid529 contract payments receivable (Note 1F and 9)	—	41,425,468	41,425,468
Pending trade receivables	—	3,093,646	3,093,646
Prepaid and other assets	897,984	—	897,984
Accounts receivable (Note 1G)	11,750,168	919,351	12,669,519
Total current assets	32,198,230	117,001,958	149,200,188
Noncurrent assets:			
Investments (Note 1D, 2, 3 and 4)	—	2,665,094,264	2,665,094,264
Other post employment benefits, net (Note 11 and 12)	398,256	—	398,256
Prepaid529 contract payments receivable (Note 1F and 9)	—	122,838,350	122,838,350
Depreciable capital assets, net (Note 1J and 8)	718,612	—	718,612
Total noncurrent assets	1,116,868	2,787,932,614	2,789,049,482
Total assets	33,315,098	2,904,934,572	2,938,249,670
Deferred Outflows of Resources:			
Pension contributions made after measurement date (Note 10)	1,199,942	—	1,199,942
Pension Related (Note 10)	1,828,881	—	1,828,881
Other post employment benefits related (Note 11 and 12)	756,757	—	756,757
Total deferred outflows	3,785,580	—	3,785,580
Total Assets and Deferred Outflows of Resources	37,100,678	2,904,934,572	2,942,035,250
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	873,947	4,027,017	4,900,964
Pending trades payable	—	18,779,822	18,779,822
Program distributions payable	—	437,804	437,804
Due to program participants (Note 1K)	—	470,871	470,871
Obligations under securities lending (Note 4)	332,383	—	332,383
Tuition benefits payable (Note 7 and 9)	—	287,669,716	287,669,716
Compensated absences (Note 1L and 7B)	719,949	—	719,949
Net other post employment benefits liability (Note 12)	36,489	—	36,489
Total current liabilities	1,962,768	311,385,231	313,347,999
Noncurrent liabilities:			
Tuition benefits payable (Note 7 and 9)	—	1,543,394,102	1,543,394,102
Compensated absences (Note 1L and 7B)	279,523	—	279,523
Net pension liability (Note 10)	12,379,092	—	12,379,092
Net other post employment benefits liability (Note 11 and 12)	2,626,917	—	2,626,917
Total noncurrent liabilities	15,285,532	1,543,394,102	1,558,679,634
Total liabilities	17,248,300	1,854,779,333	1,872,027,633
Deferred inflows of resources:			
Pension Related (Note 10)	642,514	—	642,514
Other post employment benefits related (Note 11 and 12)	1,167,117	—	1,167,117
Total deferred inflows	1,809,631	—	1,809,631
Total Liabilities and Deferred Inflows of Resources	19,057,931	1,854,779,333	1,873,837,264
NET POSITION			
Investment in capital assets	718,612	—	718,612
Restricted for net other postemployment asset (Note 12)	325,227	—	325,227
Unrestricted	16,998,909	1,050,155,239	1,067,154,148
Total net position	18,042,748	\$ 1,050,155,239	\$ 1,068,197,987

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, 2020

	Administration and Operations	Prepaid529	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1C)	\$ 48,083,987	\$ —	\$ 48,083,987
Interest, dividends, rents, and other investment income (net)	481,484	70,585,564	71,067,048
Net increase (decrease) in fair value of investments	10,475	(27,508,312)	(27,497,837)
Prepaid529 contract payments (Note 1F)	—	49,027,958	49,027,958
Actuarial Prepaid529 contract payments (Note 9)	—	(45,405,144)	(45,405,144)
Total operating revenues	<u>48,575,946</u>	<u>46,700,066</u>	<u>95,276,012</u>
Operating expenses:			
Personal services (Note 10 and Note 11)	13,297,074	—	13,297,074
Actuarial pension expense (Note 10)	1,773,082	—	1,773,082
Fiscal and Contractual services	12,729,600	4,036,724	16,766,324
Supplies and materials	30,056	—	30,056
Depreciation (Note 8)	194,163	—	194,163
Rent, insurance, and other related charges	951,583	—	951,583
Tuition benefits expense	—	180,935,423	180,935,423
Actuarial tuition benefits expense (Note 9)	—	(160,405,144)	(160,405,144)
Expendable equipment	504,497	—	504,497
SOAR Virginia (Note 14)	2,000,000	—	2,000,000
Other	74,023	—	74,023
Total operating expenses	<u>31,554,078</u>	<u>24,567,003</u>	<u>56,121,081</u>
Operating income	17,021,868	22,133,064	39,154,932
Nonoperating Revenues (Expenses)			
Interest expense	(4,560)	—	(4,560)
Operating income before transfers	17,017,308	22,133,064	39,150,372
Transfers:			
Transfers to the General Fund of the Commonwealth	(380,986)	—	(380,986)
Change in net position	16,636,322	22,133,064	38,769,386
Net position - July 1, 2019	<u>1,406,426</u>	<u>1,028,022,175</u>	<u>1,029,428,601</u>
Net position - June 30, 2020	<u>\$ 18,042,748</u>	<u>\$1,050,155,239</u>	<u>\$1,068,197,987</u>

Amounts may not sum due to rounding

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

VIRGINIA529
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts for sales and services	\$ 47,823,276
Contributions received	49,626,888
Payments to suppliers for goods & services	(1,231,249)
Payments to employees	(14,452,402)
Payments for contractual services	(13,038,692)
Distributions	(181,200,829)
Other operating expenses	<u>(2,074,023)</u>
Net cash provided by (used for) operating activities	<u>(114,547,040)</u>
Cash flows from noncapital financing activities:	
Transfer to the General Fund of the Commonwealth	<u>(380,986)</u>
Net cash provided by (used for) noncapital financing activities	<u>(380,986)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(292,169)</u>
Net cash provided by (used for) capital and related financing activities	<u>(292,169)</u>
Cash flows from investing activities:	
Purchase of investments	(1,251,904,801)
Proceeds from sales or maturities of investments	1,294,994,610
Interest income on cash, cash equivalents, and investments	<u>90,362,900</u>
Net cash provided by (used for) investing activities	<u>133,452,709</u>
Net change in cash and cash equivalents	18,232,514
Cash and cash equivalents - Beginning	<u>67,418,558</u>
Cash and cash equivalents - Ending	<u><u>85,651,072</u></u>
Reconciliation of cash and cash equivalents:	
Per the Statement of Net Position:	
Cash and cash equivalents	85,983,455
Less:	
Securities lending cash equivalents	<u>(332,383)</u>
Cash and cash equivalents per the Statement of Cash Flows	<u><u>\$ 85,651,072</u></u>

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

VIRGINIA529
STATEMENT OF CASH FLOWS (continued)
ENTERPRISE FUND
For the Year Ended June 30, 2020

Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 39,154,931
Adjustments to reconcile operating income to net cash provided	
by (used for) operating activities:	
Depreciation	194,163
Interest, dividends, rents and other investment income	(71,067,048)
Net decrease in fair value of investments	27,497,837
Changes in assets, liabilities, and deferred inflows and outflows:	
(Increase) decrease in receivables	338,210
(Increase) decrease in tuition contributions receivable	45,405,144
(Increase) decrease in prepaid and other assets	(112,266)
(Increase) decrease in OPEB asset	45,744
Increase (decrease) in deferred outflows	(1,699,143)
Increase (decrease) in accounts payable	4,179,502
Increase (decrease) in amounts due to program participants	(265,406)
Increase (decrease) in current tuition benefits payable	4,593,048
Increase (decrease) in current compensated absences	3,975
Increase (decrease) in current obligations in net OPEB liability	(13,206)
Increase (decrease) in noncurrent tuition benefits payable	(164,998,192)
Increase (decrease) in noncurrent compensated absences	130,191
Increase (decrease) in net pension liability	2,229,092
Increase (decrease) in net OPEB liability	123,343
Increase (decrease) in total OPEB liability	(338,449)
Increase (decrease) in deferred inflows	51,490
	<hr/>
Net cash provided by (used for) operating activities	<u>\$ (114,547,040)</u>
Noncash investing, capital, and financing activities:	
Change in fair value of investments	(27,497,837)

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

VIRGINIA529
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
as of June 30, 2020

Assets:	
Cash and cash equivalents (Note 1D and 2)	\$ 209,627,386
Receivables:	
Interest and dividends	4,395,246
Accounts receivable	309,266
Pending trades receivable	200,631
Investments:	
Treasury & Agency Futures Contracts	16,651
Certificates of Deposit	68,498,705
Bonds	131,277,051
Mutual funds - Non-Index	667,875,383
Mutual funds - Index	2,988,571,024
Stable Value	1,225,382,265
Equities	233,430,284
Private real estate	107,970,118
Total investments	<u>5,423,021,482</u>
Total Assets	<u>5,637,554,011</u>
Liabilities:	
Accounts payable	1,545,776
Pending trades payable	1,380,406
Due to program participants (Note 1K)	7,092,441
Program distributions payable	1,303,078
Total liabilities	<u>11,321,701</u>
Net position held in trust for program participants	<u>\$ 5,626,232,310</u>

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, 2020

ADDITIONS

Contributions:

From participants \$ 780,588,931

Total contributions 780,588,931

Investment income:

Net increase (decrease) in fair value of investments (16,255,497)

Interest, dividends, and other investment income 189,924,993

Total investment earnings 173,669,497

Less investment management expense (2,198,941)

Less program and administrative expense (5,012,070)

Total investment costs (7,211,011)

Net investment income 166,458,486

Total additions 947,047,417

DEDUCTIONS

Educational expense benefits 394,880,297

Shares redeemed 29,600,893

Total deductions 424,481,191

Changes in net position 522,566,226

Net position held in trust for program participants:

Beginning 5,103,666,084

Ending \$ 5,626,232,310

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



Notes to the Basic 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 closed to new participants in fiscal 2019. Contracts in this program were based on 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. 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. Approximately 133,951 accounts were opened throughout the program's history, with 57,952 contracts remaining active at year-end. VA529 will continue to service existing contracts for this legacy program. The program invests contract payments to meet future obligations and had total assets invested of approximately \$2.7 billion as of June 30, 2020.

VA529 does not receive any general fund appropriations to cover its program and agency operating costs. 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'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 22 investment portfolios. One additional portfolio remains open but is closed to new participants. Invest529 accounts are subject to investment risks, including the possible loss of principal. The Invest529 program is open year round and has no age or residency restrictions. Invest529 began operations in December 1999. The program had 474,312 open accounts since inception and 350,177 accounts remaining active at year end. These accounts had a net position value of approximately \$5.6 billion as of June 30, 2020. 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.

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, 2020. For financial reporting purposes, VA529 includes all funds and entities over which VA529 is financially accountable and exercises oversight authority.

C. 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 all VA529 college and disability savings programs 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 VA529 programs. Operating expenses include contractual and personal services.

D. 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. Nonnegotiable Certificates of Deposits are reported as investments due to their long term original maturity dates. Trade date accounting

accurately depicts VA529's financial position as of fiscal year end, as all securities pending settlements at June 30, 2020 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.

E. 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.

F. Prepaid529 Contract Payments

Prepaid529 contract purchasers may 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 50.45 percent of contract holders of outstanding (active) contracts as of June 30, 2020 had elected to pay over time. Prepaid529 is closed to new participants.

G. 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 Invest529, CollegeAmerica, CollegeWealth and ABLEnow programs.

Invest529 pays VA529 an annual fee equal to nine basis (.09 percent) of the assets held in the Invest529 investment portfolios. These fees are calculated and accrued daily by the investment custodian and redemption is made by VA529 on a quarterly basis.

The American Funds pays VA529 an annual fee equal to nine basis points (.09 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 to three basis points (.03 percent) for amounts 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 (now "Truist" or "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.

ABLEAmerica fees have been waived until assets under management reach \$300 million or June 2023; whichever is earlier.

H. 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 10, Retirement and Pension Plan; Note 11, Group Life Insurance Program, Virginia Sickness and Disability Plan and State Employee Health Insurance Credit Program; and Note 12, Healthcare Plan for Pre-Medicare Retirees.

I. Administrative Expenses and Budget

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

J. Capital Assets

Tangible assets are recorded at cost at the time of acquisition and are reported net of accumulated depreciation. VA529 capitalizes all property, plant, and equipment that have a cost or value greater than \$5,000 and an expected useful life greater than two years. Depreciation is computed on a straight-line basis over the estimated useful life of the property. 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 8, Capital Assets.

K. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2020 for distributions to other qualified tuition programs, to participants for cancelled or overpaid prepaid contracts or savings accounts. A liability to the beneficiary is recognized when an event has occurred that compels a disbursement of resources. In the Fiduciary Statement of Net Position, Due to Program Participants also includes contributions received for participants that have yet to settle. These funds are classified as a liability until the settlement process is complete.

L. 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, 2020, 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.

M. 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 11 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 12 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.

N. [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 \$7.68 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2020.

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. On July 1, 2018, VA529 and Aventura entered into a 10-year extension of the Lease Agreement through June 30, 2028.

The Lease is carried as an operating lease in the enterprise fund financial statements. See the Commitments Note 6 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.

O. [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 10, Retirement and Pension Plan for additional information.

P. Implementation of GASB Statements

During the year ended June 30, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement afforded the option for governments to extend most GASB pronouncement implementations by one year if they had not been implemented previously. GASB Statement No. 87, *Leases* and the companion *Implementation Guide* was extended by GASB-95 by 18 months.

However, for fiscal 2020, VA529 adopted GASB Statement No. 84, *Fiduciary Activities*, along with GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* on a timely basis, instead of assuming the option to extend an additional year. As amended, GASB-84 resulted in a clarification of how fiduciary activities are reported. The major impact of the implementation is the discontinuing of the supplementary reporting of CollegeAmerica, CollegeWealth, ABLEnow and ABLEAmerica activities. Such activities are not in control of VA529 in accordance with the amended provisions for the purposes of the basic financial statements and required supplementary information. Information on these activities is solely presented as Other Information.

In addition, GASB Technical Bulletin No. 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases* became effective upon issuance at the close of this fiscal year. The provisions of the Technical Bulletin provide six questions and answers related to the CARES Act, of which five had no impact on VA529 as it did not receive CARES Act funding. Question 6 of the Technical Bulletin discusses the reporting of outflows of resources incurred in response to the coronavirus disease, such as funds used to slow the spread of the virus, adjustments in the provision of services and the implementation of 'stay-at-home' orders. GASB pronouncements require that these outflows of resources not be reported as extraordinary nor special items and therefore, no impact on VA529 occurred despite the flows as a result of the pandemic.

2. 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 22 percent equities, 52.5 percent fixed income, and 25.5 percent alternatives. The Board's allocation targets for the Invest529 program vary according to the investment objective of each portfolio.

To assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets, the Board-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 external managers; complete lists of investment managers are located 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 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 2020, VA529 extended investment commitments under limited partnership agreements for private equity and debt investments in Prepaid529. At June 30, 2020, VA529's investment commitments amounted to \$227 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. 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, 2020, 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 58 percent of total Prepaid529 investments and 71 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 and ABLEAmerica programs 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, 2020, VA529 had fixed income investment securities held in Prepaid529 and Invest529 with the following maturities and effective duration. Effective duration is a measure of interest rate and price sensitivity that takes into account options, such as early call provisions, embedded in the securities. It is widely used in the management of fixed income portfolios as it quantifies the risk of interest rate changes.

Prepaid529		
Investment Type	Fair Value	Effective Duration (years)
Money Market Funds	\$ 75,903,188	0.08
Bank Loans	237,944,724	0.20
Non-Agency Mortgage-Backed Securities	28,418,762	1.94
Mortgage-Backed Securities - Agency	63,799,173	2.02
Asset-Backed Securities	57,805,231	0.69
Corporate Bonds	222,163,852	4.66
Convertible Securities ¹	112,846,688	3.38
Bond Funds ¹	699,273,106	5.31
Treasury and Agency Futures Contracts	1,313,277	0.72
Total	\$ 1,499,468,001	3.61
Invest529		
Investment Type	Fair Value	Effective Duration (years)
Money Market Funds	\$ 98,083,120	0.08
Bank Loans	6,196,560	1.06
Asset-Backed Securities	15,254,933	0.08
Corporate Bonds	109,825,557	4.37
Bond Funds	1,181,836,816	6.79
Stable Value ²	1,225,382,266	3.11
Treasury and Agency Futures Contracts	16,651	1.58
Total	\$ 2,636,595,903	4.68

¹Effective 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. ²Reported 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, 2020 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, 2020, 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, 2020, 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. Please see Supplementary and Other Information for a listing of Prepaid529 and Invest529.

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, 2020, 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 accounts managed by Acadian Asset Management, LLC (Acadian), Advent Capital Management, LLC (Advent) and Loomis, Sayles and Company, LP (Loomis). Acadian invests in international equity with a mandate benchmarked against the MSCI EAFE. Advent invests in both domestic and international convertible securities. Loomis uses a multi-asset credit strategy to invest in a wide variety of fixed income instruments globally. All three managers use currency forward contracts to hedge risks associated with currency fluctuations. The table below shows exposures to non-USD denominated currencies by asset class. A similar exhibit showing non-USD denominated currency exposure associated with the forward contracts is included in Note 3, Investment in Derivative Instruments and Stable Value.

Prepaid ⁵²⁹ Foreign Currency Exposures by Asset Class						
Currency	Cash Equivalents	Exchangeable Securities	Equity	Fixed Income Securities	Preferred Securities	Total
Australian Dollar	\$ 15,048	\$ 1,250,739	\$ 11,181,343			\$ 12,447,130
Brazil Real				\$ 290,442		290,442
Danish Krone	9,055		7,224,875			7,233,930
Egyptian Pound	1,250,545					1,250,545
Euro	156,549	28,521,666	34,621,032	909,594	\$ 88,974	64,297,815
Hong Kong Dollar	140,073	2,017,092	1,630,767			3,787,932
Israeli Shekel	20,369		1,345,000			1,365,369
Japanese Yen	172,954	600,067	23,294,819			24,067,840
Mexican Peso				305,528		305,528
New Zealand Dollar	4,998		368,920			373,918
Norwegian Krone	80,691		792,848			873,539
British Pound Sterling	21,515	1,718,821	9,001,266			10,741,602
Singapore Dollar	9,981		874,387			884,368
South African Rand				314,025		314,025
Swedish Krona	7,993		7,568,162			7,576,155
Swiss Franc	35,875	4,048,537	13,318,196			17,402,608
Total	\$ 1,925,646	\$ 38,156,922	\$ 111,221,615	\$ 1,819,589	\$ 88,974	\$ 153,212,746

Note: Amounts shown in U.S. dollars using June 30, 2020 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, 2020 approximately 7 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	Nonnegotiable Certificate of Deposits	Treasury & Agency Futures Contracts
S&P's Quality Rating								
AAA	—	\$ 5,180,593	—	\$97,834,490	—	—	—	—
BBB-	\$ 3,810,380	—	—	—	—	—	—	—
BB+	4,815,201	—	—	—	—	—	—	—
BB	21,586,358	—	\$ 276,675	—	—	—	—	—
BB-	23,501,429	—	—	—	—	—	—	—
B+	7,582,107	—	1,918,943	—	—	—	—	—
B	17,480,587	—	1,502,540	—	—	—	—	—
B-	11,867,500	—	1,336,710	—	—	—	—	—
Less than B-	15,876,476	—	887,251	—	—	—	—	—
Moody's Quality Rating								
Aaa	—	10,074,341	—	—	—	—	—	—
Ba2	281,652	—	—	—	—	—	—	—
Ba3	1,481,165	—	—	—	—	—	—	—
B1	—	—	274,442	—	—	—	—	—
Caa1	786,695	—	—	—	—	—	—	—
Caa2	64,415	—	—	—	—	—	—	—
Caa3	102,990	—	—	—	—	—	—	—
C	262,875	—	—	—	—	—	—	—
Unrated ¹	325,727	—	—	248,630	\$1,181,836,8	\$1,225,382,2	\$ 68,498,705	\$ 16,651

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

²Funds are not rated directly by S&P, however the underlying investments weighted average credit quality rating is A+

³Stable 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
S&P									
AAA	\$ 8,935,089	\$ 41,959,188					\$ 74,279,994		
AA+	487,092		\$ 54,599,202						
AA	1,498,836	1,314,234							
A+	479,561	445,626				\$ 2,758,700			
A	674,642	1,332,649		\$ 287,563		1,883,522			
A-	477,095				\$ 1,181,447	13,327,702			
BBB+	430,324				445,390	2,991,496			
BBB	62,456		907,177		1,313,864	13,698,315			
BBB-	1,633,529	161,191		16,653,402	8,023,126	2,476,580			
BB+	165,492			9,966,664	11,470,665	769,387			
BB	189,323			12,674,233	35,167,347	1,180,629			
BB-	980,311	193,943		21,107,734	43,682,844	649,228			
B+				46,014,832	17,968,140	880,517			
B				68,034,564	35,543,762	598,488			
B-		767,120		40,990,989	23,115,095				
Less than B-	15,542	1,272,770	—	16,546,737	29,200,199	—	—	—	—
Moody's									
Aa1		684,047							
Aa3		587,842							
A2						2,502,245			
A3	256,740								
Baa1	681,121				304,321				
Baa2						1,718,821			
Baa3	485,559				745,333	3,280,705			
Ba1			255,817						
Ba2				355,210	1,882,180				
Ba3	2,878,816				4,770,783	790,475			
B1				1,033,346					
B2				635,433					
Less than B2	630,462	436,097	—	—	1,826,536	—	—	—	—
Unrated¹	7,456,775	8,650,523	8,036,977	3,644,019	5,458,494	63,339,880	1,623,194	\$ 699,273,106	\$ 1,313,277

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

²Funds are not rated directly by S&P, however the underlying investments weighted average credit quality rating is A

³Stable Value Contracts are not rated directly by S&P however the underlying investments weighted average credit quality rating is AA

3. Investment Derivative Instruments and Stable Value

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

A) Investment Derivatives:

Pursuant to the Statements of Investment Policy and Guidelines established for VA529's investment programs, investments in derivative instrument 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 derivative instruments consistent with the overall investment guidelines and objectives of that asset class. As of June 30, 2020, five separate account managers were permitted to use derivative instruments 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	Loomis, Sayles & Company, L.P.	Multi-Asset Credit
Prepaid529	Acadian Asset Management, LLC	Developed Markets International Equity
Prepaid529	Advent Capital Management, LLC	Convertible Fixed Income

(i) Derivative Instruments held in PGIM Fixed Income Accounts

Pursuant to its investment management agreement, PGIM Fixed Income may invest in derivative instruments for hedging, duration and cash management. The portfolio's exposure to derivative instruments, as measured on a net market value basis, is limited to 10 percent of the market value of the high-yield account. Both the Invest529 and Prepaid529 PGIM Fixed Income accounts held credit default swaps at June 30, 2020. The following table contains information relating to fair value, changes in fair value and notional value. In aggregate the fair value of these derivative instruments was \$60,181 as of June 30, 2020. Credit risk is mitigated with these instruments as they are centrally cleared derivatives.

Investment Derivative Instruments - Credit Default Swaps					
	Changes in Fair Value		Fair Value at June 30, 2020		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional Amount</u>
Enterprise Fund	Revenue	\$64,326	Investment	\$64,326	\$11,150,000
Fiduciary Fund	Revenue	(\$4,145)	Investment	(\$4,145)	(\$1,450,000)

At June 30, 2020, PGIM Fixed Income also held U.S. Treasury futures, which are permissible to hedge duration and excluded from the 10 percent limit. 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, 2020		
	Classification	Amount	Classification	Amount	Notional Amount
Enterprise Fund	Revenue	\$53,165	Investment	\$53,165	\$27,391,172
Fiduciary Fund	Revenue	\$16,651	Investment	\$16,651	\$15,997,703

Derivatives held in Schroders Investment Management Account

Pursuant to its investment management agreement, Schroders Investment Management may invest in derivative instruments for hedging, and duration management. The portfolio's notional exposure to derivative instruments, 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, 2020, the only derivative instruments 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, 2020		
	Classification	Amount	Classification	Amount	Notional Amount
Enterprise Fund	Revenue	\$170,917	Investment	\$10,301	-\$286,383

i. Forward Foreign Exchange Contracts held in Advent Capital Management, Loomis, Sayles & Company and Acadian Asset Management Accounts

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. Similarly the Loomis, Sayles & Company and Acadian Asset Management accounts are permitted to use these instruments. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table contains a breakdown of these forward contracts by currency.

Prepaid ⁵²⁹ Foreign Currency Forwards				
Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
Swiss Franc	\$ (1,169,631)	—	\$ (1,231,295)	\$ (1,231,295)
British Pound Sterling	(28,873,530)	\$ 1,011,937	(30,557,617)	(29,545,681)
Euro	(2,002,315)	1,960,681	(3,960,189)	(1,999,508)
Hong Kong Dollar	(36,139)	—	(36,062)	(36,062)
Japanese Yen	(733,202)	2	(730,940)	(730,938)
Pound Sterling	(4,047,896)	—	(4,137,682)	(4,137,682)
Swiss Franc	38,561,567	41,536,203	(2,974,636)	38,561,567
U.S. Dollar	(1,698,853)	—	(1,716,049)	(1,716,049)
Total	\$ 1	\$ 44,508,823	\$ (45,344,470)	\$ (835,648)

Note: Amounts shown in U.S. dollars using June 30, 2020 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 the Invest529 program. 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, 2020, VA529 had the following stable value investments outstanding as shown in the table below.

<u>Program</u>	<u>Wrap Provider</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Crediting Rate</u>
Invest529	American General Life	\$ 203,915,605	1/16/2014	Open ended	2.25%
	Nationwide Life Insurance	205,026,487	1/29/2018	Open ended	2.83%
	Prudential Retirement Ins. & Annuity	204,294,511	1/30/2014	Open ended	2.40%
	RGA	204,044,110	8/28/2015	Open ended	2.36%
	State Street Bank	204,023,931	5/01/2002	Open ended	2.30%
	Voya Retirement & Annuity	204,077,621	10/05/2012	Open ended	2.39%

At June 30, 2020, the fair value of the underlying investments for Invest529 was more 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 Invest529 program, the fair value of the wrapped stable value investments at June 30, 2020, was \$1,277,522,622.

4. Fair Value Measurement and Application

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

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

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

Level 3: Unobservable inputs

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

Prepaid529 investments measured at fair value as of June 30, 2020:

Prepaid529 Investments By Fair Value Level	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Treasury & Agency Securities	\$ 1,313,277	\$ 63,466	\$ 1,249,811	—
Bond Funds	431,462	431,462	—	—
Corporate Bonds	222,163,852	—	222,163,852	—
Convertible Bonds	112,846,688	—	112,846,688	—
Emerging Markets Debt	48,307,787	48,307,787	—	—
Bank Loans	237,944,724	—	237,944,724	—
Asset Backed Securities	57,805,231	—	57,805,231	—
Mortgage Backed - Agency	63,799,173	—	63,799,173	—
Mortgage Backed - Non Agency	28,418,762	—	28,418,762	—
Total Debt Securities	<u>773,030,956</u>	<u>48,802,715</u>	<u>724,228,241</u>	<u>—</u>
Equity Securities				
Equities	362,842,107	351,304,159	11,537,948	—
Equity Real Estate	7,675,005	—	—	\$ 7,675,005
Index Funds - Equity	177,506,557	177,506,557	—	—
International & Emerging Markets Funds	166,050,990	166,050,990	—	—
Total Equity Securities	<u>714,074,659</u>	<u>694,861,706</u>	<u>11,537,948</u>	<u>7,675,005</u>
Total Investments by Fair Value Level	<u>\$ 1,487,105,615</u>	<u>\$ 743,664,421</u>	<u>\$ 735,766,189</u>	<u>\$ 7,675,005</u>

Note: Cash equivalent investments, in the amount of \$76,426,139 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.

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	\$ 137,082,912		Semi-Annual	95 Days
Equity Real Estate				
UBS Realty Investors	48,175,531	—	Quarterly	60 days
Private Debt & Private Equity Funds of Funds				
Golub Capital	38,750,045	\$ 23,625,000		
Schroder FOC II L	31,250,000	93,750,000		
Private Advisors	35,305,072	5,009,660		
Adams Street Partners	151,304,180	54,157,800		
LGT Capital Partners	6,300,098	4,460,000		
Neuberger Berman	26,284,747	9,404,135		
Aether Investment Partners	28,609,889	18,082,169		
Commonfund	11,432,244	1,990,000		
Horsley Bridge Partners	3,028,500	16,672,000		
Common Trust Funds & Other				
Wellington Management	206,998,982		Monthly	10 Days
Ferox Capital	79,351,992		Daily	2 Days
BlackRock	294,182,838		Daily	3 Days
Sands Capital	81,181,430		Monthly	10 Days
Total Investments Measured at the NAV	<u>\$ 1,179,238,461</u>			

Description of Prepaid529 investments measured at NAV:

- Hedge Funds:** This investment type includes one hedge fund. The Blackstone Partners Offshore Fund is a 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 fair value of investments in this type has been determined using the NAV per share of the investments.
- 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.
- Private Debt and Private Equity Funds of Funds:** This investment type includes private equity funds of funds managed by seven managers and two private debt funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial four to five 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, 2020 NAV of VA529's ownership of the partnership, adjusted for cash flows (capital calls) through June 30, 2020. 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
Schroder	Schroder Focus II Fund	Private Debit

4. **Common Trust Funds & Other:** This investment type includes three common trust funds and one limited partnership. 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
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.
Sands Capital Management	Sands Capital Emerging Markets Growth Feeder Fund (DE), L.P.	The fund seeks to invest in only long emerging market equity securities with a focus on growth.
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:

- 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.
- 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, 2020:

Investments By Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Treasury & Agency Securities	\$ 16,651	\$ 16,651	—	—
Corporate Bonds	109,825,557	—	\$ 109,825,557	—
Bank Loans	6,196,560	—	6,196,560	—
Asset Backed Securities	15,254,933	—	15,254,933	—
Emerging Markets - Debt	262,459,198	262,459,198	—	—
Index Funds - Debt	919,377,618	919,377,618	—	—
Total Debt Securities	<u>1,313,130,518</u>	<u>1,181,853,467</u>	<u>131,277,051</u>	<u>—</u>
Equity Securities				
Equities	90,299,791	90,299,791	—	—
Equity Real Estate	122,296,195	122,296,195	—	—
Index Funds - Equity	1,946,897,211	1,946,897,211	—	—
Equity Funds	90,488,229	90,488,229	—	—
International & Emerging Markets Funds	314,927,956	314,927,956	—	—
Total Equity Securities	<u>2,564,909,382</u>	<u>2,564,909,382</u>	<u>—</u>	<u>—</u>
Total Investments by Fair Value Level	<u>\$ 3,878,039,900</u>	<u>\$ 3,746,762,849</u>	<u>\$ 131,277,051</u>	<u>—</u>

Note: Cash equivalent investments, in the amount of \$98,083,120, 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 Invest529 investments measured at NAV:

Common Trust Funds & Other: This investment type includes one common trust fund. 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.

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.

Invest529 investments measured at NAV:

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common Trust Funds & Other				
Wellington Management Co., LLP	\$ 143,130,493	—	Daily	N/A
Equity Real Estate				
UBS Realty Investors	\$ 59,330,595	—	Quarterly	60 Days
Blackstone Property Partners	<u>48,639,523</u>	—	Quarterly	90 Days
Total Investments Measured at the NAV	<u>\$ 251,100,611</u>			

5. Securities Lending Transactions

As of June 30, 2020, there were \$332,383 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 \$444 for securities lending transactions in fiscal year 2020. 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".

6. 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 \$567,061 for the fiscal year ended 2020. As of June 30, 2020, VA529 had the following total future minimum rental payments due under these leases.

Fiscal Year	
2021	\$ 148,017
2022	23,410
2023	16,487
2024	16,487
2025	16,487
Total future minimum rental payments*	<u>\$ 220,888</u>

* 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.

Pursuant to the Lease, VA529 will make base rent payments as reflected below on an annual basis in advance, and will make additional rent payments on a quarterly basis in advance in an amount sufficient to pay building operating costs for the next quarter. Aventura has entered into an agreement with a property management company for the purpose of providing facilities maintenance, grounds keeping, custodial services, etc. The additional rent payments will cover operating costs incurred by Aventura under the property management agreement. At the end of each quarter, VA529 and Aventura reconcile expenses before funding operating expenses for the subsequent quarter.

Base Rent Periods	Annual Base Rent
2021	\$ 685,966
2022	703,115
2023	720,693
2024	738,711
2025	757,178
Thereafter	<u>2,387,016</u>
Total Arboretum future minimum rental payments	<u>\$ 5,992,679</u>

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 total reserve funding expense for the fiscal year ending 2020 was \$100,385. The reserve funding schedule is set forth below.

Base Reserve Periods	Annual Reserve Funding
2021	\$ 102,895
2022	105,467
2023	108,104
2024	110,807
2025	113,577
Thereafter	<u>358,053</u>
Total Arboretum future reserve funding	<u>\$ 898,903</u>

7. 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, 2020. 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	\$ 865,307	\$ 877,728	\$ 743,563	\$ 999,472	\$ 719,949
Tuition Benefits Payable	1,991,468,962	15,437,039	175,842,183	1,831,063,818	287,669,716
Total	\$ 1,992,334,269	\$ 16,314,767	\$176,585,746	\$ 1,832,063,290	\$ 288,389,665

8. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2020.

Enterprise Fund	Balance			Balance
	July 1, 2019	Increases	Decreases	June 30, 2020
Non - Depreciable capital assets:				
Infrastructure - Software	\$ 423,821		\$ 423,821	\$ —
	—	—	423,821	—
Depreciable capital assets:				
Equipment	1,776,979	\$ 292,169	39,369	\$ 2,029,779
Software	1,012,066	—		1,012,066
Total Depreciable capital assets:	2,789,045	292,169	39,369	3,041,845
Less accumulated depreciation for:				
Equipment	1,385,717	121,266	39,369	1,467,614
Software	782,721	72,897		855,618
Total accumulated depreciation	2,168,439	194,163	39,369	2,323,233
Net depreciable capital assets	620,605	98,006	—	718,612
Total net capital assets	\$ 1,044,427	\$ 98,006	\$ 423,821	\$ 718,612

9. Prepaid529 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. Prepaid529 is closed to new participants.

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 2020, VA529's Board reviewed the rates of investment return and future tuition growth assumptions and the

long-term investment return assumption remained at 5.75 percent. The tuition growth assumption for universities was changed from 4.0 percent for fall 2021 and 6.0 percent thereafter to 4.0 percent for fall 2021 and fall 2022 and then 6.0 percent thereafter. The tuition growth assumption for community colleges was changed from 4.0 percent for fall 2021 and 6.0 percent thereafter to 2.0 percent for fall 2021 and fall 2022 and then 6.0 percent thereafter. The following assumptions were used in the actuarial valuation for June 30, 2020:

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.

Academic Year Beginning	Universities	Community Colleges
Fall 2021	4.0%	2.0%
Fall 2022	4.0%	2.0%
Fall 2023 and thereafter	6.0%	6.0%

Forfeiture: It is assumed that 0.5 percent of contracts will be cancelled or otherwise forfeited each year for beneficiaries ages 0 through 17.

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 173 percent of weighted average tuition (\$23,628/\$13,636). 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 \$64.44 and Annual Distribution Cost per Contract in Payment Status of \$28.53. 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, 2020, the accrual of the actuarially determined Prepaid529 contract payments receivable decreased over the prior year, primarily attributable to the closure of Prepaid529 to new participants. The accrual of the tuition benefits payable decreased over the prior year, resulting in a decrease in actuarial Prepaid529 tuition benefit expenses. This is primarily attributable to changes in assumptions.

	2020	2019	Change
Prepaid529 contract payments receivable	\$ 164,263,818	\$ 209,668,962	\$ (45,405,144)
Tuition benefits payable	\$ 1,831,063,818	\$ 1,991,468,962	\$ (160,405,144)

10. 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 Plans 1 and 2. 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, 2020, the contribution rate was 13.52 % of compensation, based on an actuarial valuation as of June 30, 2018. Contributions to VRS totaled \$1,199,942 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, 2020, VA529 reported a liability of \$12,379,092 for its proportionate share of the VRS Net Pension Liability (NPL). The NPL was measured as of June 30, 2019 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, 2019 relative to the projected contributions of all participating employers and the State. At June 30, 2019, VA529's proportion of the VRS State Employee Retirement Plan was 0.19588 percent as compared to 0.18750 percent at June 30, 2018.

For the year ended June 30, 2020, VA529 recognized pension expense of \$1,773,082 for the VRS. Due to the change in proportionate share from June 30, 2018 to June 30, 2019, 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, 2020, 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	\$ 257,944	\$ 333,014
Net difference between projected and actual earnings on pension plan investments	—	309,500
Change in assumptions	975,766	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	595,171	—
Employer contributions subsequent to the measurement date	1,199,942	—
Total	\$ 3,028,823	\$ 642,514

VA529 reported \$1,199,942 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30	Pension Expense
2021	\$ 569,979
2022	210,151
2023	381,693
2024	24,544
2025	—

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	6.75 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, 2018 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	2.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi -Asset Public Strategies	6.00%	3.52%	0.21%
PIP- Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return	<u>7.63%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.75 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. Through the fiscal year ended June 30, 2019, a portion of the rates will be funded by an appropriation from the Commonwealth. From July 1, 2019 on, 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 6.75 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 (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1.00% Decrease (5.75)%	Current Discount Rate (6.75%)	1.00% Increase (7.75)%
VA529's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 18,184,781	\$ 12,379,092	\$ 7,498,606

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>.

Payables to the Pension Plan

As of June 30, 2020, VA529 reported payables to VRS in the amount of \$72,028. 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.

11. 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>. 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
<p>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 \$8,463.</p>	<p>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.</p>	<p>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.</p>

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
<p>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, 2019 was 0.52 percent of covered employee compensation based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. VA529's contributions were \$124,714 and \$108,148 for the years ended June 30, 2020 and June 30, 2019, respectively.</p>	<p>VA529's contractually required contribution rate for the VSDP for the year ended June 30, 2019 was 0.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$58,659 and \$50,863 for the years ended June 30, 2020 and June 30, 2019, respectively.</p>	<p>VA529's contractually required contribution rate for the year ended June 30, 2019 was 1.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$112,271 and \$96,591 for the years ended June 30, 2020 and June 30, 2019, respectively.</p>

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

At June 30, 2020, VA529 reported a liability \$686,381 for its proportionate share of the VRS Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, VA529's proportion 0.04218% as compared to 0.04111% at June 30, 2018.

For the year ended June 30, 2020, VA529 recognized GLIP OPEB expense of \$24,155. 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, 2020, 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	\$ 45,648	\$ 8,903
Net difference between projected and actual earnings on GLIP OPEB program investments	—	14,099
Change in assumptions	43,334	20,697
Changes in proportion	37,690	—
VA529 contributions subsequent to the measurement date	124,714	—
Total	\$ 251,386	\$ 43,699

VA529 reported \$124,714 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, 2021. 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:

Fiscal Year ended June 30	GLIP OPEB Expense
2021	\$ 10,722
2022	10,722
2023	16,694
2024	21,524
2025	18,496
Thereafter	4,815

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, 2020, VA529 reported an asset of \$398,256 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2019 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, 2019 relative to the total of

the actuarially determined employer contributions for all participating employers. At June 30, 2019, VA529's proportion was 0.20299 percent as compared to 0.19690 percent at June 30, 2018.

For the year ended June 30, 2020, VA529 recognized VSDP OPEB expense of \$29,142. 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, 2020, 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	\$ 50,991	\$ 16,031
Net difference between projected and actual earnings on VSDP OPEB plan investments	—	15,380
Change in assumptions	7,228	22,682
Changes in proportion	—	18,936
VA529 contributions subsequent to the measurement date	58,659	—
Total	\$ 116,878	\$ 73,029

VA529 reported \$58,659 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, 2021. 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:

Fiscal Year ended June 30	VSDP OPEB Expense
2021	\$ (9,218)
2022	(9,215)
2023	(1,042)
2024	(429)
2025	159
Thereafter	4,935

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

At June 30, 2020, VA529 reported a liability of \$1,119,962 for its proportionate share of the VRS HICP Net OPEB Liability. The Net HICP OPEB Liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, VA529's proportion of the HICP was 0.12133 percent as compared to 0.11609 percent at June 30, 2018.

For the year ended June 30, 2020, VA529 recognized HICP OPEB expense of \$111,560. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019 a portion of the HICP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, 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	\$ 610	\$ 13,607
Net difference between projected and actual earnings on State HICP OPEB plan investments	—	440
Change in assumptions	23,048	7,669
Changes in proportionate share	66,748	—
VA529 contributions subsequent to the measurement date	111,271	—
Total	\$ 201,677	\$ 21,716

VA529 reported \$111,271 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, 2021. 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:

Fiscal Year ended June 30	HICP OPEB Expense
2021	\$ 13,699
2022	13,698
2023	14,376
2024	15,082
2025	10,576
Thereafter	1,259

Actuarial Assumptions

The various total OPEB liabilities were based on an actuarial valuation for all programs as of June 30, 2017, 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, 2019:

Assumptions	Provisions
Inflation	2.5 percent
Salary increases, including inflation (General state employees only)	3.5 percent – 5.35 percent
Investment rate of return	6.75 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, 2018 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
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 percent to 25 percent
Discount Rate	Decrease rate from 7.00% to 6.75%

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public	6.00%	3.52%	0.21%
PIP - Private Investment	3.00 %	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return	<u>7.63%</u>

Discount Rate

The discount rate used to measure the various total OPEB liabilities was 6.75 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 was funded by an appropriation from the Commonwealth. From July 1, 2019, all agencies are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. 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 (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

VA529's proportionate share of the VRS:	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLIP Net OPEB Liability	\$ 901,714	\$ 686,381	\$ 511,751
VSDP Net OPEB Asset	\$ (361,614)	\$ (398,256)	\$ (430,722)
HICP Net OPEB Liability	\$ 1,241,287	\$ 1,119,962	\$ 1,015,693

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>.

Payables to the VRS GLIP, VSDP and HICP

As of June 30, 2020, VA529 reported payables to VRS in the amount of \$7,451 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, 2020, VA529 reported payables to VRS in the amount of \$3,471 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, 2020, VA529 reported payables to VRS in the amount of \$6,539 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.

12. 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, 2020, VA529 reported \$857,063 as VA529's proportionate share of the PMRHP's Total OPEB liability. The PMRHP OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. 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, 2019, VA529's proportion was 0.12625 percent as compared to 0.12019 percent at June 30, 2018.

For the year ended June 30, 2020, VA529 recognized PMRHP OPEB expense of (62,149).

At June 30, 2020, 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	\$ —	\$ 434,886
Change in assumptions	—	593,787
Change in proportion	150,327	—
Subtotal	<u>150,327</u>	<u>1,028,673</u>
VA529 contributions subsequent to the measurement date	86,103	N/A
Total	<u><u>\$ 236,430</u></u>	<u><u>\$ 1,028,673</u></u>

VA529 reported \$86,103 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, 2021. 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
2021	\$ (205,663)
2022	(205,663)
2023	(205,663)
2024	(166,440)
2025	(78,664)
Thereafter	(16,252)

Actuarial Assumptions and Discount Rate

The Total PMRHP OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2018, 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, 2018 (one year prior to the end of the fiscal year)
Amortization Method	Level dollar, Closed.
Effective Amortization Period	6.19 years
Discount Rate	3.87%. The discount rate was based on The Bond Buyer's GO 20 Municipal Bond Index as of the measurement date which is June 30, 2018.
Projected Salary Increases	4%
Medical Trend Under 65	Medical and prescription drugs: 8.21% 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 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 and females setback 1 year.
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, 2017 valuation based recent experience:

- Spousal Coverage - reduced the rate from 50 percent to 35 percent
- Retiree Participation - reduced the rate from 70 percent to 60 percent

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58 percent to 3.87 percent based on the Bond Buyers GO 20 Municipal Bond Index.

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 3.87 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 (2.87 percent) or one percentage point higher (4.87 percent) than the current rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
VA529's proportionate share of the total PMRHP liability	\$ 916,758	\$ 857,063	\$ 801,079

The following presents VA529's proportionate share of the PMRHP OPEB liability using a healthcare cost trend rate of 8.21 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 (7.21 percent decreasing to 4.0 percent) or one percentage point higher (9.21 percent decreasing to 6.0 percent) than the current rate:

	1.00% Decrease from Initial Rate of 8.21% decreasing to 5.00% (7.21% - 4.00%)	Current Healthcare Cost Trend Rate (8.21% - 5.00%)	1.00% Increase from Initial Rate of 8.21% decreasing to 5.00% (9.21% - 6.00%)
VA529's proportionate share of the total PMRHP liability	\$765,393	\$857,063	\$965,554

Payables to the PMRHP

As of June 30, 2020, VA529 reported payables to DHRM in the amount of \$89,875 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>.

13. 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. At present, most insurance coverage is obtained from the Division of Risk Management including property, general liability, faithful performance of duty bond, automobile, and airplanes. In addition to the primary layer of insurance, VA529 maintains excess cybercrime liability coverage. 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. There are no claims in excess of coverage and no reduction in coverage during fiscal 2020 and the three preceding years.

14. 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, 2020, the SOAR Virginia account had a balance of \$12.3 million. During fiscal year 2020, \$618,813 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, 2020 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
6,054	\$7,283,980	\$2,613,500	\$9,897,480

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

15. 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.

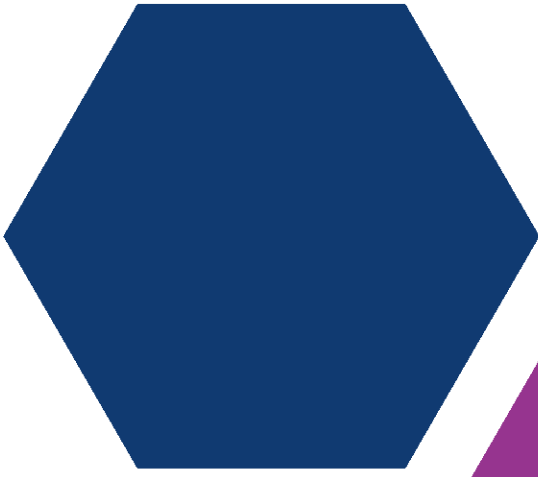
In addition to scholarship accounts, VA529 awards Prepaid529 or Invest529 promotional accounts that do not specifically qualify as scholarships as defined by federal law. Like scholarship accounts, these accounts are funded by VA529, individuals, organizations, school groups, or other entities.

Active scholarship (excluding SOAR) and promotional accounts at June 30, 2020:

Program	Scholarship		Promotional	
	Accounts	Value	Accounts	Value
Invest529	238	\$795,222	180	\$1,041,115
Prepaid529	19	\$291,294	12	\$151,241
Prepaid529 value represents the cancellation value of accounts at June 30, 2020 Invest529 value represents the aggregate market value of the investments in the portfolios at June 30, 2020				

16. 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 2020 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 2020 after it receives all Schedule K-1s at the end of calendar 2020.



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 Measurement Dates of June 30, 2019, 2018, 2017, 2016, 2015 and 2014						
	2019	2018	2017	2016	2015	2014
VA529's Proportion of the Net Pension Liability (Asset)	0.19588 %	0.18750 %	0.18062 %	0.17742 %	0.17215 %	0.15817 %
VA529's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,379,092	\$ 10,150,000	\$ 10,526,000	\$ 11,693,000	\$ 10,540,000	\$ 8,855,000
VA529's Covered Payroll	\$ 8,268,139	\$ 7,816,602	\$ 7,274,947	\$ 7,018,667	\$ 6,633,764	\$ 6,108,107
VA529's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	149.72 %	129.85 %	144.69 %	166.60 %	158.88 %	144.97 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13 %	77.39 %	75.33 %	71.29 %	72.81 %	74.28 %
<i>Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, only five years available. However, additional years will be included as they become available.</i>						

See notes to RSI

Schedule of VA529 Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2011 through 2020

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 1,284,746	\$ 1,284,746	\$ —	\$ 9,502,561	13.52 %
2019	\$ 1,117,852	\$ 1,117,852	\$ —	\$ 8,268,139	13.52 %
2018	\$ 1,054,460	\$ 1,054,460	\$ —	\$ 7,816,602	13.49 %
2017	\$ 981,390	\$ 981,390	\$ —	\$ 7,274,947	13.49 %
2016	\$ 981,917	\$ 981,917	\$ —	\$ 7,018,667	13.99 %
2015	\$ 817,943	\$ 817,943	\$ —	\$ 6,633,764	12.33 %
2014	\$ 535,070	\$ 535,070	\$ —	\$ 6,108,107	8.76 %
2013	\$ 497,646	\$ 497,646	\$ —	\$ 5,680,894	8.76 %
2012	\$ 178,017	\$ 178,017	\$ —	\$ 5,533,440	3.22 %
2011	\$ 109,800	\$ 109,800	\$ —	\$ 5,154,926	2.13 %

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..

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, except for the change in the discount rate, which was effective July 1, 2019:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

VA529 OPEB Liability

Schedule of VA529's Share of Net OPEB Liability			
Group Life Insurance Program (GLIP)			
For the Measurement Dates of June 30, 2019, 2018 and 2017			
	2019	2018	2017
VA529's Proportion of the Net GLIP OPEB Liability (Asset)	0.04218 %	0.04111 %	0.03944 %
VA529's Proportionate Share of the Net GLIP OPEB Liability (Asset)	\$ 686,381	\$ 624,000	\$ 593,000
VA529's Covered Payroll	\$8,268,139	\$ 7,816,602	\$ 7,274,947
VA529's Proportionate Share of the Net GLIP OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.30 %	7.98 %	8.15 %
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability	52 %	51.22 %	48.86 %
<i>Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.</i>			

See notes to RSI

**Schedule of VA529 Contributions - GLIP
For the Years Ended June 30, 2011 through 2020**

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)
2020	\$ 49,413	\$ 49,413	\$ —	\$ 9,502,561	0.52%
2019	\$ 42,994	\$ 42,994	\$ —	\$ 8,268,139	0.52%
2018	\$ 40,646	\$ 40,646	\$ —	\$ 7,816,602	0.52%
2017	\$ 37,830	\$ 37,830	\$ —	\$ 7,274,947	0.52%
2016	\$ 33,690	\$ 33,690	\$ —	\$ 7,018,667	0.48%
2015	\$ 31,842	\$ 31,842	\$ —	\$ 6,633,764	0.48%
2014	\$ 29,358	\$ 29,358	\$ —	\$ 6,116,156	0.48%
2013	\$ 27,652	\$ 27,652	\$ —	\$ 5,760,844	0.48%
2012	\$ 17,250	\$ 17,250	\$ —	\$ 5,545,378	0.31%
2011	\$ 14,455	\$ 14,455	\$ —	\$ 5,162,540	0.28%

**Schedule of VA529's Share of Net OPEB Liability
Health Insurance Credit Program (HICP)
For the Measurement Dates of June 30, 2019, 2018 and 2017**

	2019	2018	2017
VA529's Proportion of the Net HICP OPEB Liability (Asset)	0.12133 %	0.11609 %	0.11259 %
VA529's Proportionate Share of the Net HICP OPEB Liability (Asset)	\$ 1,119,962	\$ 1,059,000	\$ 1,025,000
VA529's Covered Payroll	\$ 8,268,139	\$ 7,816,602	\$ 7,274,947
VA529's Proportionate Share of the Net HICP OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.55 %	13.55 %	14.09 %
Plan Fiduciary Net Position as a Percentage of the Total HICP OPEB Liability	10.56 %	9.51 %	8.03 %

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

See notes to RSI

**Schedule of VA529 Contributions - HICP
For the Years Ended June 30, 2011 through 2020**

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)
2020	\$ 111,180	\$ 111,180	\$ —	\$ 9,502,561	1.17%
2019	\$ 96,737	\$ 96,737	\$ —	\$ 8,268,139	1.17%
2018	\$ 92,236	\$ 92,236	\$ —	\$ 7,816,602	1.18%
2017	\$ 85,844	\$ 85,844	\$ —	\$ 7,274,947	1.18%
2016	\$ 73,696	\$ 73,696	\$ —	\$ 7,018,667	1.05%
2015	\$ 69,655	\$ 69,655	\$ —	\$ 6,633,764	1.05%
2014	\$ 61,081	\$ 61,081	\$ —	\$ 6,108,107	1.00%
2013	\$ 56,861	\$ 56,861	\$ —	\$ 5,686,134	1.00%
2012	\$ 7,606	\$ 7,606	\$ —	\$ 5,534,040	0.14%
2011	\$ 5,156	\$ 5,156	\$ —	\$ 5,155,840	0.10%

**Schedule of VA529's Share of Net OPEB Liability
Virginia Sickness and Disability Program (VSDP)
For the Measurement Dates of June 30, 2019, 2018 and 2017**

	2019	2018	2017
VA529's Proportion of the Net VSDP OPEB Liability (Asset)	0.12133 %	0.19690 %	0.19152 %
VA529's Proportionate Share of the Net VSDP OPEB Liability (Asset)	\$ (398,256)	\$ (444,000)	\$ (393,000)
VA529's Covered Payroll	\$ 8,216,289	\$ 7,765,006	\$ 7,225,108
VA529's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	(4.85)%	(5.72)%	(5.44)%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	167.18 %	194.74 %	186.63 %

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

See notes to RSI

**Schedule of VA529 Contributions - VSDP
For the Years Ended June 30, 2011 through 2020**

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)
2020	\$ 58,586	\$ 58,586	\$ —	\$ 9,449,285	0.62%
2019	\$ 50,941	\$ 50,941	\$ —	\$ 8,216,289	0.62%
2018	\$ 51,249	\$ 51,249	\$ —	\$ 7,765,006	0.66%
2017	\$ 47,686	\$ 47,686	\$ —	\$ 7,225,108	0.66%
2016	\$ 45,996	\$ 45,996	\$ —	\$ 6,969,031	0.66%
2015	\$ 43,462	\$ 43,462	\$ —	\$ 6,585,143	0.66%
2014	\$ 28,481	\$ 28,481	\$ —	\$ 6,059,746	0.47%
2013	\$ 26,554	\$ 26,554	\$ —	\$ 5,649,843	0.47%
2012	\$ 1,537	\$ 1,537	\$ —	\$ 5,545,618	0.03%
2011	\$ —	\$ —	\$ —	\$ 5,162,591	—%

**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, except for the change in the discount rate, which was effective July 1, 2019:

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%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of VA529's Share of Total OPEB Liability**Pre-Medicare Retirees****For the Measurement Dates of June 30, 2019, 2018 and 2017**

	2019	2018	2017
VA529's proportion of the collective total OPEB liability	0.12625 %	0.12019 %	0.11627 %
VA529's proportionate share of the collective total OPEB liability	\$ 1,508,062	\$ 1,208,717	\$ 1,510,217
VA529's covered-employee payroll	\$ 8,268,139	\$ 7,816,602	\$ 7,274,947
VA529's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	18.24 %	15.46 %	20.76 %

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

**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 actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage - reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of June 30, 2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

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Supplementary Information

Virginia529SM
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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
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Dimensional Fund Advisors, LP	Emerging Markets Core Equity
Dreyfus Cash Investment Strategies	Dreyfus Cash Management (Cash and Equivalents)
Stone Harbor Investment Partners, LP	Emerging Market Debt Blend
The Vanguard Group, Inc.	Institutional Index Fund

Invest529SM

Investment Manager	Fund Name
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Capital Research & Management Co.	SMALLCAP World Fund
Dimensional Fund Advisors, LP	Emerging Markets Core Equity
Parnassus Investments	Core Equity Fund
Stone Harbor Investment Partners, LP	Emerging Markets Debt Fund
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
Touchstone Investments ¹	Emerging Markets Growth Fund

¹ Sub-Advised by Sands Capital Management, LLC

APPENDIX B

Separate Accounts, Commingled Funds & Alternative Managers by Program

Prepaid529SM

Investment Manager	Investment Strategy
Acadian Asset Management, LLC	Developed Markets International Equity
Adams Street Partners	Private Equity Fund of Funds
Advent Capital Management, LLC	Convertible Fixed Income
Aether Investment Partners, LLC	Private Equity Fund of Funds
BlackRock, Inc.	Intermediate Corporate Bonds
Blackstone Alternative Asset Management	Market Neutral Hedge Fund of Funds
Commonfund	Private Equity Fund of Funds
Ferox Capital, LLP	Convertible Fixed Income
Golub Capital	Private Debt
Horsley Bridge Partners	Private Equity Fund of Funds
LGT Capital Partners	Private Equity Secondaries
Loomis, Sayles & Company, LP	Multi-Asset Credit
Neuberger Berman	Private Equity Fund of Funds
PGIM Fixed Income	High-Yield Fixed Income
Private Advisors, LLC	Private Equity Fund of Funds
Sands Capital Management, LLC	Emerging Market Growth Fund
Schroders Investment Management North America Inc.	Multi-Asset Credit
Schroders Investment Management North America Inc.	Mortgage Backed Securities
Shenkman Capital Management, Inc.	Senior Secured Bank Loans
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

Investment Manager	Investment Strategy
Atlantic Union Bank	FDIC-Insured (Cash & Equivalents)
Blackstone Property Advisors L.P.	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
Wellington Management Co., LLP	International Equity

Appendix C
Investment Details by Program as of June 30, 2020
Prepaid529SM

Investment Manager	Asset Class / Strategy	Mutual Fund(s) (if applicable)	Aggregate Fair Value	% of Total Fund ¹
Equities				
Aberdeen Asset Management, Inc.	Emerging Market Equity	Emerging Market Equity	\$ 51,266,673	1.88 %
Acadian Asset Management, LLC	Developed Markets International Equity	N/A	117,798,956	4.31 %
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	52,979,945	1.94 %
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	61,804,372	2.26 %
Sands Capital Management, LLC	Emerging Market Growth	N/A	81,181,430	2.97 %
The Vanguard Group, Inc.	Large-Cap Domestic Blend	Institutional Index	177,506,557	6.50 %
Thompson, Siegel & Walmsley, LLC	Small/Mid-Cap Value	N/A	72,107,943	2.64 %
Westfield Capital Management Co., LP	SMID-Cap Growth	N/A	164,345,390	6.02 %
Total Equities			\$ 778,991,266	28.51 %
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	151,304,180	5.54 %
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	28,609,889	1.05 %
Aventura Holdings, LLC	Private Real Estate	N/A	8,389,056	0.31 %
Blackstone Alternative Asset Management	Hedge Fund of Funds	N/A	137,082,912	5.02 %
Commonfund	Private Equity Fund of Funds	N/A	11,432,244	0.42 %
Horsley Bridge Partners	Private Equity Fund of Funds	N/A	3,028,500	0.11 %
LGT Capital Partners	Private Equity Secondaries	N/A	6,300,098	0.23 %
Neuberger Berman	Private Equity Fund of Funds	N/A	26,284,747	0.96 %
Private Advisors, LLC	Private Equity Fund of Funds	N/A	35,305,072	1.29 %
UBS Realty Investors, LLC	Private Real Estate	N/A	48,175,531	1.76 %
Total Alternative Investments			\$ 455,912,229	16.69 %
Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	127,858,965	4.68 %
BlackRock Inc.	Intermediate Corporate Bonds	N/A	294,182,838	10.77 %
Dreyfus Cash Investment Strategies ²	Cash Equivalents	Dreyfus Cash Management	3,391,168	0.12 %
Ferox Capital, LLP	Convertible Bonds	N/A	79,351,992	2.90 %
Golub Capital	Private Debt	N/A	38,750,045	1.42 %
Loomis, Sayles & Company, LP	Multi-Asset Credit	N/A	72,822,184	2.67 %
PGIM Fixed Income	High Yield Bonds	N/A	234,693,664	8.59 %
Schroders Investment Management, Inc.	Multi-Asset Credit	N/A	31,250,000	1.14 %
Schroders Investment Management, Inc.	Mortgage-Backed Securities	N/A	126,503,529	4.63 %
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	227,028,705	8.31 %
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	48,307,787	1.77 %
Wellington Management Co., LLP	Emerging Markets Debt	N/A	206,998,982	7.58 %
Treasurer of Virginia	Cash Equivalents	N/A	5,577,963	0.20 %
VA529 Transition Account	N/A	N/A	323,264	0.01 %
Total Fixed Income			\$ 1,497,041,086	54.80 %
Grand Total			\$ 2,731,944,581	100.00 %

¹May not sum to 100% due to rounding. ²Operating Cash of \$16,403,337 is not included in the total above.

Appendix C
Investment Details by Program as of June 30, 2020
Invest529SM

Investment Manager	Asset Class / Strategy	Mutual Fund (if applicable)	Aggregate Fair Value ¹
Target Enrollment and Actively Managed Portfolios			
Blackstone Property Partners	Private Real Estate	N/A	\$ 48,639,521
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	148,738,395
Capital Research & Management Co.	Global Small-Cap	American Funds SMALLCAP World Fund	472,361
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	81,104,077
Invesco Advisers, Inc.	Stable Value	N/A	1,317,190,510
Parnassus Investments	Socially Targeted Large Cap Core Equity	Core Equity Fund	90,488,229
PGIM Fixed Income	High Yield Bonds	N/A	135,436,312
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	90,877,499
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	262,459,198
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	452,142,417
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	290,031,624
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	63,502,919
The Vanguard Group, Inc.	U.S. Real Estate	Real Estate Index Fund	58,685,942
Touchstone Investments ²	International /Global Equity	Emerging Markets Growth Fund	84,613,122
UBS Trumbull Property	Private Real Estate	N/A	59,330,598
Wellington Management Co., LLP	International Equity	N/A	143,130,493
Total Target Enrollment & Actively Managed Portfolios			\$ 3,326,843,217
Passively Managed Portfolios			
Atlantic Union Bank	FDIC - Insured (Cash & Equivalents)	N/A	176,094,405
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	35,862,369
The Vanguard Group, Inc.	U.S. Real Estate	Real Estate Index Fund	63,610,253
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	328,902,943
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	394,566,248
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	1,198,796,420
The Vanguard Group, Inc.	International Fixed Income	Total International Bond Index Fund	102,469,890
Total Passively Managed Portfolios			\$ 2,300,302,528
Grand Total			\$ 5,627,145,745

¹Cash net of distributions liability held with Wells Fargo as well as with BNY Mellon (custodian) in the amount of \$5,103,279 is not included in the total above.

²Sub-Advised by Sands Capital Management, LLC

APPENDIX D

**SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDING JUNE 30, 2020**
Prepaid529
Management Fees:

Domestic Equity Managers	\$	1,694,000
International Equity Managers		2,368,899
Domestic Fixed Income Managers		2,343,814
International Fixed Income Managers		1,366,773
Multi Asset Credit Managers		374,627
Convertibles Managers		1,599,951
Private Equity Managers		3,229,831
Private Debt Managers		481,313
Hedge Fund Managers		1,507,912
Private Real Estate Managers		383,105

Total Management Fees	\$	15,350,225
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Invest529
2020
Management Fees:

Domestic Equity	\$	1,245,323
International Equity		3,942,406
Domestic Fixed Income		1,222,890
International Fixed Income		1,835,134
Real Estate		1,083,336

Total Management Fees	\$	9,329,089
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Notes: Manager fees include fees that are charged directly on separately managed accounts and management fees that are implicit within a pooled vehicle's net asset value, therefore do not agree to the face of the financial statements for the Enterprise nor Private Purpose Trust Fund. Total management fees do not include custodial and other services (actuarial, proxy voting, investment consultant, etc.). These are included as fiscal and contractual services within the Enterprise 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, 2050.

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, 2020, approximately 2.4 million unique active accounts were open with net assets in excess of \$70.7 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 2020, three new investment options were approved by the VA529 Board: the Global Insight Fund, the International Vantage Fund and the Multi-Sector Income Fund. As of June 30, 2020, the CollegeAmerica program offered 46 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 46 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, 2020 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 [®]	76,334	\$ 2,340,862	2/29/20
American Funds Global Insight Fund SM	N/A	N/A	10/31/20
American Funds International Vantage Fund SM	N/A	N/A	10/31/20
EuroPacific Growth Fund [®]	33,371	1,416,462	3/31/20
The Growth Fund of America [®]	212,932	10,307,975	8/31/19
The New Economy Fund [®]	19,292	896,062	11/30/19
New Perspective Fund [®]	60,009	2,626,583	09/30/19
New World Fund [®]	16,493	1,126,096	10/31/19
SMALLCAP World Fund [®]	32,097	1,726,478	09/30/19
Growth-and-income funds			
American Mutual Fund [®]	29,895	1,274,896	10/31/19
Capital World Growth and Income Fund [®]	83,021	4,214,826	11/30/19
American Funds Developing World Growth and Income Fund SM	4,884	52,024	11/30/19
Fundamental Investors [®]	55,724	3,449,817	12/31/19
International Growth and Income Fund SM	6,047	200,644	6/30/19
The Investment Company of America [®]	85,394	3,368,108	12/31/19
Washington Mutual Investors Fund SM	63,137	2,638,382	4/30/20
Equity-income funds			
Capital Income Builder [®]	46,445	2,878,337	10/31/19
The Income Fund of America [®]	94,681	2,130,128	7/31/19
Balanced funds			
American Balanced Fund [®]	199,368	5,671,149	12/31/19
American Funds Global Balanced Fund SM	11,733	385,937	10/31/19
Bond funds			
American High-Income Trust [®]	42,089	419,340	9/30/19
American Funds Inflation Linked Bond Fund [®]	3,486	34,470	11/30/19
The Bond Fund of America [®]	116,737	1,527,535	12/31/19
Capital World Bond Fund [®]	20,170	408,772	12/31/19
Intermediate Bond Fund of America [®]	43,660	594,833	8/31/19
Short-Term Bond Fund of America [®]	60,488	601,694	8/31/19
American Funds Strategic Bond Fund SM	5,577	44,061	12/31/19
U.S. Government Securities Fund [®]	4,243	59,696	8/31/19
American Funds Mortgage Fund [®]	3,658	37,330	8/31/19
American Funds Corporate Bond Fund [®]	6,026	69,414	5/31/20
American Funds Emerging Markets Bond Fund [®]	1,508	14,999	12/31/19
American Funds Multi-Sector Income Fund SM	N/A	N/A	12/31/20
Money market fund			
American Funds U.S. Government Money Market Fund SM	2,172,295	2,172,315	09/30/19
American Funds College Target Date Series funds			
American Funds College 2021 Fund [®]	178,503	2,043,295	10/31/19
American Funds College 2024 Fund [®]	170,729	2,109,619	10/31/19
American Funds College 2027 Fund [®]	131,390	1,713,473	10/31/19
American Funds College 2030 Fund [®]	137,390	1,900,516	10/31/19
American Funds College 2033 Fund [®]	97,168	1,168,759	10/31/19
American Funds College 2036 Fund SM	31,190	333,057	10/31/19
American Funds College Enrollment Fund [®]	113,263	1,141,651	10/31/19
American Funds Portfolio SeriesSM funds			
American Funds Global Growth Portfolio SM	27,983	478,903	10/31/19
American Funds Growth Portfolio SM	67,557	1,261,619	10/31/19
American Funds Growth and Income Portfolio SM	54,867	837,703	10/31/19
American Funds Moderate Growth and Income Portfolio SM	37,192	567,406	10/31/19
American Funds Conservative Growth and Income Portfolio SM	20,983	268,188	10/31/19
American Funds Preservation Portfolio SM	19,726	197,335	10/31/19

Data compiled from American Funds audited fund statements. Funds listed are those open as of June 30, 2020.

CollegeAmerica
529 Share Class Net Assets as of June 30, 2020 (dollars and shares in thousands)

Fund	Shares	Net Assets
Growth funds		
AMCAP Fund [®]	76,473	\$ 2,503,480
American Funds Global Insight Fund SM	136	2,215
American Funds International Vantage Fund SM	99	1,374
EuroPacific Growth Fund [®]	32,605	1,697,304
The Growth Fund of America [®]	218,703	11,721,486
The New Economy Fund [®]	20,314	946,443
New Perspective Fund [®]	59,757	2,808,903
New World Fund [®]	16,320	1,101,316
SMALLCAP World Fund [®]	31,799	1,858,675
Growth-and-income funds		
American Mutual Fund [®]	30,237	1,198,069
Capital World Growth and Income Fund [®]	80,020	3,884,838
American Funds Developing World Growth and Income Fund SM	4,816	48,074
Fundamental Investors [®]	55,203	3,157,987
International Growth and Income Fund SM	5,823	178,821
The Investment Company of America [®]	83,106	3,123,053
Washington Mutual Investors Fund SM	62,650	2,718,317
Equity-income funds		
Capital Income Builder [®]	45,459	2,611,438
The Income Fund of America [®]	92,864	1,945,663
Balanced funds		
American Balanced Fund [®]	200,072	5,556,051
American Funds Global Balanced Fund SM	11,284	373,768
Bond funds		
American High-Income Trust [®]	40,991	379,164
American Funds Inflation Linked Bond Fund [®]	4,080	44,011
The Bond Fund of America [®]	124,020	1,735,047
Capital World Bond Fund [®]	19,519	400,350
Intermediate Bond Fund of America [®]	47,078	665,669
Short-Term Bond Fund of America [®]	69,407	705,866
American Funds Strategic Bond Fund SM	7,269	84,888
U.S. Government Securities Fund [®]	19,928	296,992
American Funds Mortgage Fund [®]	4,018	42,406
American Funds Corporate Bond Fund [®]	6,321	73,892
American Funds Emerging Markets Bond Fund [®]	1,601	15,022
American Funds Multi-Sector Income Fund SM	74	753
Money market fund		
American Funds U.S. Government Money Market Fund SM	2,863,895	2,863,895
American Funds College Target Date Series funds		
American Funds College 2021 Fund [®]	195,725	2,273,207
American Funds College 2024 Fund [®]	197,487	2,451,726
American Funds College 2027 Fund [®]	151,853	1,960,535
American Funds College 2030 Fund [®]	158,355	2,170,530
American Funds College 2033 Fund [®]	117,530	1,411,732
American Funds College 2036 Fund SM	51,654	555,211
American Funds College Enrollment Fund [®]	108,956	1,127,391
American Funds Portfolio SeriesSM funds		
American Funds Global Growth Portfolio SM	30,243	521,809
American Funds Growth Portfolio SM	77,124	1,463,400
American Funds Growth and Income Portfolio SM	58,765	888,337
American Funds Moderate Growth and Income Portfolio SM	38,185	579,235
American Funds Conservative Growth and Income Portfolio SM	22,644	274,301
American Funds Preservation Portfolio SM	24,647	255,552
Total Assets		\$ 70,678,197

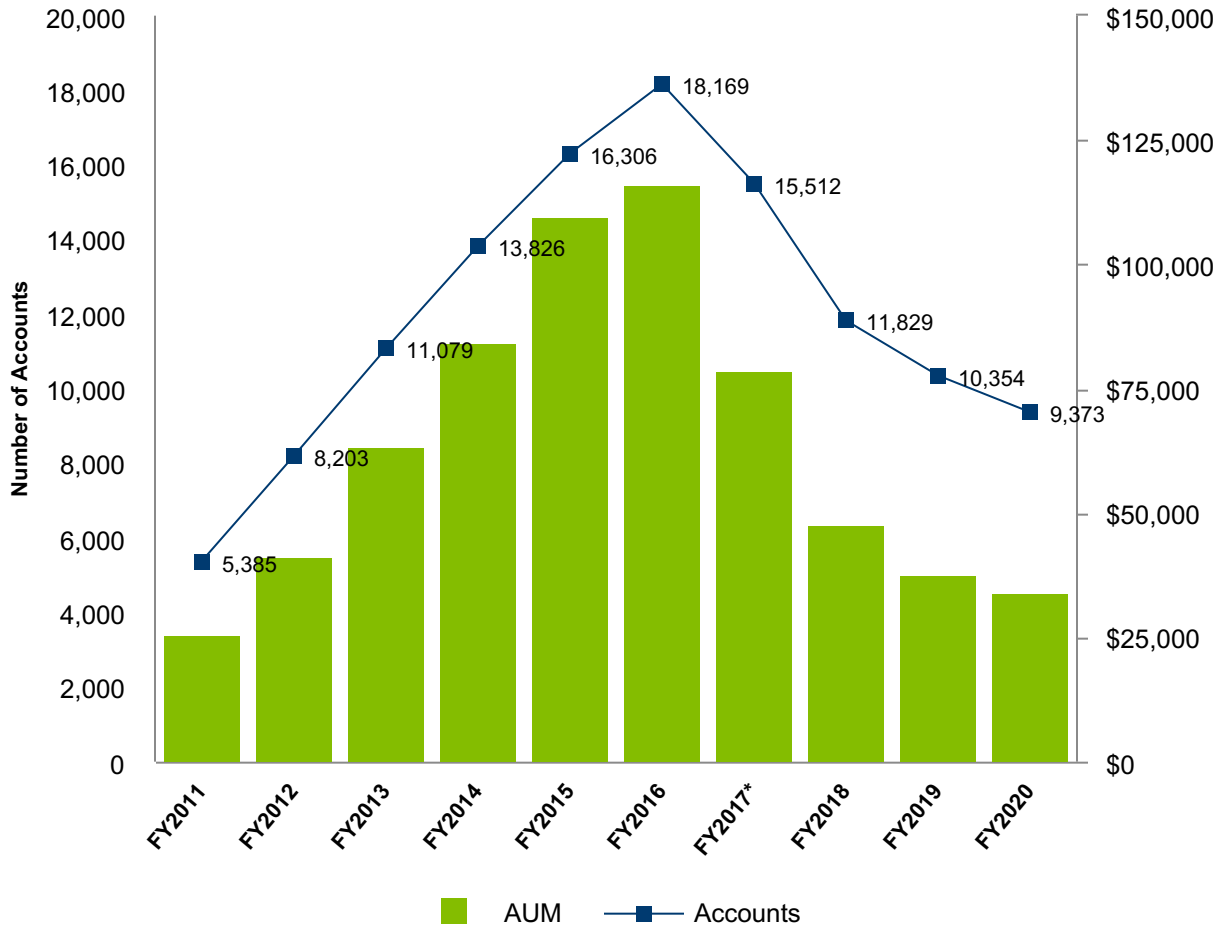
Data compiled from American Funds reports. Figures may not sum foot due to rounding.

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 Atlantic Union Bank (AUB) 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 AUB. With this offering VA529 terminated the existing CollegeWealth offering through AUB 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, 2020, there were 9,373 unique active accounts with net assets of \$34.2 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 Atlantic Union Bank to the Invest529 FDIC-Insured Portfolio.

ABLE Programs

ABLE 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. Accordingly, VA529 established two IRC §529A savings options, ABLEnow and ABLEAmerica.

ABLEnow®

ABLEnow launched in December 2016, and is a direct-sold defined contribution savings program. 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 first \$2000 in an ABLEnow account is automatically allocated to the PNC Bank NA, FDIC Insured Deposit Account. Once the balance in the ABLEnow Deposit Account exceeds \$2000 the additional contributions may be used to invest in one or more investment portfolios offered. There are four mutual funds open; three Vanguard LifeStrategy® Funds and a Fidelity® Money Market Fund, as investment options administered through PNC Bank. 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, 2020, 8,831 accounts were open with more than \$40.5 million in assets under management. More information on ABLEnow can be found at www.able-now.com. The table below outlines the shares and net assets for the ABLEnow portfolios as of June 30, 2020.

ABLEnow Shares and Net Assets as of June 30, 2020 (dollars and shares in thousands)

Fund	Shares	Net Assets ¹
Money market fund		
Fidelity® Investments Money Market Government Portfolio	2,911	\$ 2,911
LifeStrategy funds		
Vanguard LifeStrategy® Growth Fund	219	7,565
Vanguard LifeStrategy® Income Fund	70	1,153
Vanguard LifeStrategy® Moderate Growth Fund	115	3,242
Total Assets		\$ 14,871

¹PNC Bank NA, FDIC Insured Deposit Account of \$25,656,931 is not included in the value above.

ABLEAmerica®

ABLEAmerica launched in July 2018, and is a broker-sold defined contribution savings program. The program is administered by 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, 2050.

Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2020, approximately 745 unique active accounts were open with net assets in excess of \$8.4 million. American Funds defines unique active accounts as unique open account numbers at period end. Fees and

expenses of the program shall be waived until June 30, 2023 or until assets in the program exceed \$300 million, whichever occurs first.

A separate audited report for each of the seven (7) funds available for investment in the ABLEAmerica program is published by the American Funds. Each of the funds may have 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 ABLEAmerica 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, 2020 for each fund are presented in the following charts.

ABLEAmerica

529 Share Class Net Assets as of Fund Fiscal Year End

(dollars and shares in thousands)

Fund	Shares	Net Assets	Fiscal Year End
Money market fund			
American Funds U.S. Government Money Market Fund SM	305	\$ 305	9/30/2019
American Funds Portfolio SeriesSM funds			
American Funds Global Growth Portfolio SM	25	421	10/31/2019
American Funds Growth Portfolio SM	67	1,262	10/31/2019
American Funds Growth and Income Portfolio SM	71	1,082	10/31/2019
American Funds Moderate Growth and Income Portfolio SM	57	877	10/31/2019
American Funds Conservative Growth and Income Portfolio SM	40	513	10/31/2019
American Funds Preservation Portfolio SM	22	222	10/31/2019

ABLEAmerica

529 Share Class Net Assets as of June 30, 2020

(dollars and shares in thousands)

Fund	Shares	Net Assets
Money market fund		
American Funds U.S. Government Money Market Fund SM	617	\$ 617
American Funds Portfolio SeriesSM funds		
American Funds Global Growth Portfolio SM	47	805
American Funds Growth Portfolio SM	116	2,208
American Funds Growth and Income Portfolio SM	132	2,000
American Funds Moderate Growth and Income Portfolio SM	102	1,544
American Funds Conservative Growth and Income Portfolio SM	76	915
American Funds Preservation Portfolio SM	36	371
Total Assets		\$ 8,460



Board Members

Virginia529™
ABLEnow.

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VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia

BOARD MEMBERS

As of June 30, 2020

Dr. Edward H. Bersoff, Chairman

Mr. Reggie Samuel, Vice Chairman

Mr. Peter A. Blake

Dr. Glenn DuBois

Ms. Manju Ganeriwala

Ms. Lauren Kent Stack

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, 2020

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

Edward "Ted" Raspiller, permanent designee for Dr. Glenn DuBois

Peter M. Vogt

Compensation Committee:

Board Members:

Lauren Kent Stack, Chairman

Edward "Ted" Raspiller, Vice Chairman (permanent designee for Dr. Glenn DuBois)

Dr. Edward H. Bersoff

Reggie Samuel

Investment Advisory Committee:

Board Members:

Dr. Edward H. Bersoff

Manju Ganeriwala

Reggie Samuel

Lauren Kent Stack

David A. Von Moll

Non-Board Members:

Christopher J. Dion, Chairman

Sheila Corcoran

Liza Scott, Vice Chairman

Ex Officio:

Mary G. Morris, Chief Executive Officer