

# Virginia529<sup>SM</sup>

## ABLEnow<sup>®</sup>



## Virginia College Savings Plan

*An Enterprise Fund and Fiduciary Fund of the Commonwealth of Virginia*

Annual Comprehensive Financial Report For  
the fiscal year ending June 30, 2022

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**Virginia529<sup>SM</sup>**

**ABLEnow<sup>®</sup>**

## **Virginia College Savings Plan**

**Annual Comprehensive Financial Report  
For the Year Ended June 30, 2022**

**AN INDEPENDENT AGENCY  
OF THE COMMONWEALTH OF VIRGINIA**

**Prepared by the Finance Division  
of the Virginia College Savings Plan**

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## INTRODUCTORY SECTION

Letter of Transmittal

Virginia529 Organization

Virginia529 Leadership Team

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Virginia529 Board

Audit and Actuary Committee

Compensation Committee

Investment Advisory Committee

Retirement Program Advisory Committee





## LETTER OF TRANSMITTAL

November 3, 2022

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

To Members of the Board, Customers of Virginia529, and Citizens of the Commonwealth of Virginia:

It is our pleasure to present the *Annual Comprehensive Financial Report (the Report)* of the Virginia College Savings Plan (VA529) for the fiscal year ended June 30, 2022, as required by Section 23.1-709 of the *Code of Virginia*. This Report is delivered 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 is also available on our website at Virginia529.com.

### MISSION AND PROGRAMS

As an independent non-general fund agency, VA529 has multiple statutory mandates and missions, all centered on financial wellness and preparation for the future of Virginia citizens. The longest standing mandate centers on educational attainment, which VA529 has done since it opened in 1996 offering education savings programs to help make higher education more affordable and accessible. Those mature programs include its Defined Benefit 529 Program (legacy Prepaid529<sup>SM</sup> and the Tuition Track Portfolio), Invest529<sup>SM</sup> (which includes the Tuition Track Portfolio), and CollegeAmerica<sup>®</sup>. The results of operations of the Defined Benefit 529 Program and Invest529<sup>SM</sup> are reported in the financial statements. In addition to the savings programs open to all Virginians and across the country, VA529 also meets its mission to help make college more affordable and accessible to all Virginians through its access and affordability initiatives, which started twelve years ago with SOAR Virginia<sup>®</sup>, an early commitment scholarship program, and has expanded in recent years to closely align with administration and legislative priorities around access to higher education by funding a variety of mentoring, coaching, and scholarship programs.

VA529's statutory mission was expanded in 2015 to establish programs which would provide tax-advantaged savings options to individuals with disabilities, allowing them to save for qualified disability expenses without losing important federal and state means tested benefits. VA529 opened the ABLEnow program in 2016 and ABLEAmerica in 2019. Also, in 2021 VA529's statutory mission was expanded once more to include developing a retirement savings option for many of the almost 50% of working Virginians without access to retirement savings through their employers. VA529 is currently developing its auto IRA program, RetirePath, for anticipated launch in 2023.

### FIDUCIARY RESPONSIBILITY OF THE BOARD

The Board has a fiduciary duty as trustee of the funds administered by VA529. To assist in fulfilling its responsibility with respect to the investment of VA529 assets, the Board has appointed an Investment Advisory Committee (IAC). In addition, it has adopted various investment policies and guidelines for its programs. The assets of the DB529 program are invested in a prudent manner that is intended to provide for the adequate funding of the program's education benefit liability. To assist the Board in fulfilling its responsibilities relating to the integrity of VA529's financial statements, financial reporting processes and systems of internal and financial controls, the Board has appointed an Audit and Actuarial Committee (A&AC). 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 also appointed a RetirePath Advisory Committee to assist it with fulfilling its responsibilities relating to providing a private retirement IRA savings program, and a Compensation Committee to oversee the compensation of VA529 employees. In addition to these, the Board has the authority to appoint other advisory committees and set forth the qualifications for those members by resolution. Charters have been adopted for committees to describe their purpose, composition, and how to conduct business, as well as their duties and responsibilities.

### 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)

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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 concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits that are likely to be derived from the control. 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.

#### **HYBRID WORK ENVIRONMENT**

In January 2022, the Governor declared that a limited state of emergency continued to exist in Virginia due to the ongoing COVID-19 pandemic. VA529 continued to leverage communications, technology, facilities protocols, and critical vendor services to maintain operations in a mostly virtual environment as leadership and staff began to slowly return to the office on a limited basis. VA529 remained resilient and agile while transitioning to a hybrid work environment during fiscal 2022. VA529 remains poised to continue its primary business serving customers through hybrid operations as long as necessary.

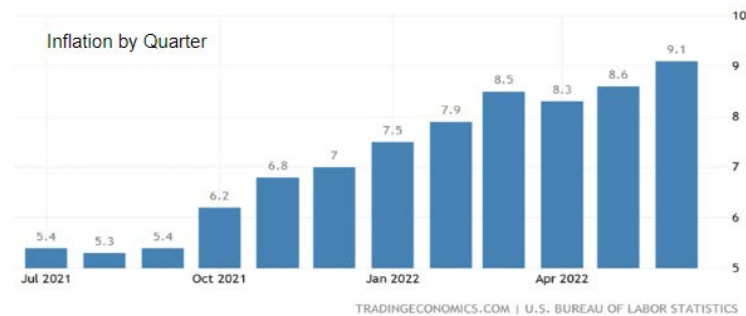
#### **ACTUARIAL VALUATION AND OUTLOOK - DEFINED BENEFIT 529 PROGRAM**

VA529's most recent actuarial valuation report for the Defined Benefit 529 Program (DB529), which includes the legacy Prepaid529 Program and the Tuition Track Portfolio of Invest529, was prepared by Milliman, Inc. as of June 30, 2022 and compares the value of the current and projected assets 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 the actuarial valuation report are the long-term rate of investment return and future tuition growth. The report indicated a decrease in the DB529's actuarially determined funded position from the position as of June 30, 2021 primarily due to investment market volatility resulting in lower than expected overall fund performance during fiscal 2022. This was offset by lower than expected tuition growth. We are pleased to report that the Program was 187.5 percent funded on an actuarial basis as of June 30, 2022.

VA529 maintains its optimistic outlook that its asset allocation and investment strategies will result in the Program's portfolio meeting or exceeding performance expectations over the long term. VA529 has an assumed rate of return of 5.5 percent on DB529 investments for future fiscal periods. As of June 30, 2022 the total return since inception was 6.15 percent net of fees, and reflected the lower than expected -5.35 percent overall fund performance during fiscal 2022 based on overall global market performance, as discussed below. VA529 has adopted a long-term target asset allocation strategy for the DB529 as set forth within its Investment Policy and Guidelines. The DB529 portfolio continued to transition to the target allocation that was revised by the Investment Advisory Committee and Board in August 2021. Full transition is expected to be completed and target asset allocation is expected to be reached by the end of the calendar year 2022.

Global financial markets had a challenging year with volatility and economic uncertainty peaking in the first half of 2022. Over the course of the fiscal year, the S&P 500 decreased 11.98 percent and the Dow Jones Industrial Average fell 10.82 percent. Similarly, the MSCI ACWI ex. US Index and the MSCI Emerging Markets Index posted returns of negative 21.87 and 27.33 percent, respectively. Fixed Income markets concomitantly posted negative returns amid the rising rates and spreads with the Bloomberg Aggregate declining 10.3% and Treasuries posting negative 9.1%.

Beginning at 5.40 percent in July 2021, the U.S. unemployment rate dropped to 3.60 percent by the end of the fiscal year, settling at a 4.18 percent average for this period. The demand for industries such as manufacturing, hospitality, and transportation resulted in an increase in jobs creating upward pressure on inflation. Inflation continued to rise above market and Federal Reserve expectations over fiscal 2022 beginning around 5.40 percent in July 2021 and reaching 9.1 percent by June 2022, its highest point in 40 years. This was contrary to the transitory inflation narrative that dominated 2021. Inflation rates by month can be seen in the chart below. There are a few events that may have influenced the increase. As the U.S. started to reopen, the demand for goods began to rise amid critical supply chain issues and rising labor costs. In addition, the war in Ukraine and China's COVID lockdown during the spring also contributed to the supply chain crisis. The sectors that have continued to rise have been gas, food, and housing, particularly gas prices that are up 7.5%.



In response to sustained inflationary pressures and a strong labor market, the Federal Open Market Committee (FOMC) began adjusting its monetary policies and communications in fall 2021. After holding the federal funds rate near zero since the onset of the pandemic, the FOMC raised the target rate in the range of .25 to .50 percent in its March 2022 meeting. They continued to raise the target range in May and June, bringing it to the current range of 1.50 to 1.75 percent and indicated that ongoing increases are likely to be appropriate. In June 2022, FOMC members were not unanimous in their projections for the federal funds rate for calendar years 2022 through 2024, where midpoint projections ranged from 3.25 to 4.0 percent.

These macroeconomic factors greatly contributed to the returns of the DB529 Program, especially in the equity and alternatives allocations:

**Prepaid529 Fund Returns (as of June 30, 2022)**

Type of Investment	1 Year Return	1 Year Return Benchmark	Calendar YTD Return	Calendar YTD Benchmark
Total Fund	(5.35)%	(5.97)%	(9.04)%	(8.33)%
Total Equity	(20.02)%	(17.32)%	(21.58)%	(19.97)%
Total Fixed Income	(9.93)%	(10.71)%	(10.12)%	(10.80)%
Alternatives	29.34 %	19.33 %	9.86 %	10.60 %

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 the DB529's ability to meet future contractual and account obligations is the future growth in tuition and mandatory fees at Virginia's public colleges and universities. In the 2022 legislative session, the Governor and the General Assembly provided the largest state investment to higher education in history with more than \$1 billion in additional general funds for the 2022-24 biennium. The large investment also included partial funding for annual salary increases of five percent for employees. Institutions share the cost of the salary increases (about 50% on average). To mitigate the need to raise tuition and fees to support the salary increases and other costs, the state provided \$143 million per year to institutions' affordable access funds and \$245 million in additional financial aid to students.

Virginia institutions were able to control tuition and fee increases in the 2022-23 academic year. Most Virginia institutions of higher education froze tuition rates with minimal increases in mandatory fees for the upcoming academic year. As the State Council of Higher Education for Virginia (SCHEV) highlighted in its 2022-23 Tuition and Fees report, Tuition and Mandatory Educational & General (E&G) Fees increased an average of 2.7%, across four-year institutions, with Mandatory Non-E&G Fees (those related to non-instructional activities) increasing 3.3 percent for the upcoming academic year. In aggregate, tuition and total mandatory fees rose 2.9 percent, or \$409, across four-year Virginia public colleges and universities. Additionally, many schools offset these modest increases by issuing one-time scholarships to all in-state students for the 2022-2023 academic year.

In its assessment of the Program's financial condition, VA529 has forecasted tuition and fees at Virginia's public universities to increase annually at a rate of 4 percent for fall 2023 and fall 2024 and a 6 percent increase thereafter. Tuition increases for community colleges are forecasted to increase annually at a rate of 2 percent for fall 2023 and fall 2024 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 could possibly result in more volatile tuition rates in the coming years. A significant increase in these rates could negatively affect the Defined Benefit 529 Program's portfolio, and alter projected long-term 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.

**LEGISLATIVE UPDATES**

During the 2022 session, the Virginia General Assembly enacted multiple bills that affect Virginia529. *Senate Bill 64: Infant Settlement Accounts* permits a court to direct payment of the proceeds of a settlement agreement for a minor into a VA529 account. This legislation was effective July 1, 2022 and members of VA529's Government Relations, Legal, and Administration teams worked together to establish new procedures in preparation for new infant settlement accounts.

House Bill 444; Virginia Freedom of Information Act (FOIA) Electronic Meetings allows public bodies to hold all-virtual and virtual-optional public meetings under FOIA. This legislation was effective on September 1, 2022 and required VA529 to update its Board and committee meetings policies to reflect the new flexibility provided by the legislation.

## **2022 PROGRAM HIGHLIGHTS**

- **Defined Benefit 529 Program**

VA529 continued a multi-year project to address non-utilized accounts within the Prepaid529 program in accordance with its Master Agreement. This refers to accounts that reached expiration because benefits have not been used within 10 years of the student's high school graduation date. VA529 completed various communications campaigns to customers during the year. On June 24, 2022, approximately 1,800 Prepaid529 accounts were closed and the refund value was transferred to the Invest529 FDIC-Insured Portfolio accounts for future use by the account owner on behalf of the students who were originally named on the legacy Prepaid529 contract.

The Tuition Track Portfolio (TTP) completed its first full year in operation during fiscal 2022. TTP is the successor defined benefit option to the legacy Prepaid529 program, which closed to new accounts in 2019, and has a primary goal of providing a savings vehicle that is affordable, flexible, and simple to expand the appeal and accessibility of the benefits of the program to a broader demographic across Virginia. The benefit design is enabled by legislation passed in 2019 by the Virginia General Assembly that included provisions for payments to higher education institutions based on enrollment-weighted average tuition (Average Tuition) at Virginia's public higher education institutions as determined by the Board. Collectively, legacy Prepaid529 and TTP are referred to as the Defined Benefit 529 Program (DB529).

TTP allows participants to purchase a desired number of units toward tuition and other qualified higher education expenses. The purchased units will keep pace with average tuition inflation at Virginia's 4-year public universities. When withdrawn, for every 100 units purchased, participants will receive that year's Average Tuition, regardless of how much average tuition has increased since the purchase. TTP is only available for account owners or beneficiaries who are Virginia residents at the time of initial purchase. Units can be purchased up until June 30 of the beneficiary's high school graduation year. The TTP Unit Price and the value of previously purchased units adjust annually on or around July 1, based on changes in Average Tuition. There are no administrative or investment fees assessed against the TTP.

TTP reflected 5,762 unique active accounts and \$63 million assets under management as of June 30, 2022. Since TTP is a continuation of the legacy program, funds are combined and invested to meet future obligations of the DB529 Program.

- **Access and Affordability Initiatives**

Since 2010, VA529 has carried out its mission to make higher education more accessible and affordable to all Virginians by providing an early commitment scholarship program, SOAR Virginia, aimed at assisting economically disadvantaged high school students in schools across the state. Building upon that concept, in 2021 the Board expanded its commitment to access, affordability, and attainment by committing resources to serve low income, at-risk and minority populations through programs that offer scholarships, workforce development services, and mentoring/coaching opportunities. During fiscal 2022, staff continued to focus on program development and leveraging recordkeeping and accounting systems to support the operations of the expanded program. By building on the success of the SOAR Virginia program, VA529 continued to partner with established programs which support these educational goals. In addition, VA529 uses a fund and investment structure similar to that which is in place for its education savings programs.

- **Invest529 and CollegeAmerica Investment Updates**

In January 2022, VA529 reduced Invest529 administrative fees by 44 percent from the previous 9 basis points on underlying assets under management of the program. For the first time in its history, a tiered fee structure was implemented in Invest529, which results in 6 basis points being charged on underlying assets up to \$5 billion dollars and 3 basis points on underlying assets exceeding \$5 billion. These fees are calculated and accrued daily by the investment custodian and redemption is made by VA529 on a quarterly basis. The administrative fee was eliminated from the Invest529 FDIC-Insured Portfolio. The TTP of Invest529 is not charged administrative or other investment management fees. VA529 performs regular due diligence reviews over its investment managers to ensure alignment and compliance with investment objectives and strategy. This occurs through regular in-person visits and interim calls and meetings as well as a review of documentation and inquiry responses.

During fiscal 2022, both Invest529 and CollegeAmerica received Bronze Ratings from Morningstar, a provider of independent investment research and advice. Morningstar evaluates 529 education savings plans on four key pillars - Process, People, Parent, and Price. Performance analysis takes a broader assessment in the Process, People and Parent pillars, and therefore, Performance is not a separate pillar. Morningstar reviewed 62 education savings plans in 2021. From this population, only 32 received a recommended rating in the form of Gold, Silver, or Bronze. Others received Neutral and Negative ratings. Medalist plans stand out and are noted for low costs, strong stewardship, and exceptional investment options.

In June 2022, Virginia529 and Capital Group (American Funds) celebrated 20 years of the CollegeAmerica program and an effective partnership that is grounded in continuous collaboration within its leadership teams. Joint efforts continued during the year in improving marketing and education and ongoing due diligence. Key personnel from Capital Group meet at least annually with the VA529 Investment Advisory Committee and Board. Teams also continued the virtual monthly due diligence series which began in fiscal 2020 in response to the pandemic to discuss ongoing operations, marketing, legislative and industry topics. The year culminated with an annual onsite visit by Virginia529 staff to cover topics ranging from Investment management, Regulations and Compliance,

Technology, Marketing and Education, Business Continuity and Disaster Recovery, and Human Capital. Both organizations collaborated extensively on federal legislative initiatives, including work on federal level advocacy towards passage of the ABLE Age-Adjustment Act, the Freedom to Invest in Tomorrow's Workforce Act, and the College Savings Recovery Act. Each of these are currently active bills in the U.S. Congress.

In January 2022, the CollegeAmerica administrative fee was reduced to an effective rate across accounts of approximately 5 basis points or 0.05%. The American Funds now 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. No changes were made at this first tier in the fee structure. The fee is reduced to five basis points (.05 percent) for amounts in excess of \$20 billion up to \$75 billion (previously \$100 billion) with further reductions to three basis points (.03 percent) for amounts above \$75 billion (previously \$100 billion). This fee is calculated and accrued daily and paid to VA529 on a quarterly basis. As of June 30, 2022, the CollegeAmerica program offered 46 American Funds mutual funds and Invest529 offered 22 investment options.

- **ABLE Program Updates**

Fiscal 2022 brought continued growth in disability savings programs, ABLEnow and ABLEAmerica. VA529, through its partnership with PNC Bank, N.A., continued to focus on strategic initiatives to improve the overall customer experience and engagement with ABLEnow accounts. This included a new onboarding process for group homes who serve the disability community and assist with the ABLEnow enrollment process, website enhancements, communication to promote account funding, and a new pathway for enrollment for authorized representatives. As of June 30, 2022 ABLEnow had 12,705 active accounts and over \$89.4 million in assets under management.

ABLEAmerica is offered through VA529's partnership with the Capital Group (American Funds) and it complements 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 American Funds mutual funds at the ABLE-A and ABLE F-2 share class levels. As of June 30, 2022, ABLEAmerica had 1,987 total accounts and over \$24.1 million in assets under management.

- **Account Growth and Transaction Volume**

During fiscal 2022, VA529 experienced varying account growth by program as shown in the table below. Invest529's 11.3 percent growth rate depicts continued strong program satisfaction and corresponds to an additional 60,457 accounts opened during the fiscal year. Within the DB529 Program, Prepaid529 accounts decreased, as anticipated, as the program was closed to new enrollment in May 2019 and contracts/accounts are used for their intended purpose. During fiscal 2022, approximately 1,800 accounts that had reached the ten year expiration period were moved from the DB529 Program to a portfolio within the defined contribution program of Invest529 (collectively referred to as the "DC529 Program"). The growth of TTP accounts, within the Invest529 program, will reduce the impact of the Prepaid529 account distributions and over time the total accounts should again show year over year gains.

<b>Fiscal 2022 Growth in Accounts<sup>1</sup></b>	
<b>DB529 (includes TTP accounts<sup>2</sup>)</b>	<b>(6.9)%</b>
<b>Invest529<sup>2</sup></b>	<b>11.3%</b>
<b>CollegeAmerica</b>	<b>2.8%</b>
<b>ABLEnow<sup>3</sup></b>	<b>2.4%</b>
<b>ABLEAmerica</b>	<b>55.5%</b>

<sup>1</sup> Gross accounts opened during fiscal year, except for CollegeAmerica (net) and ABLEnow (net)

<sup>2</sup> The Tuition Track Portfolio (TTP) is a defined benefit option within Invest529.

<sup>3</sup> ABLEnow accounts inactive for greater than one year were closed during the year. This led to the closure of 3,243 zero balance accounts and results in the appearance of decreased account growth for fiscal 2022.

Transaction volume also continued to increase as participants utilized their education savings accounts. During fiscal 2022, the Plan processed 109,484 Invest529 distribution requests and 19,187 Prepaid529 payments to institutions, representing a 16 percent increase and (6) percent decrease over the prior fiscal year, respectively.

- **Operational and System Improvements**

VA529 made improvements to its technology platforms to improve the customer experience and support agency and program operations. Other technology enhancements continued to focus on the safeguarding of customer identity and assets.

Leveraging feedback from an operational assessment conducted in fiscal 2020, VA529 continued its multi-year contact center enhancement project with focus on technology, quality assurance, training, reporting, and analytics. This project includes contact center enhancements and customer service workforce expansion to better meet the needs of VA529/ABLEnow's customers. Operational success during the year included the replacement of the previous contact center platform with a new state-of-the art cloud platform which provides technology features that allow for customizable solutions appropriate for customers, VA529 staff, and internal support teams.

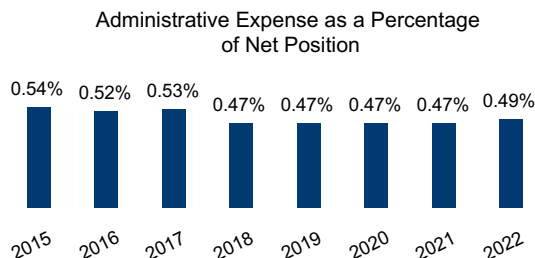
There were continued enhancements to the automated Prepaid529 withdrawal process which previously launched in fiscal 2021 for customer for benefit usage purposes. Additional product releases were implemented to enhance communications and payment processing to Virginia institutions and provide a greater level of communications on intent regarding benefit usage. In addition, Prepaid529 withdrawal requests for out-of state payouts no longer require the transfer of benefits into Invest529 accounts prior to usage but rather allow for payment directly from Prepaid529 to the account owner, beneficiary, or out-of state institution. This enhancement has contributed to a reduction in customer contact volume relating to this previously manual process.

VA529 also implemented a content management solution for customer communications in June 2022. This system provides libraries for content management, automated workflows from creation to approval, quality management, and interfaces with data system and fulfillment platforms.

VA529 continued efforts to improve accounting systems and replace legacy systems. Financial Operations staff began a multi-year project to implement a new cloud-based accounting reconciliation solution to replace manual processes and enhance overall general ledger controls. The first phase of this project is anticipated for completion in November 2022, with the launch of daily cash position reporting and several automated cash reconciliations. This project is expected to continue through fiscal 2024.

Finally, the Commonwealth of Virginia's Cardinal Human Capital Management (Cardinal HCM) project continued through fiscal 2022 and staff participated in this statewide project with the goal of replacing legacy personnel, benefit, and payroll systems. Implementation was originally staged for a Release 2 launch in March 2022 until a delay in the statewide project prompted changes in the timeline for some agencies. VA529 is now in Release 3 of this implementation with an anticipated launch of October 2022. VA529 assisted with the rollout of the direct deposit functionality to Release 1 and 2 agencies, which launched in production in October 2021 and August 2022. This functionality will include enhancements for direct deposit of 529 contributions by Commonwealth employees.

One measurement of the cost to run each of the programs administered by VA529 is a comparison of the administrative expense as a percentage of net position. Over time, this percentage has decreased as shown in the following chart even as programs have grown, new programs have been launched and operations have continued to be run efficiently over time. This measure increased slightly in fiscal 2022 due to the decrease in overall net position as well as increased expenses to support VA529's Access and Affordability Initiatives.



## 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.

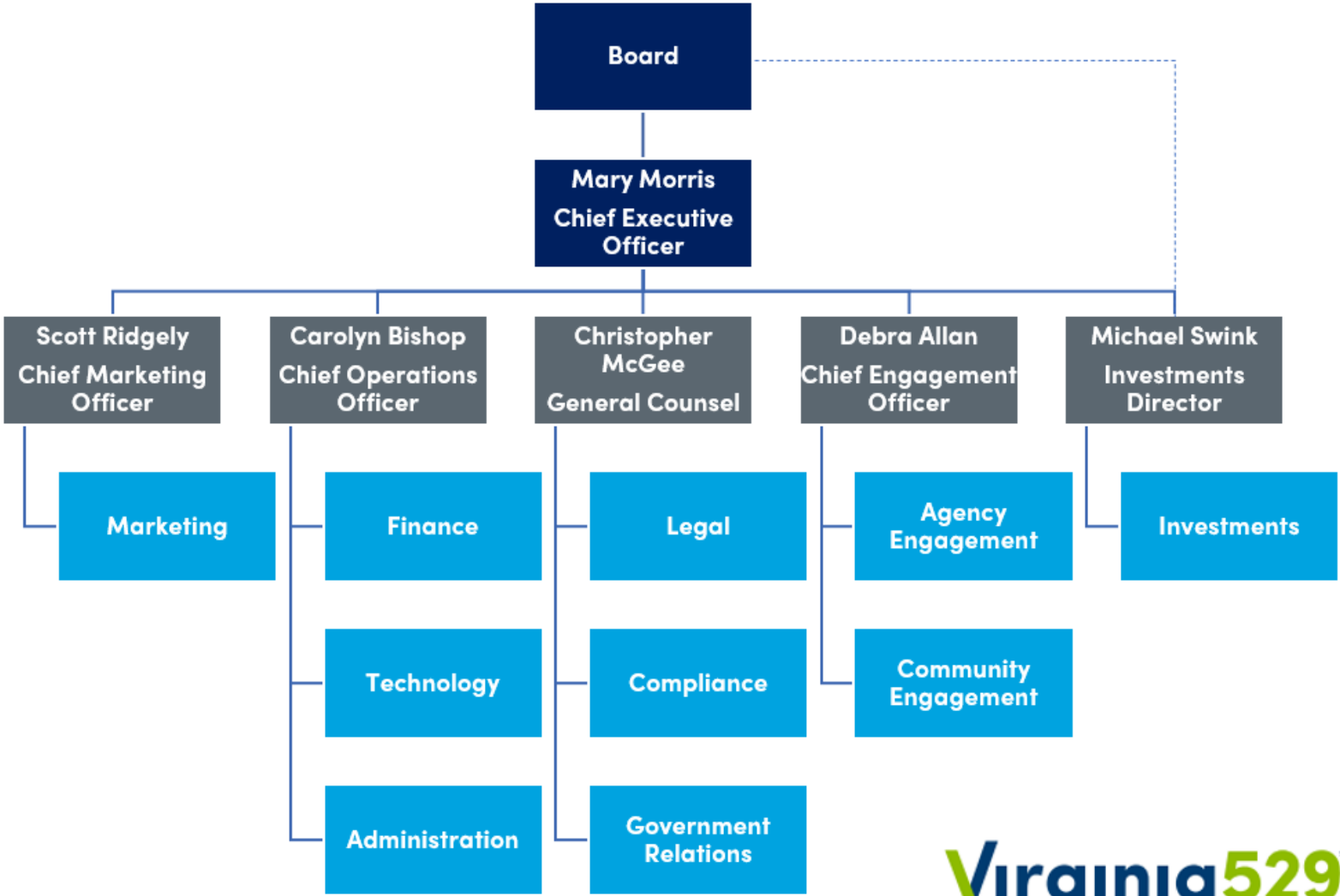
Respectfully Submitted,

Mary G. Morris  
Chief Executive Officer

Vivian L. Shields  
Chief Finance Officer

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# Virginia529 Organization



## Virginia529 Leadership Team

**Mary G. Morris**  
*Chief Executive Officer*

**Vivian L. Shields**  
*Chief Financial Officer*

**Elizabeth Dutton**  
*Chief Administrative Officer*

**Carolyn Bishop**  
*Chief Operations Officer*

**Michael Swink, CFA, CPA**  
*Investments Director*

**Scott Ridgely**  
*Chief Marketing Officer*

**Chris McGee**  
*General Counsel*

**Michael Henry**  
*Chief Technology Officer*

**Debra Allan, SPHR, SHRM-SCP**  
*Chief Engagement Officer*

**Sherri Wyatt**  
*Chief Compliance Officer*

---

## Professional Consultants

### ACTUARIES

**Alan S. Perry, FSA, MSAA, CFA**  
*Principal and Consulting Actuary*  
Milliman, Inc.

**Glenn Bowen, FSA, MSAA, EA**  
*Principal and Consulting Actuary*  
Milliman, Inc.

### MASTER CUSTODIAN

**BNY Mellon**

### AUDITORS

**Lealan Miller, CPA**  
*Partner*  
Eide Bailly, LLP

**Eric S. Berman, MSA, CPA, CGMA**  
*Partner*  
Eide Bailly, LLP

### INVESTMENT CONSULTANTS

**Nick Davies, CAIA**  
*Partner*  
Mercer

**Kelly Henson**  
*Partner*  
Mercer





# Board and Committee Members

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Virginia529 Board as of June 30, 2022



**Dr. Edward H. Bersoff**  
*Board Chair*  
Gubernatorial Appointee  
Citizen Member  
Two Terms: Oct 2014 - Jun 2022



**Hon. Walter A. Stosch**  
*State Senator (ret)*  
Senate Appointee  
Citizen Member  
Two Terms: Apr 2017 - Jun 2025



**Randall McCabe**  
*State Comptroller, Virginia*  
*Department of Accounts*  
**Ex-Officio Member**



**Catherine Beck**  
*Division of Family Services,*  
*Fairfax*  
Gubernatorial Appointee  
Citizen Member  
Term: Sep 2020 - Jun 2024



**Dr. Edward "Ted" Raspiller**  
*President, Brightpoint C. C.*  
*(Designee for Dr. Glenn DuBois,*  
*Chancellor, VCCS)*  
**Ex-Officio Member**



**Lauren Kent Stack**  
*Board Vice Chair*  
Gubernatorial Appointee  
Citizen Member  
Term: Aug 2019 - Jun 2023



**David Richardson**  
*Treasurer of Virginia*  
**Ex-Officio Member**



**Dante Jackson**  
*Vice President Atlantic Union*  
*Private Bank*  
Gubernatorial Appointee  
Citizen Member  
Term: Jul 2020 - Jun 2025



**Peter A. Blake**  
*Director, State Council of*  
*Higher Education*  
**Ex-Officio Member**



**Dr. Elliott J. Dubin**  
*Policy Research Director (ret),*  
*Multi-State Tax Commission*  
Gubernatorial Appointee  
Citizen Member  
Term: Jul 2021 - Jun 2025



**Reggie Samuel**  
*Partner, Leumas Group*  
Gubernatorial Appointee  
Citizen Member  
Term: Aug 2015 - Jun 2023



**Mary G. Morris**  
*CEO, Virginia529*

## Committee Assignments

as of June 30, 2022

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### Audit and Actuarial Committee:

#### Board Members:

Hon. Walter A. Stosch, Chairman  
Randall McCabe  
Catherine Beck  
Dr. Edward H. Bersoff  
Peter A. Blake  
David L. Richardson  
Dr. Edward "Ted" Raspiller, permanent designee for Dr. Glenn DuBois

### Compensation Committee:

#### Board Members:

Lauren Kent Stack, Chairman  
Dr. Edward "Ted" Raspiller, permanent designee for Dr. Glenn DuBois  
Catherine Beck  
Dr. Edward H. Bersoff  
Reggie Samuel

### Investment Advisory Committee:

#### Board Members:

Dr. Edward H. Bersoff  
David L. Richardson  
Dante D. Jackson  
Lauren Kent Stack  
Randall McCabe  
Dr. Elliott J. Dubin

#### Non-Board Members:

Sheila Corcoran, Chairman  
Frederick Nolde, Vice Chairman  
Timothy G. Berry  
Chris Culbertson  
Farrah Holder

#### Ex Officio:

Mary G. Morris, Chief Executive Officer

### Retirement Program Advisory Committee:

#### Board Members:

Dante D. Jackson, Chairman  
Dr. Edward H. Bersoff  
David L. Richardson  
Dr. Elliott J. Dubin

#### Non-Board Members:

Evelyn Small Traub, Vice Chairman  
Michael L. Hadley  
Kelly Hiers  
Wendy Young Carter  
LaJuanna Russell

Independent Auditor's Report

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities (the Enterprise Fund) and the fiduciary activities (the Private Purpose Trust Fund) of the Virginia College Savings Plan (VA529 or the Plan) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VA529's basic financial statements as listed in the table of contents. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of VA529, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of 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 fiduciary activities 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, 2022, 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 Plan investments include investments valued at \$1,807.3 million (58.1% of total assets) for the Enterprise Fund and \$299.7 million (4.3% of total assets) for the Private Purpose Trust Fund, respectively, as of June 30, 2022, 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.

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### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VA529 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VA529's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 22-36, 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 81-92, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise VA529’s basic financial statements. The Appendix A, Appendix B, Appendix C, Appendix D (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section (including the letter of transmittal, board members, and other information) and statistical section but does not include the basic financial statements and our



auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022 on our consideration of VA529's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 VA529's 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 VA529's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
November 2, 2022

# Management's Discussion and Analysis



Virginia529™  
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# Management's Discussion and Analysis (Unaudited)

The Virginia College Savings Plan's (VA529's) 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, 2022. 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 includes the Defined Benefit 529 Program (comprised of the legacy Prepaid529<sup>SM</sup> and the Tuition Track Portfolio (TTP)) (DB529 or the Program), Invest529<sup>SM</sup> (which includes TTP) (Invest529), and CollegeAmerica<sup>®</sup>. In addition, VA529 administers access and affordability initiatives through its SOAR Virginia early commitment scholarship program that has been in existence since 2010, and an expanded Access and Affordability program that launched in 2021.

The legacy Prepaid529 program 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. The Tuition Track Portfolio of Invest529 is also a defined benefit program, which opened in February of 2021 as the successor to Prepaid529. Units purchased in this program are based on the weighted average tuition costs (Average Tuition) of Virginia 4-year public higher educational institutions. The TTP unit price is solely based on Average Tuition and does not include any actuarial pricing reserve or additional load in the unit price. Benefits are paid out at Average Tuition at the time of maturity. Average Tuition includes tuition payments at the in-state undergraduate rates and all mandatory fees required as a condition of enrollment of all students. Annually, VA529's actuary determines the actuarial soundness of DB529. Key factors used in the actuarial analysis include anticipated tuition increases (both short- and long-term) as well as anticipated long-term investment performance. Collectively, the legacy Prepaid529 program and TTP are defined as VA529's Defined Benefit 529 Program (DB529). VA529's administration and operations fund combined with the DB529 fund make up the Enterprise Fund.

Invest529, without TTP, and the Access and Affordability fund, together are defined as the Defined Contribution 529 Program (DC529). Invest529, with the exception of the TTP, allows participants to make contributions into their selected investment portfolio(s) and those 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, which 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. Capital Group (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<sup>®</sup> and ABLEAmerica<sup>®</sup>, 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 are not included in the accompanying audited financial statements.



## Overview

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 DB529 activities as well as 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; 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 the Agency's Administration & Operations Fund's (Operating Fund's) and DB529 Program's 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. Annually, VA529's actuary conducts a valuation that determines the actuarial soundness of the DB529.

The Statement of Revenues, Expenses, and Changes in Net Position presents the Operating Fund and DB529 program revenues earned and expenses incurred during the year, including both actual and actuarially determined contributions and contract payments from participants and payments 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**

The DC529 and Access and Affordability Programs are reported in the 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. Activities of both programs 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 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 and are an integral part of the basic financial statements.

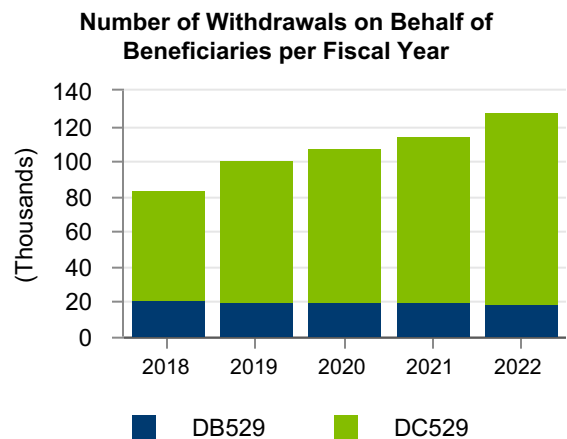
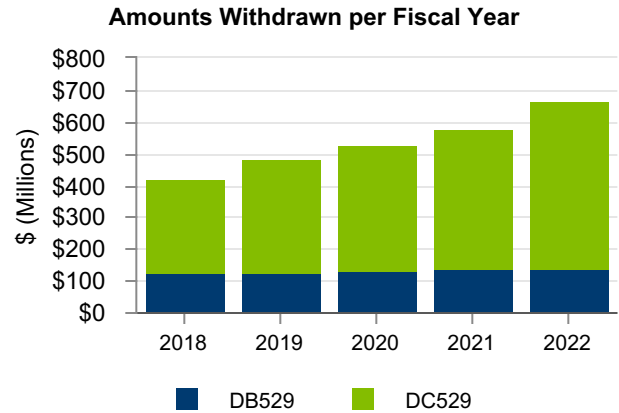
**Other Information**

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.

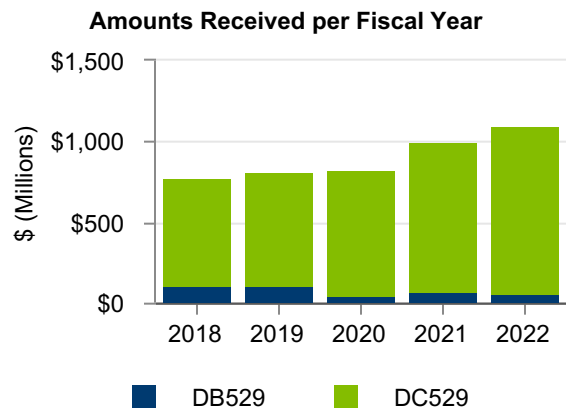
**Fiscal 2022 Financial Highlights**

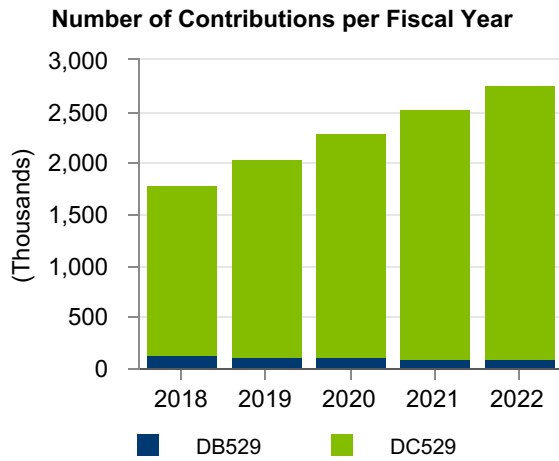
In aggregate, market movements had an overall net negative effect on fixed income and equity security prices in both the DB529 and DC529 Programs' portfolios for the fiscal year ended June 30, 2022. Transaction activity increased as customers continued to fund their education savings accounts and use them to pay higher education expenses. From the DB529 Program's perspective, the Prepaid529 program is closed to new participants and therefore, total Prepaid529 accounts under management and receipts from contract payments will continue to decline over time. However, growth in TTP accounts and activity will offset that decline over time and will increase as new TTP units are purchased.

The two graphs below represent Defined Benefit and Defined Contribution 529 program withdrawals since fiscal 2018.

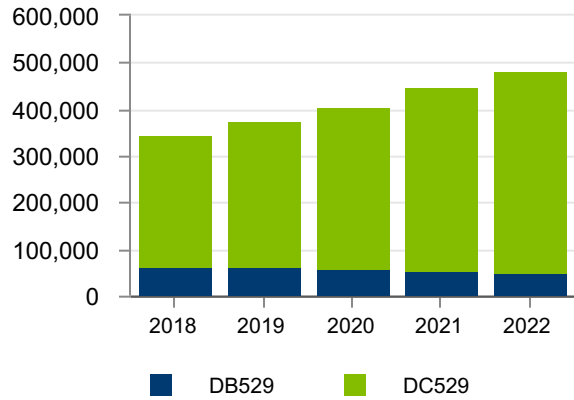


The graph below represents Defined Benefit and Defined Contribution 529 program contributions received since 2018.





Growth in Accounts Under Management per Fiscal Year



The graph to the left represents the Defined Benefit and Defined Contribution 529 Program's active accounts under management at fiscal year-end since fiscal 2018. The graph above shows the trend in assets under management.



Old Dominion University/Norfolk State University  
Higher Education Center

Table 1 demonstrates the numbers of students served, the amounts paid from the DB529 program, directly to Virginia public universities and community colleges, and the amounts paid from the DC529 program on behalf of beneficiaries associated with the respective university or community college during fiscal year 2022. Actual DC529 payments may have been issued to account owners, beneficiaries, or the respective institution.

**Table 1**  
**Defined Benefit and Defined Contribution Program Payments to or Associated with**  
**Virginia Public Universities and Community Colleges**  
**Fiscal Year 2022**

	DB529*		DC529	
	Number of Students with Contracts	Payments to Universities	Number of Students with Accounts	Payments Associated with Universities
<b>Public Universities</b>				
Virginia Tech	1,801	\$ 24,073,112	3,553	\$ 39,641,926
University of Virginia	1,496	24,949,958	3,081	39,582,378
Virginia Commonwealth University	1,024	12,405,725	1,819	17,562,683
James Madison University	1,193	14,893,122	2,380	25,670,565
College of William & Mary	563	12,362,884	1,109	15,931,965
George Mason University	875	10,101,939	2,022	17,093,147
Christopher Newport University	370	5,229,031	631	7,243,946
University of Mary Washington	222	2,629,845	442	4,715,980
Old Dominion University	287	2,480,064	565	3,956,912
Longwood University	176	2,059,156	205	1,651,824
Radford University	153	1,548,849	294	2,711,151
Virginia Military Institute	60	1,019,346	104	1,040,652
University of Virginia's College at Wise	13	152,564	31	207,862
Virginia State University	11	79,699	40	104,847
Norfolk State University	9	62,210	17	142,981
<b>Total Universities</b>	<b>8,253</b>	<b>\$ 114,047,504</b>	<b>16,293</b>	<b>\$ 177,258,819</b>
	DB529*		DC529	
	Number of Students with Contracts	Payments to Community Colleges	Number of Students with Accounts	Payments Associated with Community Colleges
<b>Community Colleges**</b>				
Northern Virginia Community College	325	\$1,022,826	1,308	\$4,267,953
Brightpoint Community College	89	214,140	196	587,294
J Sargeant Reynolds Community College	65	185,592	183	746,914
Tidewater Community College	70	189,545	167	619,207
Germanna Community College	55	134,001	145	540,078
Laurel Ridge Community College	25	52,038	114	417,635
Piedmont Virginia Community College	22	38,316	91	493,417
Virginia Western Community College	31	92,041	73	243,347
Virginia Peninsula Community College	35	87,925	72	255,274
New River Community College	20	49,157	47	182,889
Blue Ridge Community College	17	59,678	45	133,629
Central Virginia Community College	15	43,824	42	106,876
Rappahannock Community College	10	14,456	23	41,421
Richard Bland College	15	62,074	22	149,029
Southwest Virginia Community College	3	4,546	9	12,373
Danville Community College	4	9,420	7	16,806
Southside Virginia Community College	6	11,112	7	12,841
Patrick Henry Community College	3	6,293	6	14,343
Virginia Highlands Community College	3	3,611	5	5,062
Mountain Gateway Community College	6	12,059	4	8,036
Wytheville Community College	5	17,168	4	3,527
Mountain Empire Community College	1	5,495	2	740
Eastern Shore Community College	2	7,520	3	11,322
Paul D Camp Community College	3	5,202	8	38,967
<b>Total Community Colleges**</b>	<b>830</b>	<b>\$ 2,328,039</b>	<b>2,583</b>	<b>\$ 8,908,980</b>

\*Includes the Tuition Track Portfolio (TTP)

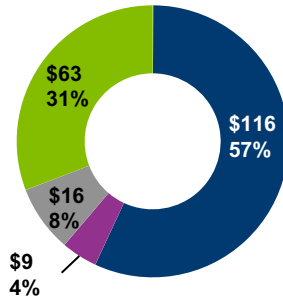
\*\*Includes Richard Bland College; Virginia's only 2-year junior college

Chart 1 below reflects the types of institutions to which benefits are paid. From the DB529 Program, roughly 69 percent of payouts are payments on behalf of students for higher education purposes. This includes \$116.4 million for students attending Virginia public institutions and \$16.3 million for students attending out-of-state institutions. Benefits may also be paid to in-state private institutions. "Other" DB529 payouts represents rollovers to Invest529 by account owners who desire to use more than the allowable semester under their contract for out-of-state payouts or transfers to Invest529 for accounts which reached their

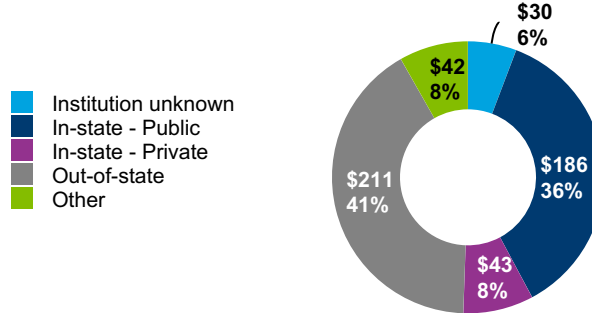
expiration period of ten years past high school graduation. This category may also include voluntary rollovers by account owners to other VA529 programs or external programs for various reasons. The majority of DC529 Program payments are made directly to account owners or beneficiaries for expenses paid to institutions, including out-of-state institutions. 'Other' DC529 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**  
**2022 Program Payouts by Institution Type (in millions)\***

**Defined Benefit 529 Payouts\***



**Defined Contribution 529 Payouts**



\*Amounts may not sum due to rounding  
\*\*Includes TTP

**Analysis of Enterprise Fund Financial Activities**

The Enterprise Fund includes the activities of the DB529 Program's and VA529's general operating activities. The Enterprise Fund ended the year with net position of \$1,455.9 million, which is a decrease of \$194.9 million from fiscal 2021.

The results of the Enterprise Fund activity this year shows an operating loss due to a decrease in the market value of long-term investments held with the DB529 Program's investments managers. As a result of investment performance, operating revenues were negative while operating expenses remained consistent with fiscal 2021 levels.



<b>Table 2 – Enterprise Fund</b>				
<b>Summary of Net Position (in millions)*</b>				
<b>As of JUNE 30,</b>	<b>2022</b>	<b>2021</b>	<b>CHANGE</b>	<b>% CHANGE</b>
<b>Assets and deferred outflows:</b>				
Current assets	\$ 227.1	\$ 207.0	\$ 20.1	9.7 %
Investments	2,816.6	3,143.4	(326.8)	(10.4)%
Capital assets, net	0.6	0.7	(0.1)	(3.9)%
Other noncurrent assets	68.6	92.2	(23.6)	(25.6)%
<b>Total assets</b>	<b>3,112.9</b>	<b>3,443.2</b>	<b>(330.3)</b>	<b>(9.6)%</b>
Total deferred outflows	5.0	5.5	(0.5)	(8.6)%
Assets and deferred outflows	3,117.9	3,448.7	(330.7)	(9.6)%
<b>Liabilities and deferred inflows:</b>				
Current liabilities	298.7	331.8	(33.1)	(10.0)%
Noncurrent liabilities	1,355.4	1,464.6	(109.2)	(7.5)%
<b>Total liabilities</b>	<b>1,654.1</b>	<b>1,796.4</b>	<b>(142.3)</b>	<b>(7.9)%</b>
Total deferred inflows	7.9	1.5	6.4	442.3 %
Liabilities and deferred inflows	1,662.0	1,797.8	(135.8)	(7.6)%
<b>Net Position</b>				
Investment in capital assets	0.6	0.7	(0.1)	(3.9)%
Restricted	0.5	0.3	0.2	52.9 %
Unrestricted	1,454.8	1,649.9	(195.1)	(11.8)%
<b>Total net position</b>	<b>\$ 1,455.9</b>	<b>\$ 1,650.9</b>	<b>\$ (195.0)</b>	<b>(11.8)%</b>
*Amounts may not sum due to rounding				
*2021 amounts have not been restated to reflect the implementation of GASB 87				

**Assets** - Current assets increased by \$20.1 million in fiscal 2022. This is attributable to keeping additional funds in cash as part of the discontinuance of operating transfers to the DB529 program beginning in fiscal 2020 as well as investment managers' decisions to hold a larger portion of assets in cash equivalent positions, which is at their discretion. Long-term investments decreased by 10.4 percent, primarily attributable to overall market decreases throughout fiscal 2022. Other noncurrent assets represent the noncurrent portion of tuition contributions receivables which decreased by \$23.6 million for fiscal 2022. This represents the decrease in the actuarially determined amount expected to be collected from contract holders of record in future years. This decrease is primarily due to the closure of the Prepaid529 program to new participants in fiscal 2019.

**Liabilities** - Current liabilities decreased by \$33.1 million, primarily attributable to pending investment purchases at June 30 and obligations under securities lending coming due in fiscal

2023. Noncurrent liabilities decreased by \$109.2 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, differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions. An increase of \$6.4 million in deferred inflows contributed to the decrease in net position as well, which is the result of a change in VA529's share of the net pension liability.

Table 3 is a summary comparison of the Enterprise Fund's Statement of Revenues, Expenses, and Changes in Net Position for fiscal 2022 as compared to the prior year. The table reflects the change in the enterprise fund's net position, which decreased by 11.8 percent for fiscal 2022.

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

YEARS ENDED JUNE 30,	2022	2021	\$ CHANGE	% CHANGE
Operating revenues				
Charges for sales and services	\$ 55.4	\$ 54.5	\$ 0.9	1.7 %
Interest and dividends (net)	368.0	284.9	83.1	29.2 %
Net increase (decrease) in fair value of investments	(532.7)	339.2	(871.9)	(257.1)%
Contributions	38.1	28.3	9.8	34.6 %
Net operating revenues	(71.2)	706.9	(778.1)	(110.1)%
Operating expenses				
Educational benefits expense	82.3	82.0	0.3	0.3 %
Other operating expenses	41.1	41.9	(0.8)	(1.9)%
Net operating expenses	123.4	123.9	(0.5)	(0.4)%
Operating income (loss)	(194.6)	583.0	(777.6)	(133.4)%
Income (loss) before transfers	(194.6)	583.0	(777.6)	(133.4)%
Transfer to the Commonwealth	(0.4)	(0.4)	—	— %
Change in net position	(195.0)	582.6	(777.6)	(133.5)%
Net position, beginning	1,650.9	1,068.2	582.7	54.5 %
Net position, ending	\$ 1,455.9	\$ 1,650.8	\$ (194.9)	(11.8)%

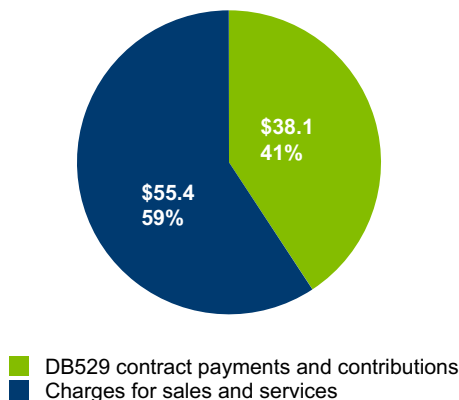
\*Amounts may not sum due to rounding

\*2021 amounts have not been restated to reflect the implementation of GASB 87

**Revenues** - The DB529 Program's asset allocation was hit by poor performance across asset classes throughout fiscal 2022. For the fiscal year ended June 30, 2022, a net decrease is reflected in the fair value of investments of approximately \$532.7 million, versus the increase in the prior fiscal year of \$339.2 million. The fair market values of investment securities change 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. Interest and dividends, which is the other significant portion of investment income, increased by 29.2 percent, which is the result of strong capital market conditions in fiscal 2021 increasing the base market values of investments at the start of fiscal 2022. These higher base market values contributed to higher interest and dividends received throughout fiscal 2022. Contributions from customers makes up a large portion of revenues and increased by 34.6 percent from 2021, which is primarily due to the growth of the TTP program, which succeeds Prepaid529.

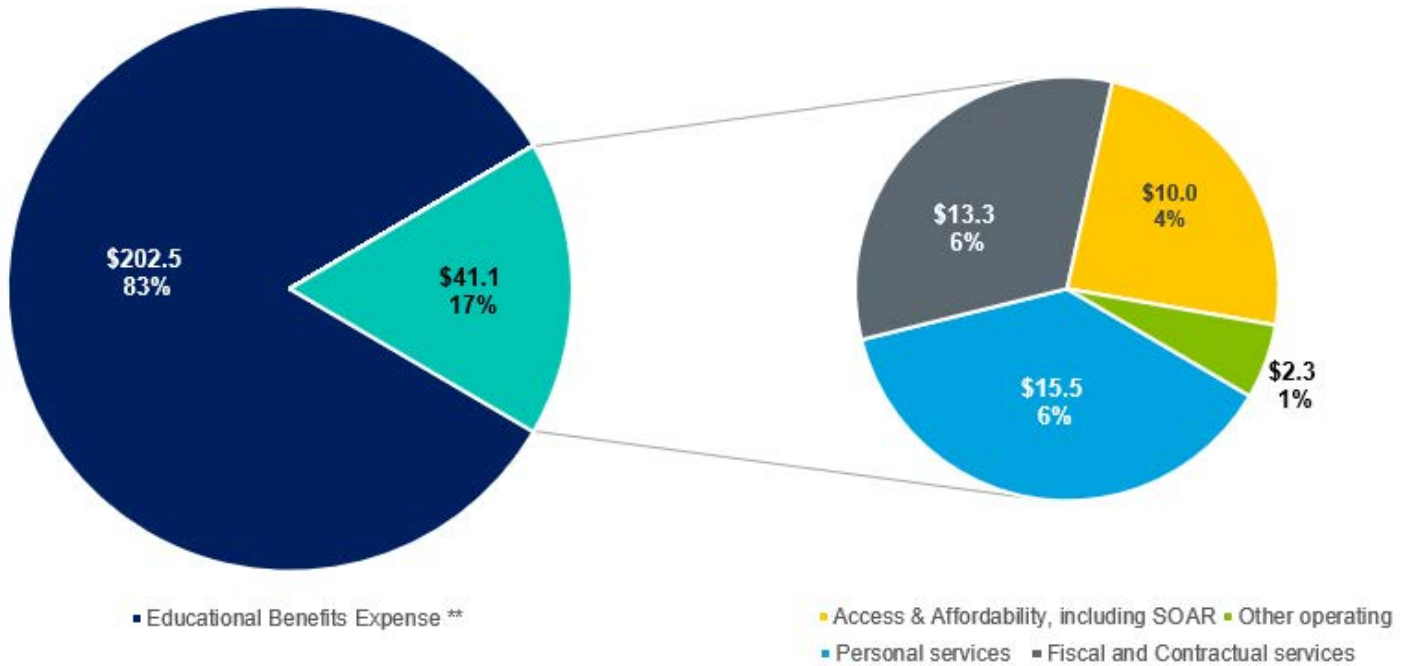
**Chart 2  
2022 Enterprise Fund Revenue (in millions)**



**Expenses** - All expense categories remained fairly consistent from fiscal 2021 levels with operating expenses only decreasing by 0.4 percent. The largest portion of these expenditures is payments for educational benefits. Educational benefits expense

is comprised of two components; actuarially determined and actual educational benefits expenses. Educational benefits expense increased by \$0.3 million from fiscal year 2021. The actuarially determined educational 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. The actuarially determined amount decreased from the previous fiscal year end accrual by \$23 million, primarily due to tuition assumptions versus actual tuition increases and made up the majority of the educational benefits expense increase. The DB529 program contract payment revenue includes actual and actuarially estimated contract payments as well as purchases of TTP units, and represents approximately 41 percent of enterprise fund revenue. Actual contract payments and contributions received from participants increased by \$3.4 million over prior year receipts. This increase is attributable to the opening of TTP in fiscal 2021 and purchases by customers throughout fiscal 2022. In addition, actuarially determined Prepaid529 contract payment revenue decreased by \$13.2 million. Receipts for charges for sales and services increased during fiscal 2022 by \$0.9 million. This increase is attributable to growth in assets in the CollegeAmerica Program, which resulted in increased fee revenue from this program.

**Chart 3**  
**2022 Enterprise Fund Expenses**  
in millions



\*\* Does not include actuarial tuition benefits

As shown in Chart 3 above, tuition benefit payments represent 83 percent of actual expenses of the Enterprise Fund. Of the \$41.1 million expended for plan administration and operations expenses, 70 percent were for personal and contractual services.

YEARS ENDED JUNE 30,	2022	2021	\$ CHANGE	% CHANGE
Personal services	\$ 15,509	\$ 14,488	\$ 1,020	7.0 %
Actuarial pension expense	1,082	2,512	(1,431)	(56.9)%
Fiscal and contractual services	13,290	14,725	(1,435)	(9.7)%
Supplies and materials	42	51	(9)	(17.1)%
Depreciation	215	195	20	10.3 %
Expendable equipment	433	415	18	4.4 %
SOAR Virginia	2,000	2,000	—	— %
Access and affordability	8,000	7,500	500	100.0 %
Other	567	43	524	1,211.6 %
Administration and Operations Expenses	\$ 41,138	\$ 41,930	\$ (792)	(1.9)%

\* Amounts may not sum due to rounding  
\*2021 amounts have not been restated to reflect the implementation of GASB 87

Table 4 above provides a comparison of administration and operations expenses between fiscal years 2022 and 2021, which decreased by 1.9 percent.

Personal services expense increased by \$1.0 million, or 7.0 percent, over the prior year's amount. The increase is attributable to hiring additional staff, paying out benefits for those who retired or voluntarily terminated employment, and salary and incentive increases as provided in VA529's Compensation Plan approved by the General Assembly. Actuarial Pension expense decreased by \$1.4 million. This expense is a function of the annual pension obligation recognition. Information on this expense can be found in Footnote 11 - Retirement and Pension Plan. Expenses for fiscal and contractual services represent

about 32.3 percent of fiscal 2022 administrative expenses. Access and affordability expense represents an expansion of VA529's initiatives beyond the SOAR scholarship program. This expanded program, which was authorized by the VA529 Board in February, 2021 and increased in fiscal 2022, provides funding to organizations which administer programs that provide scholarships, workforce development services and mentoring/coaching to students in underserved or underrepresented communities. Other expense represents the scholarship awards programs described in Note 15, which increased by \$523,707 from fiscal 2021.

**Actuarial Soundness**

VA529's statute requires that it annually determine the actuarial soundness of the DB529 Program; which means the actuary's projection that the Program will have the funds needed to pay future obligations. The purpose of VA529's actuarial valuation is to calculate the actuarial present value of the obligations under the DB529 program's accounts purchased through June 30, 2022 and compare the value of those obligations with the DB529 program's assets as of that date.

During fiscal 2022, the DB529 program's actuarial reserve position, as calculated by VA529's actuary and reported in the 2022 Actuarial Valuation Report, decreased from an actuarial surplus of \$1,620.5 million to \$1,411.5 million. Lower than expected investment returns contributed to decreases in the actuarial reserve and other actuarial losses in fiscal 2022. Actuarial assumptions are discussed in Note 10 in the Notes to the Financial Statements.

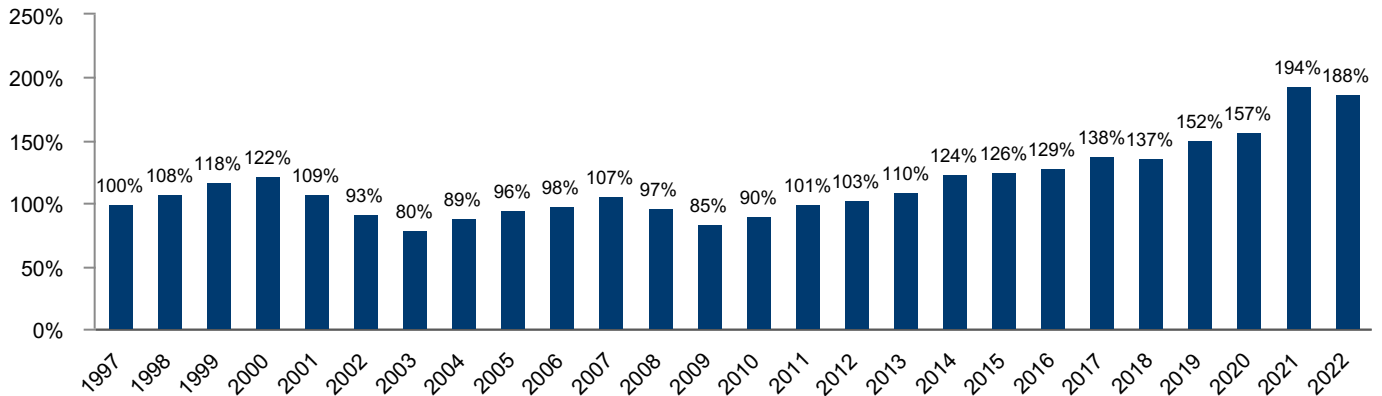
The overall effect of the changes on the actuarial reserve is summarized in Table 5 below. Table 5 reflects the actuarial gains and losses and the Actuarial Reserve as of June 30, 2022 as calculated by VA529's actuary using preliminary financial statements developed and provided by VA529 as reflected in the draft Actuarial Valuation Report as of October 30, 2022. The final report is expected to be completed no later than mid-December 2022. Any adjustments to the final Actuarial Reserve and the estimated valuation will be reflected and disclosed in the subsequent year's financial statements. A copy of the 2022 Actuarial Valuation Report may be obtained from VA529.

The DB529 Program's overall actuarial funded status, as calculated by the actuary, as of June 30, 2022 was 188 percent (rounded). Chart 5 below provides the Defined Benefit 529 Program's funded status since inception. The funded status is a result of the combination of market returns and tuition increase assumptions and generally follows the overall macro-economic environment. As shown in the chart below, the DB529 Program has experienced funded statuses from a low of 80% to a high of 193.5% with several periods of ups and downs in between.



<b>Table 5 – DB529 Program</b>	
<b>Statement of Changes in Actuarial Reserve (dollars in millions)</b>	
Actuarial Reserve / (Deficit) as of June 30, 2021	\$ 1,620.5
Interest on the reserve at 5.50%	\$ 89.1
New TTP unit sales	\$ (2.3)
Investment return during 2021-2022 lower than expected	\$ (339.5)
Change to Reasonable Rate and Actual account balances	\$ 4.7
Tuition increases for 2022-2023 lower than expected	\$ 0.4
Account maintenance expenses paid by Operating Fund	\$ 4.1
Change to tuition growth assumption	\$ 15.5
Change to investment and tuition volatility assumptions	\$ (3.6)
Change to Reasonable Rate assumption	\$ 5.9
Update to bias assumption	\$ (1.2)
Other experience	\$ 17.9
<b>Total changes to the Actuarial Reserve</b>	<b>\$ (209.0)</b>
<b>Actuarial Reserve / (Deficit) as of June 30, 2022</b>	<b>\$ 1,411.5</b>

**Chart 4**  
**DB529 Programs Actuarially Funded Percentage as of June 30th (rounded)**

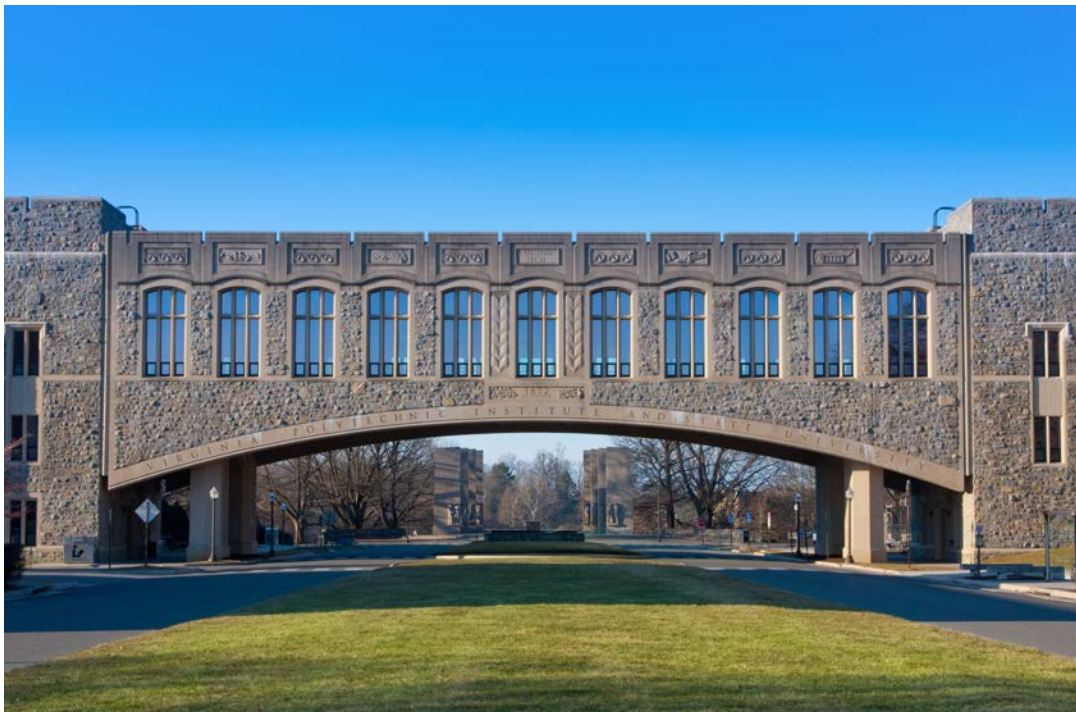


**Defined Benefit 529 Program's Asset Allocation and Investments**

Chart 6 below illustrates the target asset allocation of the DB529 program, as approved by the VA529 Board, as well as the actual asset allocations as of fiscal year end. Each asset class is within its allowable range approved by the Board.

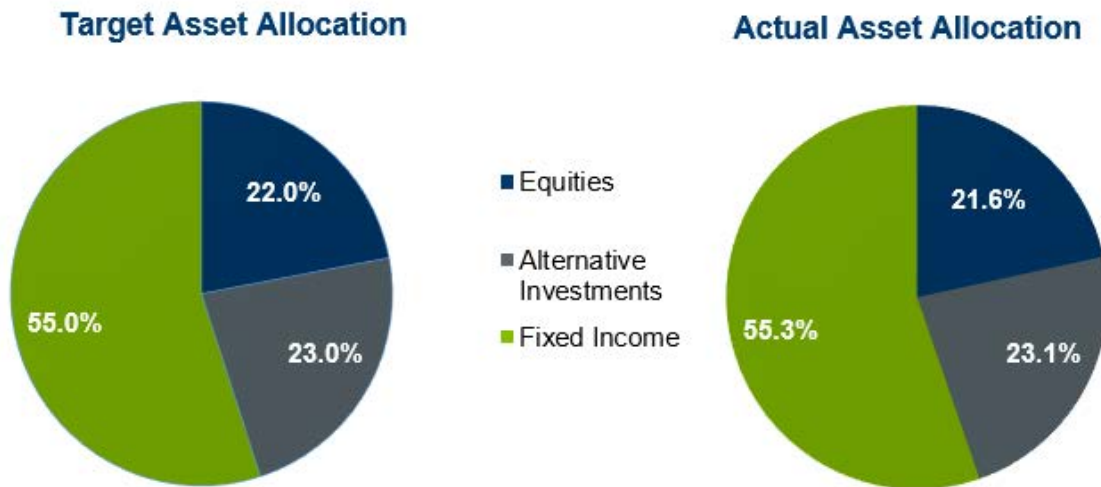
In fiscal 2022, several investment manager changes were made to continue progression towards the new target asset allocation, which was approved by the Virginia529 Board in August, 2021. The previous strategic asset allocation policy was revised to a broader asset mix and slight shift from alternative investments to fixed income. The changes to the asset allocation were made to meet performance objectives while reflecting a proper balance between program needs for liquidity and return on assets, combined with an appropriate level of risk. Westfield Capital Management Co., LP .as well as Thompson, Siegel & Walmsley,

LLC were terminated as small to mid-cap value managers during fiscal 2022. Blackstone Alternative Asset Management was terminated as a hedge fund manager and Stone Harbor Investment Partners, LP was terminated as an emerging markets debt manager. Hamilton Lane was engaged for a custom private equity separately managed account in fiscal 2021 and this position was increased during fiscal 2022 using the proceeds from the liquidation of each terminated manager. Within the private markets mandate, several additional managers were hired. The Carlyle Group and Eagle Point Credit Management, LLC were hired as private debt managers. Bain Capital, Morgan Stanley Real Estate and Starwood Real Estate were all hired as private real estate managers. Asia Alternatives Management, LLC was hired as a private equity fund of funds manager. A complete list of DB529 Program's managers as of June 30, 2022 may be found in Appendices A and B.



Virginia Tech

**Chart 5**  
**DB529 Program's Asset Allocation as of June 30, 2022**



**Analysis of Fiduciary Fund Financial Activities**

The Fiduciary Fund includes the activities of VA529's DC529 and Access and Affordability Programs. Table 6 presents a summary of the assets and liabilities for fiscal 2022 and 2021. Cash increased by \$62.8 million from fiscal year 2021, which is the result of investment managers' decisions to hold a larger portion of assets in cash equivalent positions, which is up to their discretion. VA529 engages various investment managers to invest the funds of the programs. The cash position fluctuates as these managers purchase and sell investments. Additionally, a large certificate of deposit held in the FDIC portfolio matured in October 2021, contributing to an increase in cash. Unfavorable market conditions in fiscal 2022 primarily contributed to a 6.0 percent decrease in investments. This was partially offset by a steady increase in account growth, but ultimately resulted in a net decrease in the investments line item. The receivables line item is made up of interest and dividends attributable to fiscal year 2022, but not yet received at the end of the fiscal period. It also consists of receivables for securities sold during fiscal year 2022 for which the proceeds have not yet been received. There was a greater amount of trade activity at fiscal year-end, which caused the 78.7 percent increase in receivables from the prior year. Similarly, the 17.5 percent increase in liabilities is the result of increased trading activity at year-end and the accrual of amounts owed for fees, but not yet paid and payables for securities purchased at fiscal year-end.



**Table 6 - Statement of Fiduciary Net Position (in millions)\***

Fiscal year ended June 30	2022	2021	\$ Change	% Change
<b>Assets:</b>				
Cash	\$ 279.1	\$ 216.3	\$ 62.8	29.0 %
Receivables	\$ 14.6	\$ 8.2	6.4	78.7 %
Investments	\$ 6,677.1	\$ 7,104.2	(427.1)	(6.0)%
<b>Total Assets</b>	<b>\$ 6,970.8</b>	<b>\$ 7,328.6</b>	<b>(357.9)</b>	<b>(4.9)%</b>
<b>Liabilities</b>				
Liabilities	\$ 11.8	\$ 10.0	1.8	17.5 %
<b>Net position held in trust, ending</b>	<b>\$ 6,959.0</b>	<b>\$ 7,318.6</b>	<b>\$ (359.6)</b>	<b>(4.9)%</b>

\*Amounts may not sum due to rounding

Table 7 reflects the change in the Fiduciary Fund's net position for fiscal 2022. Additions to the fiduciary net position held in trust include contributions from participants as well as net investment income. Investment income decreased \$2,069 million from fiscal 2021, which is ultimately attributable to overall market performance during the year. Contributions represent amounts received from new and existing account holders. Contributions from program participants increased from the previous year by approximately \$107 million and there were more than 60 thousand new DC529 Program accounts opened during the fiscal year. There were also approximate \$30 million transferred from Prepaid529 accounts who reached their 10-year expiration, partially contributing to this increase in contributions. In addition, there was \$8 million in contributions to Access and Affordability included within total contributions. Educational expense benefit payments made on behalf of participants represent 93 percent of DC529 Program deductions. A small portion of these expenses includes payments to SOAR scholarship recipients and other Access & Affordability initiatives, as discussed in Note 15. As anticipated, overall disbursements to DC529 Program account owners, beneficiaries, and institutions increased over the prior year by approximately 18.8 percent as more participants withdrew funds for higher education expenses.

**Table 7 - Change in Fiduciary Net Position (in millions)**

Fiscal year ended June 30	2022	2021	\$ Change	% Change
Additions	\$ 209.5	\$ 2,171.4	\$ (1,961.9)	(90.4)%
Deductions	569.1	479.1	90.1	18.8 %
Net Increase (decrease)	(359.6)	1,692.4	(2,052.0)	(121.3)%
Net position held in trust, beginning	7,318.6	5,626.2	1,692.4	30.1 %
Net position held in trust, ending	\$ 6,959.0	\$ 7,318.6	\$ (359.6)	(4.9)%

\*Amounts may not sum due to rounding

In October 2021, the Invest529 Program received a Bronze medal rating from Morningstar, Inc. Morningstar is a 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 four key pillars – Process, People, Parent, and Price. Morningstar evaluated the majority of 529 plans in calendar year 2021. Morningstar's ratings from highest to lowest are Gold, Silver, Bronze, Neutral and Negative. Invest529 was one of 18 plans to receive a Bronze rating.

In fiscal 2022, the Invest529 target enrollment 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 toward their final evolution. This evolution represented one of the triennial target allocations as set forth in the Invest529 Program Description. The portfolios are rebalanced annually to move towards triennial weights.

In January 2022, VA529 reduced Invest529 administrative fees by 44 percent from the previous 9 basis points on underlying assets under management of the program. For the first time in its history, a tiered fee structure was implemented in Invest529, which results in 6 basis points being charged on underlying assets up to \$5 billion dollars and 3 basis points on underlying assets exceeding \$5 billion. These fees are calculated and accrued daily by the investment custodian and redemption is made by VA529 on a quarterly basis. The administrative fee was eliminated from the Invest529 FDIC-Insured Portfolio. The TTP of Invest529 is not charged administrative or other investment management fees.

### Economic Factors and Outlook

VA529 continues to remain optimistic that its asset allocation and investment strategies will result in the DB529 Program meeting or exceeding performance expectations over the long term. VA529 has assumed a long-term rate of return of 5.5 percent on the DB529 Program's investments. As of June 30, 2022, the total return since inception was about 6.16 percent net of fees and reflected DB529 Program's -5.35% percent investment performance during fiscal 2022. Equity markets did not perform well overall during fiscal 2022, which had a negative impact on DB529 Program's portfolio performance. However, this was partially offset by the moderate performance of the fixed income and alternatives markets. Portfolio performance through fiscal 2023 will depend on many factors.

In assessing the DB529 Program'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 2023 and ending Spring 2025, 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 2023 and ending Spring 2025, and 6.0 percent thereafter. These long-term tuition and fee increase projections were established for the June 30, 2022 DB529 Program's valuation.

The actuarial valuation reflects the DB529 Program's portion of the Enterprise Fund. This includes the market value of DB529 Program's assets and cash flows from program operating and investing activities. VA529 did not assign any of its net agency operating revenue to the DB529 Program during fiscal 2022.



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 DB529 Program's 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.

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 2021, VA529 launched the new defined benefit structure, TTP, which is based upon a weighted average tuition pricing methodology and an enrollment-weighted average tuition payout model. The TTP was launched in February of 2021. The portfolio is offered as a portfolio within the Invest529 program, but its assets are invested alongside the Prepaid529 program and, therefore, reported within the Enterprise Fund's DB529 Program. This new portfolio has grown in terms of both accounts and assets throughout fiscal 2022 and is expected to become the predominate defined benefit program offered by VA529.

Also during fiscal 2021, legislation was passed, which tasked VA529 to develop and maintain a state-facilitated private retirement program, with oversight by the VA529 Board. After a two-year planning and implementation phase, the launch of this pilot program may affect some activity within the enterprise fund starting in fiscal 2023.

Invest529, CollegeAmerica, ABLEnow, and ABLEAmerica portfolios will depend on many of the same investment factors as those impacting the DB529 program. In the college, Access and Affordability, 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, 2022 (amounts in thousands)

	Administration and Operations	DB529 Program	Total Enterprise
<b>Assets and Deferred Outflows of Resources</b>			
Current assets:			
Cash and cash equivalents (Note 1D and 2)	\$ 47,139	\$ 96,835	\$ 143,974
Interest receivable	37	6,622	6,659
Prepaid529 contract payments receivable (Note 1F and 10)	—	22,191	22,191
Pending trade receivables	—	39,542	39,542
Prepaid and other assets	2,356	—	2,356
Accounts receivable (Note 1G)	12,343	—	12,343
Total current assets	<u>61,876</u>	<u>165,190</u>	<u>227,066</u>
Noncurrent assets:			
Investments (Note 1D, 2, 3 and 4)	—	2,816,615	2,816,615
Other post employment benefits, net (Note 11 and 12)	814	—	814
Prepaid529 contract payments receivable (Note 1F and 10)	—	67,755	67,755
Depreciable capital assets, net (Note 1J and 9)	649	—	649
Total noncurrent assets	<u>1,464</u>	<u>2,884,370</u>	<u>2,885,833</u>
Total assets	<u>63,340</u>	<u>3,049,559</u>	<u>3,112,899</u>
Deferred Outflows of Resources:			
Pension contributions made after measurement date (Note 11)	1,478	—	1,478
Pension Related (Note 11)	2,375	—	2,375
Other post employment benefits related (Note 11 and 12)	1,180	—	1,180
Total deferred outflows	<u>5,034</u>	<u>—</u>	<u>5,034</u>
Total Assets and Deferred Outflows of Resources	<u>68,373</u>	<u>3,049,559</u>	<u>3,117,932</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities:			
Accounts payable (Note 1K)	1,384	637	2,021
Treasury loan payable (Note 1L)	2,000	—	2,000
Pending trades payable	—	23,654	23,654
Obligations under securities lending (Note 5)	850	—	850
Educational benefits payable (Note 8A and 10)	—	269,291	269,291
Compensated absences (Note 1M and 8B)	811	—	811
Net other post employment benefits liability (Note 1N and 12)	52	—	52
Total current liabilities	<u>5,095</u>	<u>293,582</u>	<u>298,677</u>
Noncurrent liabilities:			
Educational benefits payable (Note 8 and 10)	—	1,344,456	1,344,456
Compensated absences (Note 1M and 8B)	146	—	146
Net pension liability (Note 11)	8,331	—	8,331
Net other post employment benefits liability (Note 11 and 12)	2,492	—	2,492
Total noncurrent liabilities	<u>10,968</u>	<u>1,344,456</u>	<u>1,355,424</u>
Total liabilities	<u>16,063</u>	<u>1,638,038</u>	<u>1,654,101</u>
Deferred inflows of resources:			
Pension Related (Note 10)	6,213	—	6,213
Other post employment benefits related (Note 11 and 12)	1,694	—	1,694
Total deferred inflows	<u>7,908</u>	<u>—</u>	<u>7,908</u>
Total Liabilities and Deferred Inflows of Resources	<u>23,971</u>	<u>1,638,038</u>	<u>1,662,009</u>
<b>NET POSITION</b>			
Investment in capital assets	649	—	649
Restricted for net other postemployment asset (Note 12)	491	—	491
Unrestricted	43,262	1,411,522	1,454,783
Total net position	<u>\$ 44,401</u>	<u>\$ 1,411,522</u>	<u>\$ 1,455,923</u>

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, 2022 (amounts in thousands)

	Administration and Operations	DB529 Program	Total Enterprise
Operating revenues/(loss):			
Charges for sales and services (Note 1C)	\$ 55,438	\$ —	\$ 55,438
Interest, dividends, and other investment income (net)	111	367,875	367,986
Net increase/(decrease) in fair value of investments	(19)	(532,711)	(532,730)
Participant contributions (Note 1F)	—	68,694	68,694
Actuarial participant contributions (Note 10)	—	(30,552)	(30,552)
	<u>55,530</u>	<u>(126,694)</u>	<u>(71,164)</u>
Total operating revenues/(loss)			
Operating expenses:			
Personal services (Note 11 and Note 12)	15,509	—	15,509
Actuarial pension expense (Note 11)	1,082	—	1,082
Fiscal and contractual services	13,290	—	13,290
Supplies and materials	42	—	42
Depreciation (Note 9)	215	—	215
Educational benefits expense	—	202,526	202,526
Actuarial educational benefits expense (Note 10)	—	(120,252)	(120,252)
Expendable equipment	433	—	433
SOAR Virginia (Note 15)	2,000	—	2,000
Access and affordability (Note 15)	8,000	—	8,000
Other	567	—	567
	<u>41,138</u>	<u>82,275</u>	<u>123,413</u>
Total operating expenses			
Operating income/(loss)	14,392	(208,969)	(194,577)
Nonoperating Revenues/(Expenses)			
Interest expense	(4)	—	(4)
Operating income/(deficit) before transfers	14,388	(208,969)	(194,581)
Transfers:			
Transfers to the General Fund of the Commonwealth	(351)	—	(351)
	<u>14,037</u>	<u>(208,969)</u>	<u>(194,932)</u>
Change in net position			
Net position - July 1, 2021	<u>30,364</u>	<u>1,620,490</u>	<u>1,650,855</u>
Net position - June 30, 2022	<u>\$ 44,401</u>	<u>\$ 1,411,522</u>	<u>\$ 1,455,923</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, 2022 (amounts in thousands)

Cash flows from operating activities:	
Receipts for sales and services	\$ 57,784
Contributions and contract payments received	73,562
Payments to suppliers for goods & services	(2,185)
Payments to employees	(17,163)
Payments for contractual services	(17,062)
Payments for educational benefits	(202,526)
Other operating expenses	<u>(10,567)</u>
Net cash provided by (used for) operating activities	<u>(118,157)</u>
Cash flows from noncapital financing activities:	
Transfer to the General Fund of the Commonwealth	<u>(351)</u>
Net cash provided by (used for) noncapital financing activities	<u>(351)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(189)</u>
Net cash provided by (used for) capital and related financing activities	<u>(189)</u>
Cash flows from investing activities:	
Purchase of investments	(1,617,160)
Proceeds from sales or maturities of investments	1,620,744
Interest and dividend income on cash, cash equivalents, and investments	<u>126,117</u>
Net cash provided by (used for) investing activities	<u>129,701</u>
Net change in cash and cash equivalents	11,003
Cash and cash equivalents - Beginning	<u>132,121</u>
Cash and cash equivalents - Ending	<u>\$ 143,124</u>
Reconciliation of cash and cash equivalents:	
Per the Statement of Net Position:	
Cash and cash equivalents	\$ 143,974
Less:	
Securities lending cash equivalents	<u>(850)</u>
Cash and cash equivalents per the Statement of Cash Flows	<u>\$ 143,124</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, 2022(amounts in thousands)

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Reconciliation of operating income to net cash provided

by operating activities:

Operating income/(deficit)	\$ (194,577)
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Adjustments to reconcile operating income to net cash provided

by (used for) operating activities:

Depreciation and amortization	215
-------------------------------	-----

Interest, dividends, rents and other investment income	(367,986)
--	-----------

Net decrease in fair value of investments	532,730
---	---------

Changes in assets, liabilities, and deferred inflows and outflows:

(Increase) decrease in receivables	7,069
------------------------------------	-------

(Increase) decrease in Prepaid 529 contract payments receivable	30,552
---	--------

(Increase) decrease in prepaid and other assets	(1,709)
---	---------

(Increase) decrease in other post employment benefits asset	(333)
---	-------

(Increase) decrease in deferred outflows of resources - pension related	495
---	-----

(Increase) decrease in deferred outflows of resources - OPEB related	(23)
--	------

Increase (decrease) in accounts payable	(3,498)
---	---------

Increase (decrease) in amounts due to program participants	
--	--

Increase (decrease) in current educational benefits payable	(18,386)
---	----------

Increase (decrease) in current compensated absences	7
---	---

Increase (decrease) in current obligations in net OPEB liability	(2)
--	-----

Increase (decrease) in noncurrent educational benefits payable	(101,865)
--	-----------

Increase (decrease) in noncurrent compensated absences	(62)
--	------

Increase (decrease) in net pension liability	(6,973)
--	---------

Increase (decrease) in net OPEB liability	(145)
---	-------

Increase (decrease) in total OPEB liability	(116)
---	-------

Increase (decrease) in deferred inflows of resources - pension related	6,058
--	-------

Increase (decrease) in deferred inflows of resources - OPEB related	392
---	-----

Net cash provided by (used for) operating activities	<u>\$ (118,157)</u>
--	---------------------

Noncash investing, capital, and financing activities:

The following transaction occurred prior to the statement of net position date:

Change in fair value of investments	\$ (532,730)
-------------------------------------	--------------

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, 2022 (amounts in thousands)

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Assets:

Cash and cash equivalents (Note 1D and 2)	\$	279,051
Receivables:		
Interest and dividends		14,184
Accounts receivable		14
Pending trades receivable		387
Investments:		
Certificates of Deposit		24,452
Bonds		402,864
Mutual funds - Non-Index		503,156
Mutual funds - Index		3,868,598
Stable Value		1,577,653
Equities		202,694
Private real estate		97,703
Total investments		<u>6,677,119</u>
Total Assets		<u>6,970,756</u>

Liabilities:

Accounts payable		612
Pending trades payable		6,878
Due to program participants (Note 1K)		3,691
Program distributions payable		602
Total liabilities		<u>11,783</u>

Net position held in trust for program participants	\$	<u><u>6,958,973</u></u>
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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, 2022 (amounts in thousands)

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ADDITIONS

Contributions:

From participants	\$ 1,042,942
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Total contributions	<u>1,042,942</u>
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Investment income:

Net increase (decrease) in fair value of investments	(1,094,986)
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Interest, dividends, and other investment income (net of investment expenses)	<u>272,558</u>
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Total investment earnings	(822,428)
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Less investment management expense	(5,904)
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Less program and administrative expense	<u>(5,110)</u>
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Total investment costs	<u>(11,013)</u>
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Net investment income	<u>(833,441)</u>
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Total additions	209,500
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DEDUCTIONS

Educational expense benefits	527,059
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Shares redeemed	<u>42,077</u>
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Total deductions	<u>569,135</u>
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Changes in net position	(359,635)
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Net position held in trust for program participants:

Beginning	<u>7,318,608</u>
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Ending	<u><u>\$ 6,958,973</u></u>
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The notes to financial statements are an integral part of this statement.





# Notes to the Financial Statements

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ABLEnow.

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# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies

The Virginia College Savings Plan (VA529), a body politic and corporate and an independent agency of the Commonwealth of Virginia, was created in 1994 by the Virginia General Assembly, and its enabling legislation is codified at §23.1-700 through §23.1-713 of the Code of Virginia, as amended. VA529 operates the Commonwealth of Virginia's Internal Revenue Code (IRC) §529 qualified tuition plan, which includes its Defined Benefit 529 Program (legacy Prepaid529<sup>SM</sup> and the Tuition Track Portfolio), Invest529<sup>SM</sup> (Invest529), and CollegeAmerica®. The results of the operations of the Defined Benefit 529 Program and Invest529 are included in the financial statements. In addition, VA529 administers access and affordability initiatives through its SOAR Virginia early commitment scholarship program and an expanded Access and Affordability program that launched in 2021. 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 46,338 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 \$2.8 billion as of June 30, 2022. The Tuition Track Portfolio (TTP), a principal protected portfolio offered as part of the Invest529 program, is also a defined benefit program, which sells units of the portfolio equal to all or a portion of the cost of tuition based on the weighted average tuition cost across all Virginia's public higher education institutions at the time of purchase. TTP benefits are based on the weighted average tuition cost of Virginia's public higher education institutions at the time of withdrawal. Collectively, the Prepaid529 and TTP programs are referred to as the Defined Benefit 529 Program or the DB529 Program.

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 the DB529 Program. 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 the obligations of the Defined Benefit 529 Program in the event of a funding shortfall.

With the exception of TTP, Invest529 is a defined contribution savings program. The portfolios which make up the defined contribution program of Invest529 (collectively referred to as the

Defined Contribution 529 Program or DC529 Program) allow 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. Two additional portfolios remain open but are closed to new participants. Invest529's (DC529 Program's) accounts are subject to investment risks, including the possible loss of principal. The DC529 Program is open year round and has no age or residency restrictions. Invest529 began operations in December 1999. The program has had 599,063 open accounts since inception and 431,590 accounts remaining active at fiscal year end. These accounts had a net position value of approximately \$7.0 billion as of June 30, 2022. The DC529 Program's investment management fees and administrative fees are paid on a pro-rata basis by each account owner and vary according to the portfolio selected. DC529 Program accounts provide investors with the same federal and state tax benefits available to participants in the DB529 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, investment management, higher education, disability advocacy, or defined contribution retirement plans. In order to assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets, the Board has appointed an Investment Advisory Committee (IAC). To assist the Board in fulfilling its responsibilities relating to VA529's financial reporting processes and internal and financial controls, the Board has appointed an Audit and Actuarial Committee (A&AC). 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 appointed a RetirePath Advisory Committee (RPAC) to assist it with fulfilling its responsibilities relating to providing a private retirement IRA savings option for working Virginians without access to retirement savings through their employers. The Board has adopted charters that describe the purpose of the committees as well as their duties and responsibilities, composition and conduct of business. Pursuant to the Virginia College Savings Plan Act of the General Assembly, the Joint Legislative Audit and Review Commission (JLARC) provides oversight and evaluation of VA529 on an ongoing basis and also performs special studies of VA529 as requested by the General Assembly.

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, 2022. For financial reporting purposes, VA529 includes all funds and entities over which VA529 is financially accountable and exercises oversight authority, which includes the Defined Benefit 529 Program and Invest529.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

VA529 reports the activity of the DB529 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's enterprise fund is a proprietary fund of the Commonwealth of Virginia.

VA529 reports the activity of the DC529 and Access and Affordability Programs as private-purpose trust funds, which is a type of fiduciary fund. This activity primarily consists of contributions from customers into their accounts and withdrawals made for qualified education expenses. 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 program participants' contributions toward the DB529 Program 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 activity and net position. 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, 2022 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. The fair value estimation methodology used to value private equity, private debt and private real estate investments is one significant estimate used. As capital statements are not always available through fiscal year-end, to value these investments, the most recent capital statements available are adjusted for cash flow transactions within the investments through fiscal year-end. Additional estimates used are transactions related to pension and other post employment benefits, discussed in Notes 11 - 13 and actuarially determined amounts, discussed in Note 10.

**F. Contributions and 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 50.07 percent of contract holders of outstanding (active) contracts as of June 30, 2022 had elected to pay over time. Prepaid529 is closed to new participants.

Customers make payments to purchase units of TTP, which are based on the weighted average tuition costs of Virginia's 4-year public higher educational institutions. The weighted average tuition costs include tuition at the in-state undergraduate rates and all mandatory fees required as a condition of enrollment of all students.

**G. Accounts Receivable**

Accounts receivable reflected in VA529's operating column of the enterprise fund reflect amounts due to VA529 at June 30<sup>th</sup> 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, excluding TTP and the FDIC-Insured Portfolio, pays VA529 an annual fee equal to six basis points (.06 percent) of the underlying assets held in the Invest529 market investment portfolios up to \$5 billion. The fee is reduced to three basis points (.03 percent) for amounts above \$5 billion. 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 \$75 billion with further reductions to three basis points (.03 percent) for amounts above \$75 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") 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 Statements 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 capital 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 has 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 with definite useful lives are amortized over the shorter of the term of the related contract or the useful life. Right-of-use assets, which represent intangible assets resulting from lease agreements, will begin to appear in future periods as these types of agreements are entered into as a result of the implementation of GASB 87. All such assets, in which the total value exceeds \$50,000 with a term greater than one year are recognized. These assets will be amortized using the effective interest method over the shorter of the lease term or the useful life of the underlying asset. The interest rate which will be used in these future calculations will be the published prime interest rate at the beginning of the lease term.

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. There are three types of intangible assets which VA529 evaluates for capitalization: purchased, internally generated computer software and right-of-use assets associated with such contractual agreements. If it is determined that VA529 has any of these categories of

intangible assets, they will all be reported in Note 10, Capital Assets.

The estimated useful lives of capital assets which VA529 currently owns are as follows:

	<u>Years</u>
Equipment	5-20
Software	10

K. [Amounts Due To Program Participants](#)

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2022 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. [Treasury Loan Payable](#)

In fiscal 2021, the mandate for VA529 to develop and administer a state-facilitated private retirement program became law. In order to establish this program, a loan from the Treasurer of Virginia (Treasury Loan) was issued to VA529 in the amount of \$2 million. Unless the terms are renegotiated in advance, this loan becomes due and payable after one year of issuance. Funds from this loan will be used during the planning and implementation phase of this program. The state-facilitated private retirement program is planned to launch in fiscal 2023.

M. [Accrued Leave Policy](#)

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

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

Full-time salaried 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 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 the GASB *Codification*, the monetary value of accumulated leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2022, was computed using salary rates effective at that date and represents annual bank, PTO bank, overtime and disability credits held by employees up to the allowable ceilings, including the liability for VA529's share of Social Security and Medicare taxes on leave balances for which employees will be compensated.

N. [Other Postemployment Benefits](#)

Eligible VA529 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).

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. The VSDP asset, net of deferred inflows and outflows is presented as a restricted portion of net position. See Note 12 Group Life

Insurance Program, Virginia Sickness and Disability Plan and State Employee Health Insurance Credit Program for additional information on these VRS benefit programs.

VA529 also participates in the postemployment Pre-Medicare Retiree Healthcare Plan (PMRHP), which is sponsored by the Commonwealth and administered by the Department of Human Resources Management (DHRM). This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. 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 OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. The PMRHP is reported as part of the Commonwealth's Healthcare Internal Service Fund. There are no assets accumulated in a trust to pay benefits. Benefit payments are recognized when due and payable in accordance with the benefit terms. The PMRHP liability, deferred outflows and inflows of resources are determined on the same basis as reported by DHRM. See Note 13 Healthcare Plan for Pre-Medicare Retirees for additional information. Additional information related to all of these programs or plans is available at the state-wide level in the Commonwealth's Annual Comprehensive Financial Report, available at [doa.virginia.gov](http://doa.virginia.gov).

**O. Defined Benefit 529 Program – Investment in Real Estate**

In 2008, VA529 established Aventura Holdings LLC (Aventura), a limited liability company, to purchase a 48,500 square foot office building in Chesterfield County, Virginia; such purchase was funded by the Prepaid529 program, which was the only defined benefit program at the time. The investment in Aventura is reflected in the Defined Benefit 529 Program's assets at \$8.1 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2022.

VA529 is the sole member of Aventura and VA529's Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and Chief Administrative Officer are its only non-equity managers. VA529 contracts with Aventura to maintain and operate the building. The building is held as an investment for the benefit of customers in the DB529 program. It is valued at market value within the Enterprise Fund financial statements. Aventura has also established a renewal and replacement reserve funded from the annual contractual payments received from VA529 to cover capital improvements to the building.

**P. Pensions**

The Virginia Retirement System's (VRS) State Employee Retirement Plans are single employer pension plans that are treated like cost-sharing plans.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan; and the additions to/ deductions from the VRS State Employee Retirement

Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Investments are reported at fair value. See Note 11, Retirement and Pension Plan for additional information.

**Q. Implementation of GASB Standard**

As of July 1, 2021, the VA529 adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 7 and 9.

**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 DB529 Program's portfolio, at market value, is 22 percent equities, 55 percent fixed income, and 23 percent alternatives. The Board's allocation targets for the DC529 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 of Supplementary Information. In addition, DB529 Program's contributions 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 receives interest earnings on a quarterly basis from the Commonwealth based on its relative participation during the quarter.

DC529 Program contributions are excluded as Commonwealth revenue and accordingly are deposited directly with VA529's financial institution, Wells Fargo Bank N.A.

#### [Private Debt & Equity Investment Commitments](#)

In fiscal 2022, VA529 extended investment commitments under limited partnership agreements for private equity and debt investments in the DB529 Program. At June 30, 2022, VA529's investment commitments amounted to \$261.0 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 DB529 and DC529 program, 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*, which means they are collateralized through the pledging of securities by the financial institution.

*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, 2022, all investments of the Defined Benefit and Defined Contribution 529 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 35.8 percent of total Defined Benefit 529 Program investments and 71.8 percent of total Defined Contribution 529 Program 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 managed by the American 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, 2022, VA529 had fixed income investment securities held in the Defined Benefit and Defined Contribution 529 Programs 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.



DB529 Program		
Investment Type	Fair Value	Effective Duration (years)
Money Market Funds	\$ 127,646,598	0.08
Bank Loans	263,432,449	0.12
Non-Agency Mortgage-Backed Securities	40,692,228	2.16
Mortgage-Backed Securities - Agency	43,067,272	5.09
Asset-Backed Securities	47,321,347	0.28
Corporate Bonds	285,483,554	4.81
Convertible Securities <sup>1</sup>	86,236,121	2.04
Bond Funds <sup>1</sup>	728,098,307	5.67
<b>Total</b>	<b>\$ 1,621,977,876</b>	<b>3.72</b>
DC529 Program		
Investment Type	Fair Value	Effective Duration (years)
Money Market Funds	\$ 84,352,284	0.08
Bank Loans	7,500,181	0.08
Asset-Backed Securities	8,246,731	0.06
Corporate Bonds	387,116,691	6.48
Bond Funds	932,325,001	6.83
Stable Value <sup>2</sup>	1,577,652,828	3.76
<b>Total</b>	<b>\$ 2,997,193,715</b>	<b>4.94</b>

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

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

#### Credit Risk of Fixed Income Securities

VA529's Statements of Investment Policy and Guidelines require its fixed income securities managers to invest in holdings which, on average, are comprised of high quality securities and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the three major rating agencies. This requirement does not apply to VA529's managers who are instructed to manage a specific investment strategy (e.g., high-yield fixed income), whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. Most of VA529's fixed income investment securities held in the Defined Benefit and Defined Contribution 529 Program as of June 30, 2022 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, 2022, VA529 had no investment securities held in separately managed accounts in the DB529 and DC529 Program in any one issuer that represented 5 percent or more of total investments.

#### Mutual Fund Risks

At June 30, 2022, VA529 participated in a number of open-end domestic and foreign equity and fixed income mutual funds and collective trusts in the DB529 and DC529 Program. 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](http://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 investment managers for the Defined Benefit and Defined Contributions 529 program.

#### 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, 2022, 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.

Within the DB529 Program, 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), Hamilton Lane, Loomis, Sayles and Company, LP (Loomis) and Schroders Investment Management (Schroders). Acadian invests in international equity with a mandate benchmarked against the MSCI EAFE. Advent invests

in both domestic and international convertible securities. Hamilton Lane invests in multiple private equity strategies. Loomis and Schroders use a multi-asset credit strategy to invest in a wide variety of fixed income instruments globally. All four 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.

DB529 Program Foreign Currency Exposures by Asset Class						
Currency	Cash & Cash Equivalents	Convertible or Exchangeable Securities	Equity	Fixed Income Securities	Preferred Securities	Total
Australian Dollar	\$ 25,227		\$ 14,080,387			\$ 14,105,614
Brazil Real	74,117			276,695		350,812
Chilean Peso				273,472		273,472
Colombian Peso				252,511		252,511
Danish Krone	169,612		8,637,664			8,807,276
Euro Currency Unit	279,519	31,811,563	33,633,037	4,879,796	852,555	71,456,469
Hong Kong Dollar	5,734		1,131,293			1,137,027
Indonesian Rupiah	257			291,505		291,762
Israeli Shekel			4,206,124			4,206,124
Japanese Yen	84,238		22,075,354			22,159,592
Mexican Peso	46,946			276,095		323,040
New Zealand Dollar	2,310		61,726			64,036
Norwegian Krone	4,276		3,671,006			3,675,282
Pound Sterling	29,356		9,577,249	5,638,488		15,245,092
Russian Ruble				602,143		602,143
Singapore Dollar			2,161,777			2,161,777
South African Rand	55,550			276,366		331,917
Swedish Krona	63,276		2,429,346			2,492,622
Swiss Franc	231,634		18,202,566			18,434,201
<b>Total</b>	<b>\$ 1,072,052</b>	<b>\$ 31,811,563</b>	<b>\$ 119,867,529</b>	<b>\$ 12,767,071</b>	<b>\$ 852,555</b>	<b>\$ 166,370,769</b>

Note: Amounts shown in U.S. dollars using June 30, 2022 foreign exchange rates.

Within the DC529 Program, fiduciary funds managed by VA529 have direct exposure to foreign currency risk through assets managed by Neuberger Berman. Neuberger Berman invests in emerging markets debt. The table below shows exposures to non-USD denominated currencies by asset class.

DC529 Program Foreign Currency Exposures by Asset Class			
Currency	Cash & Cash Equivalents	Fixed Income Securities	Total
Euro Currency Unit	4,492,351	38,123,195	42,615,546
<b>Total</b>	<b>\$ 4,492,351</b>	<b>\$ 38,123,195</b>	<b>\$ 42,615,546</b>

Note: Amounts shown in U.S. dollars using June 30, 2022 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 a minimal amount of 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, 2022 less than 1 percent of DB529 Program's investments were invested in these vehicles.

Rating Agency	DB529 Program Credit Quality by Investment Type							
	Asset Backed Securities	Bank Loans	Bond Funds <sup>2</sup>	Convertible Bonds	Corporate Bonds	Money Market Funds	Mortgage Backed - Non Agency	Mortgage Backed - Agency
<b>S&amp;P</b>								
AAA	\$ 39,256,376	\$ —	\$ —	\$ —	\$ 576,178	\$ 126,052,359	\$ 801,157	\$ 8,965,346
AA+	\$ —		\$ —	\$ —	\$ 19,504,668	\$ —	\$ 38,529,421	\$ 562,178
AA	\$ 338,876	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
AA-	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 447,817	\$ —
A+	\$ —	\$ —	\$ —	\$ —	\$ 620,727	\$ —	\$ —	\$ —
A	\$ 872,645	\$ —	\$ —	\$ 6,263,100	\$ 132,705	\$ —	\$ 3,288,878	\$ 478,162
A-	\$ —	\$ —	\$ —	\$ 926,548	\$ 962,604	\$ —	\$ —	\$ 449,627
BBB+	\$ —	\$ —	\$ —	\$ 1,476,020	\$ 279,616	\$ —	\$ —	\$ —
BBB	\$ —	\$ 510,564	\$ —	\$ 7,425,651	\$ 1,751,735	\$ —	\$ —	\$ —
BBB-	\$ 90,714	\$ 12,139,367	\$ —	\$ 27,075	\$ 12,786,796	\$ —	\$ —	\$ 1,105,371
BB+	\$ —	\$ 10,767,631	\$ —	\$ 3,118,508	\$ 33,983,324	\$ —	\$ —	\$ —
BB	\$ —	\$ 20,809,413	\$ —	\$ —	\$ 35,763,967	\$ —	\$ —	\$ —
BB-	\$ —	\$ 29,207,927	\$ —	\$ —	\$ 49,588,119	\$ —	\$ —	\$ —
B+	\$ —	\$ 47,679,258	\$ —	\$ —	\$ 42,319,960	\$ —	\$ —	\$ —
B	\$ 67,325	\$ 68,404,674	\$ —	\$ —	\$ 33,142,299	\$ —	\$ —	\$ —
B-	\$ —	\$ 58,370,158	\$ —	\$ —	\$ 16,736,541	\$ —	\$ —	\$ —
Less than B-	\$ —	\$ 6,447,331	\$ —	\$ —	\$ 19,818,686	\$ —	\$ —	\$ 10,920
<b>Moody's</b>								
Aaa	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa2	\$ 349,445	\$ —	\$ —	\$ —	\$ 450,468	\$ —	\$ —	\$ —
Aa3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
A1	\$ 715,729	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,209,071
A2	\$ —	\$ —	\$ —	\$ 5,526,210	\$ —	\$ —	\$ —	\$ 2,223,728
A3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 247,992
Baa1	\$ —	\$ 719,787	\$ —	\$ —	\$ 47,264	\$ —	\$ —	\$ 2,021,939
Baa2	\$ —	\$ —	\$ —	\$ 2,245,050	\$ 657,761	\$ —	\$ —	\$ 937,116
Baa3	\$ —	\$ —	\$ —	\$ 8,491,550	\$ 1,099,214	\$ —	\$ —	\$ 5,016,150
Ba1	\$ —	\$ 968,818	\$ —	\$ —	\$ 681,796	\$ —	\$ —	\$ 41,198
Ba2	\$ —	\$ 1,568,736	\$ —	\$ —	\$ 3,000,131	\$ —	\$ —	\$ 2,903,138
Ba3	\$ —	\$ —	\$ —	\$ —	\$ 597,063	\$ —	\$ —	\$ —
B1	\$ —	\$ —	\$ —	\$ —	\$ 2,937,898	\$ —	\$ —	\$ 419,580
B2	\$ —	\$ 3,071,797	\$ —	\$ —	\$ 299,343	\$ —	\$ —	\$ —
Less than B2	\$ 254,505	\$ —	\$ —	\$ —	\$ 2,985,848	\$ —	\$ —	\$ 95,568
<b>Unrated<sup>1</sup></b>	\$ 5,375,732	\$ 2,766,988	\$ 728,098,307	\$ 50,736,409	\$ 4,758,846	\$ 1,594,238	\$ —	\$ 14,005,145

<sup>1</sup>Securities have not been rated by either Standard & Poor's or Moody's

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

Rating Agency	DC529 Program Credit Quality by Investment Type						
	Asset-Backed Securities	Bank Loans	Bond Funds <sup>2</sup>	Corporate Bonds	Money Market Funds	Nonnegotiable Certificates of Deposit	Stable Value <sup>3</sup>
<b>S&amp;P</b>							
AAA	\$ 8,246,731	\$ —	\$ —	\$ —	\$ 84,352,284	\$ —	\$ —
AA+	\$ —	\$ —	\$ —	\$ 7,876,253	\$ —	\$ —	\$ —
AA	\$ —	\$ —	\$ —	\$ 3,736,882	\$ —	\$ —	\$ —
AA-	\$ —	\$ —	\$ —	\$ 6,089,247	\$ —	\$ —	\$ —
A+	\$ —	\$ —	\$ —	\$ 6,167,404	\$ —	\$ —	\$ —
A	\$ —	\$ —	\$ —	\$ 4,116,823	\$ —	\$ —	\$ —
A-	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
BBB+	\$ —	\$ —	\$ —	\$ 1,992,630	\$ —	\$ —	\$ —
BBB	\$ —	\$ —	\$ —	\$ 37,268,812	\$ —	\$ —	\$ —
BBB-	\$ —	\$ —	\$ —	\$ 23,041,889	\$ —	\$ —	\$ —
BB+	\$ —	\$ —	\$ —	\$ 31,120,717	\$ —	\$ —	\$ —
BB	\$ —	\$ 768,365	\$ —	\$ 28,169,521	\$ —	\$ —	\$ —
BB-	\$ —	\$ 945,292	\$ —	\$ 58,212,772	\$ —	\$ —	\$ —
B+	\$ —	\$ 1,199,705	\$ —	\$ 26,166,113	\$ —	\$ —	\$ —
B	\$ —	\$ 743,033	\$ —	\$ 33,000,198	\$ —	\$ —	\$ —
B-	\$ —	\$ 2,209,849	\$ —	\$ 26,147,912	\$ —	\$ —	\$ —
Less than B-	\$ —	\$ 1,202,487	\$ —	\$ 28,240,161	\$ —	\$ —	\$ —
<b>Moody's</b>							
Aaa	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Aa2	\$ —	\$ —	\$ —	\$ 1,953,302	\$ —	\$ —	\$ —
Aa3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
A1	\$ —	\$ —	\$ —	\$ 1,691,474	\$ —	\$ —	\$ —
Baa1	\$ —	\$ —	\$ —	\$ 3,542,978	\$ —	\$ —	\$ —
Baa2	\$ —	\$ —	\$ —	\$ 13,916,298	\$ —	\$ —	\$ —
Baa3	\$ —	\$ —	\$ —	\$ 2,151,006	\$ —	\$ —	\$ —
Ba1	\$ —	\$ —	\$ —	\$ 1,241,539	\$ —	\$ —	\$ —
Ba2	\$ —	\$ 199,949	\$ —	\$ 9,331,737	\$ —	\$ —	\$ —
Ba3	\$ —	\$ —	\$ —	\$ 5,064,046	\$ —	\$ —	\$ —
B1	\$ —	\$ —	\$ —	\$ 1,645,484	\$ —	\$ —	\$ —
B2	\$ —	\$ 231,500	\$ —	\$ 3,157,126	\$ —	\$ —	\$ —
B3	\$ —	\$ —	\$ —	\$ 9,461,108	\$ —	\$ —	\$ —
Caa1	\$ —	\$ —	\$ —	\$ 1,350,274	\$ —	\$ —	\$ —
Caa2	\$ —	\$ —	\$ —	\$ 528,409	\$ —	\$ —	\$ —
Caa3	\$ —	\$ —	\$ —	\$ 270,000	\$ —	\$ —	\$ —
Ca	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
C	\$ —	\$ —	\$ —	\$ 81,200	\$ —	\$ —	\$ —
Unrated <sup>1</sup>	\$ —	\$ —	\$ 932,325,001	\$ 10,383,379	\$ —	\$ 24,452,338	\$ 1,577,652,828

<sup>1</sup>Securities have not been rated by either Standard & Poor's or Moody's

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

<sup>3</sup>Stable Value Contracts (which include the Access and Affordability Program) 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

GAAP 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, 2022, six separate account managers were permitted to use derivative instruments as shown in the table below.

Program	Manager	Asset Class
DB529	Acadian Asset Management, LLC	Developed Markets International Equity
DB529	Advent Capital Management, LLC	Convertible Fixed Income
DB529	Loomis, Sayles & Company, L.P.	Multi-Asset Credit
DC529	Neuberger Berman	Emerging Markets Debt
DC529	PGIM Fixed Income	High-yield Fixed Income
DB529	PGIM Fixed Income	High-yield Fixed Income
DB529	Schroders Investment Management North America, Inc.	Mortgage-Backed Securities

#### (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 Defined Benefit and Defined Contributions 529 Programs' PGIM Fixed Income accounts held credit default swaps at June 30, 2022. The following tables contain information relating to fair value, changes in fair value and notional value. 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, 2022		
	Classification	Amount	Classification	Amount	Notional Amount
DB529	Revenue	\$55,597	Investment	\$108,391	(\$5,140,000)
DC529	Revenue	\$(37,322)	Investment	\$(1,205)	(\$355,000)

At June 30, 2022, PGIM Fixed Income also held total return swaps, which are permissible to gain exposure to assets with minimal cash outlay. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. In aggregate the fair value of these derivative instruments was \$38,418 as of June 30, 2022. Credit risk is mitigated with these instruments as they are exchange traded.

Investment Derivative Instruments - Total Return Swaps					
	Changes in Fair Value		Fair Value at June 30, 2022		
	Classification	Amount	Classification	Amount	Notional Amount
DB529	Revenue	\$38,418	Investment	\$38,418	(\$740,000)
DC529	Revenue	\$—	Investment	\$—	(\$230,000)

At June 30, 2022, 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. In aggregate the fair value of these derivative instruments was (\$119,862) as of June 30, 2022. 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, 2022		
	Classification	Amount	Classification	Amount	Notional Amount
DB529	Revenue	\$(61,613)	Investment	\$(61,613)	\$34,657,984
DC529	Revenue	\$(58,249)	Investment	\$(58,249)	\$21,093,375

*(ii) 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, 2022, 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.

<b>Investment Derivatives – U.S. Treasury Futures Contracts</b>					
	<b>Changes in Fair Value</b>		<b>Fair Value at June 30, 2022</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional Amount</b>
<b>DB529</b>	Revenue	\$12,119	Investment	\$12,119	\$58,384,609

*(iii) Derivatives held in Loomis, Sayles & Company Multi-Asset Credit Account*

Pursuant to its investment management agreement, Loomis, Sayles & Company 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. The Defined Benefit 529 Programs' Loomis, Sayles & Company Multi-Asset Credit Accounts held U.S. Treasury futures, which are permissible to hedge duration. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

<b>Investment Derivatives – U.S. Treasury Futures Contracts</b>					
	<b>Changes in Fair Value</b>		<b>Fair Value at June 30, 2022</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional Amount</b>
<b>DB529</b>	Revenue	\$(4,507)	Investment	\$(4,507)	\$1,234,750

*(iv) Derivatives held in Neuberger Berman Emerging Markets Debt Account*

Pursuant to its investment management agreement, Neuberger Berman 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. The Defined Contributions 529 Programs' Neuberger Berman Emerging Markets Debt account held U.S. Treasury futures, which are permissible to hedge duration. The following table contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

<b>Investment Derivatives – U.S. Treasury Futures Contracts</b>					
	<b>Changes in Fair Value</b>		<b>Fair Value at June 30, 2022</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional Amount</b>
<b>DC529</b>	Revenue	\$100,476	Investment	\$100,476	\$17,214,988

*(iv) Forward Foreign Exchange Contracts held in Advent Capital Management; Acadian Asset Management; Loomis, Sayles & Company and Schroders 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 Schroders; Acadian Asset Management and Loomis, Sayles & Company 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.

DB529 Program Foreign Currency Forwards				
Currency	Cost	Foreign Exchange Purchases	Foreign Exchange Sales	Market Value
Danish Krone	5,139	5,139	—	5,139
Euro Currency Unit	(86,471,261)	7,375,642	(90,777,512)	(83,401,871)
Hong Kong Dollar	(413)	2,622,864	(2,622,864)	—
Israeli Shekel	(10,280)	—	(10,155)	(10,155)
Japanese Yen	(135,718)	5,138,822	(5,233,044)	(94,222)
Pound Sterling	(5,734,150)	1,914,446	(7,593,645)	(5,679,199)
Swiss Franc	37,789	1,025,365	(1,025,365)	—
U.S. Dollar	92,308,894	110,463,893	(18,154,997)	92,308,896
<b>Total</b>	<b>\$ —</b>	<b>\$ 128,546,171</b>	<b>\$ (125,417,582)</b>	<b>\$ 3,128,588</b>

Note: Amounts shown in U.S. dollars using June 30, 2022 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 Fiduciary Fund's Defined Contribution 529 and Access and Affordability Programs. VA529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2022, VA529 had the following stable value investments outstanding as shown in the table below.

Fund	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Crediting Rate
Fiduciary Fund	American General Life	\$ 262,438,060	1/16/2014	Open ended	1.56%
	Nationwide Life Insurance	\$ 264,475,028	1/29/2018	Open ended	2.05%
	Prudential Retirement Ins. & Annuity	\$ 262,617,523	1/30/2014	Open ended	1.59%
	RGA	\$ 262,827,159	8/28/2015	Open ended	1.62%
	State Street Bank	\$ 262,438,655	5/01/2002	Open ended	1.56%
	Voya Retirement & Annuity	\$ 262,856,403	10/05/2012	Open ended	1.66%
	Total	<u>\$ 1,577,652,828</u>			

At June 30, 2022, the fair value of the underlying investments for the Fiduciary Fund 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 Fiduciary Fund, the fair value of the wrapped stable value investments at June 30, 2022, was \$1,577,652,828.

#### 4. Fair Value Measurement and Application

GAAP prescribes 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

GAAP also permits certain investments that do not have a readily determinable fair value to be reported at the investment's Net Asset Value (NAV). As the net asset value is not as readily determinable as the fair value, it is likely that upon liquidation, these investments would sell for amounts different than the reported 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 GAAP by program.

**DB529 Program's investments measured at fair value as of June 30, 2022:**

DB529 Programs 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)
<b>Debt Securities</b>				
Asset Backed Securities	\$ 47,321,347	\$ —	\$ 47,321,347	
Bank Loans	263,432,449	—	263,432,449	
Corporate Bonds	285,483,554	19,450,666	266,032,888	
Convertible Bonds	86,236,121	—	86,236,121	
Emerging Markets Debt	—	—	—	
Mortgage Backed - Agency	43,067,272	—	43,067,272	
Mortgage Backed - Non Agency	40,692,228	—	40,692,228	
<b>Total Debt Securities</b>	<b>\$ 766,232,971</b>	<b>\$ 19,450,666</b>	<b>\$ 746,782,305</b>	
<b>Equity Securities</b>				
Equities	139,000,666	134,682,659	4,318,007	—
Equity Real Estate	8,149,996	—	—	8,149,996
Index Funds - Equity	—	—	—	—
International & Emerging Markets Funds	95,957,830	95,957,830	—	—
<b>Total Equity Securities</b>	<b>243,108,492</b>	<b>230,640,489</b>	<b>4,318,007</b>	<b>8,149,996</b>
<b>Total Investments at Fair Value</b>	<b>\$ 1,009,341,463</b>	<b>\$ 250,091,155</b>	<b>\$ 751,100,312</b>	<b>\$ 8,149,996</b>

Note: Cash equivalent investments, in the amount of \$127,902,874 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.





**DB529 Program's investments measured at NAV:**

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<b>Common Trust Funds &amp; Other</b>				
BlackRock	\$ 337,551,843		Daily	3 Business Days
Blackrock MSCI	372,685,397		Daily	5 Business Days
Sands Capital	31,504,168		Monthly	10 Business Days
Wellington Management	190,886,695		Monthly	10 Business Days
<b>Equity Real Estate</b>				
Related Real Estate	11,056,753	25,704,965		
UBS Realty Investors	54,933,846		Quarterly	60 days
<b>Private Debt &amp; Private Equity Funds of Funds</b>				
Adams Street	285,496,356	52,941,199		
Aether Investment Partners	45,251,079	9,729,880		
Ares Management	18,616,815	19,052,985		
Asia Alternatives	4,635,783	19,956,639		
Bain Capital	11,137,020	21,192,667		
Carlyle Global Credit	9,463,597	10,963,608		
Commonfund	15,007,557	1,090,000		
Eagle Point Credit	10,610,240	9,456,163		
Golub Capital	62,125,000	7,875,000		
Hamilton Lane	47,534,120	21,158,059		
Horsley Bridge	14,077,744	9,714,000		
LGT Capital Partners	7,657,142	2,410,000		
Morgan Stanley	82,097,338	—		
Neuberger Berman	34,519,310	7,200,000		
Private Advisors	34,914,160	8,331,630		
Schroder Focus II	118,917,954	10,248,656		
Starwood Capital	6,593,344	24,000,000		
Total Investments Measured at the NAV	<u>\$ 1,807,273,261</u>			

**Description of DB529 Program investments measured at NAV:**

1. **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
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.
BlackRock, Inc.	MSCI U.S. Equity Index Fund	The index fund invests in U.S. equity securities whose total rates of return will approximate the capitalization weighted total rates of return of the markets for equity securities in the U.S.
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.
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.

2. **Equity Real Estate:** This investment type includes two limited partnerships. The UBS Trumbull Property Fund and The Related Real Estate Fund III'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 these managers determine leverage is prudent and is expected to enhance total return without undue risk. The fair values of investments in this type have been determined using the NAV per share of VA529's ownership of the partnership.
3. **Private Debt and Private Equity Funds of Funds:** This investment type includes private equity funds of funds managed by 13 managers and four 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 3<sup>rd</sup> through 15<sup>th</sup> years. Secondary 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, 2022 NAV of VA529's ownership of the partnership, adjusted for cash flows (capital calls and distributions) through June 30, 2022. 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 & III	Venture
Adams Street Partners	Leaders Fund	Private equity
Aether Investment Partners, LLC	Real Assets III, IV & V LP Funds	Natural resources
Ares Management	Ares Pathfinder Fund, LP	Private debt
Asia Alternatives	Asia Alternatives Capital Partners VI, L.P.	Private equity
Bain	Bain Capital Real Estate Fund II	Private real estate and real estate-related investments
Carlyle	Carlyle Credit Opportunities Fund II, L.P.	Private debt
Commonfund	Capital Natural Resources Fund IX, LP	Natural resources
Eagle Point	Eagle Point Defensive Income M L.P.	Private debt
Golub Capital	Golub Capital Partners 11 & 12, LP	Private debt - U.S. middle markets, senior secured, low / floating rate loans
Hamilton Lane	Multiple U.S./Non-U.S. Private Equity and Venture Capital Funds	Private equity
Horsley Bridge Partners	XII Growth Buyout, LP	U.S. small company buyout (Growth)
LGT Capital Partners	Crown Global Secondaries Fund IV, plc	Private equity secondaries (Global)
Morgan Stanley	Prime Property Fund, LLC	Private real estate and real estate-related investments
Neuberger Berman	Crossroads Fund XXI - Asset Allocation, LP	Asset allocation fund of funds; diversified geographically and strategically
Private Advisors, LLC	Multiple small company buyout/private equity funds	U.S. small company growth equity/ buyout, distressed and turnaround, and opportunistic funds
Schroder	Schroder Focus II Fund	Private debt
Starwood	Starwood Distressed Opportunity Fund XII	Private real estate and real estate-related investments

**Description of DC529 Program 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.

**DC529 Program investments measured at fair value as of June 30, 2022:**

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)
<b>Debt Securities</b>				
US Treasury & Agency Securities				
Corporate Bonds	\$ 387,116,691	\$ 7,918,479	\$ 379,198,213	
Bank Loans	7,500,181		7,500,181	
Asset Backed Securities	8,246,731		8,246,731	
Emerging Markets - Debt	—	\$ —		
Index Funds - Debt	932,325,001	932,325,001		
<b>Total Debt Securities</b>	<b>1,335,188,604</b>	<b>940,243,480</b>	<b>394,945,125</b>	<b>—</b>
<b>Equity Securities</b>				
Equities	726,932	726,932		
Equity Real Estate	201,855,025	201,855,025		
Index Funds - Equity	2,734,418,360	2,734,418,360		
Equity Funds	154,277,894	154,277,894		
International & Emerging Markets Funds	348,877,746	348,877,746		
<b>Total Equity Securities</b>	<b>3,440,155,957</b>	<b>3,440,155,957</b>	<b>—</b>	<b>—</b>
<b>Total Investments by Fair Value Level</b>	<b>\$ 4,775,344,561</b>	<b>\$ 4,380,399,437</b>	<b>\$ 394,945,125</b>	<b>\$ —</b>

Note: Cash equivalent investments, in the amount of \$88,844,635, 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 DC529 Program 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.

**Defined Contribution 529 Program investments measured at NAV:**

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<b>Common Trust Funds &amp; Other</b>				
Wellington Management Co., LLP	\$ 201,966,889	—	Daily	N/A
<b>Equity Real Estate</b>				
UBS Realty Investors	\$ 32,694,719	—	Quarterly	60 Days
Blackstone Property Partners	65,007,808	—	Quarterly	90 Days
<b>Total Investments Measured at the NAV</b>	<b>\$ 299,669,416</b>			

## 5. Securities Lending Transactions

As of June 30, 2022, there were \$849,668 in investments and cash equivalents held by the Treasurer of Virginia that represent VA529's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. The Treasurer of Virginia is authorized to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future – for a fee. The Commonwealth's policy is to record unrealized gains and losses on the State Treasury's securities lending program in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Accordingly, VA529 recorded interest of \$2,392 for securities lending transactions in fiscal year 2022. Information related to the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report found at [doa.virginia.gov/](http://doa.virginia.gov/).

## 6. Commitments

Investment-related commitments are discussed in Note 2. Commitments related to leases for business equipment which qualify as leases under GASB 87 and are discussed in Note 7. The remaining commitment is related to the agreement to manage the office building which Virginia529 occupies.

On July 1, 2018, VA529 entered into a 10-year extension of its contract with Aventura Holdings, LLC under which it maintains the 48,500 square foot headquarters office building through June 30, 2028. As VA529 reports this as a real estate investment and reports the asset at market value as it is held for a profit within the DB529 fund, this contract does not qualify as a lease. Information related to the fair value of this asset is reported within Note 2, but information related to the scheduled payments for maintenance of this building are discussed here.

Pursuant to this agreement, VA529 will make payments as reflected below on an annual basis in advance, and will make

## 7. Future Commitments Under Lease Agreements

GASB Statement Number 87, Leases, requires VA529 to disclose the present value of its obligations under all agreements which contain a lease or a lease element. On July 1, 2022, VA529 commenced a contractual agreement for business equipment. VA529 is required to make principal and interest payments through June 30, 2026. The lease liability was valued using a discount rate of 4.75% based on the term and similar contracts. The present value of the liability at inception was \$67,346. As this agreement was not effective prior to fiscal 2022 year-end, the contractual activity will be presented in the FY23 Annual Comprehensive Financial Report.

## 8. Long-Term Liabilities

Long-term liabilities include educational benefits payable and compensated absences. As discussed in Note 7, there are currently no active agreements for leases as of fiscal year-end.

### A. Educational Benefits Payable

This liability represents the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the DB529 Program.

additional 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. Any additional payments made to Aventura by VA529 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 Payment Due
2023	720,693
2024	738,711
2025	757,178
2026	776,108
Thereafter	1,610,908
Total Arboretum future minimum payments	<u>\$ 4,603,598</u>

Aventura has also established a renewal and replacement reserve funded from a portion of the annual payments received from VA529 to cover capital improvements to the building. The total reserve funding expense for the fiscal year ending 2022 was \$100,385. The reserve funding schedule for future periods is set forth below.

Base Reserve Periods	Annual Reserve Funding
2023	108,104
2024	110,807
2025	113,577
2026	116,416
Thereafter	241,637
Total Arboretum future reserve funding	<u>\$ 690,541</u>

### B. Compensated Absences

Compensated Absences represent the long-term liability for accrued Paid-Time-Off (PTO), or disability credits, compensatory, overtime, on-call, and other leave for all leave-eligible employees employed on June 25, 2022. 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	\$ 1,010,813	\$ 876,971	\$ 931,466	\$ 956,317	\$ 810,500
Educational Benefits Payable	\$ 1,733,997,881	\$ 82,274,597	\$ 202,526,417	\$ 1,613,746,061	\$ 269,290,520
<b>Total</b>	<b>\$ 1,735,008,694</b>	<b>\$ 83,151,568</b>	<b>\$ 203,457,883</b>	<b>\$ 1,614,702,378</b>	<b>\$ 270,101,020</b>

## 9. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2022.

Enterprise Fund	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Depreciable capital assets:				
Equipment	\$ 2,181,887	\$ 189,452	\$ —	\$ 2,371,339
Software	\$ 1,012,066	\$ —	\$ —	\$ 1,012,066
Total Depreciable capital assets:	3,193,953	189,452	—	3,383,405
Less accumulated depreciation for:				
Equipment	1,600,275	152,746	—	1,753,021
Software	918,356	62,738	—	981,094
Total accumulated depreciation	2,518,632	215,484	—	2,734,115
Net depreciable capital assets	675,321	(26,032)	—	649,290
Total net capital assets	\$ 675,321	\$ (26,032)	\$ —	\$ 649,290



## 10. Defined Benefit 529 Program - Summary of Actuarial Assumptions and Methods

VA529's statute requires that it annually determine the actuarial soundness of the DB529 Program, which includes Prepaid529 and the Tuition Track Portfolio (TTP). VA529 has assumed that the term "actuarially sound," when applied to the DB529 Program, 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 of programs, including any administrative costs associated with Prepaid529 contracts (accounts) and TTP accounts.

The two most significant assumptions used to prepare the actuarial valuation report are the rates of investment return and future tuition growth. In addition, there are other assumptions the actuary employs in the actuarial valuation. In the summer of 2022, VA529's Board reviewed the rates of investment return and future tuition growth assumptions. The following assumptions were used in the actuarial valuation for June 30, 2022:

**Investment Rate of Return:** 5.5 percent per annum.

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

Academic Year Beginning	Universities	Community Colleges
Fall 2023	4.0%	2.0%
Fall 2024	4.0%	2.0%
Fall 2025 and thereafter	6.0%	6.0%

**Forfeiture:** It is assumed that 0.5 percent of DB529 Program's accounts will be cancelled or otherwise forfeited each year for beneficiaries ages 0 through 17 (prior to the year of matriculation).

**Attendance and Bias:** It is assumed that, starting in the year of matriculation, 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 9.8 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 165 percent of weighted average tuition (\$23,970/\$14,505). Out-of-state students and contracts requesting a rollover are assumed to receive a benefit equal to the payments made on the contract plus interest at the composite reasonable rate of return. All TTP accounts are assumed to be paid out at weighted average tuition for units redeemed after reaching the expected enrollment year.

**Utilization:** It is assumed that participants will begin utilizing their DB529 Program's accounts at actuarially determined rates, and

then redeem up to two semesters of tuition per year until the account is depleted. While some participants redeem accounts and utilize benefits in the year of expected matriculation, many delay redeeming units until later years. In addition, it is assumed that TTP accounts with fewer than five semesters will eventually purchase five units.

**Expenses:** The expenses included in the present value of future obligations are those relating to the Annual Maintenance Expense per Legacy Prepaid529 contract and TTP account, which are \$80.19 and \$21.38, respectively. These expenses were developed by VA529 staff and are assumed to increase annually at the rate of inflation plus 0.50 percent.

**Receivables and Payables:** The actuarial Prepaid529 contract payments and the actuarial educational 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, 2022, 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. TTP has no receivable as payment is received at the time of purchase for TTP units. The accrual of the educational 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.

	2022	2021	Change
Prepaid529 contract payments receivable	\$ 89,946,061	\$ 120,497,881	\$(30,551,820)
DB529 Educational benefits payable	\$1,613,746,061	\$1,733,997,881	\$(120,251,820)

## 11. Retirement and Pension Plan

### Eligibility

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

### Benefits provided

Plan 1's and Plan 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 (DC) component. 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>.

### 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, 2022, the contribution rate was 14.46% of covered employee compensation, based on an actuarial valuation as of June 30, 2019. Contributions to VRS totaled \$1,478,398 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, 2022, VA529 reported a liability of \$8,330,659 for its proportionate share of the VRS Net Pension Liability (NPL). The NPL was measured as of June 30, 2021 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, 2021 relative to the projected contributions of all participating employers and the State. At June 30, 2021, VA529's proportion of the VRS State Employee Retirement Plan was 0.22967 percent as compared to 0.21124 percent at June 30, 2020.

For the year ended June 30, 2022, VA529 recognized pension expense of \$1,081,740 for the VRS. Due to the change in proportionate share from June 30, 2020 to June 30, 2021, 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, 2022, 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	\$ 75,041	\$ 478,343
Net difference between projected and actual earnings on pension plan investments	—	5,735,122
Change in assumptions	957,701	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,342,599	—
Employer contributions subsequent to the measurement date	1,478,398	—
Total	<u>\$ 3,853,739</u>	<u>\$ 6,213,465</u>

VA529 reported \$1,478,398 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, 2023. 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
2023	\$ (240,920)
2024	(749,533)
2025	(1,096,557)
2026	(1,751,114)
2027	—



### 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: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. The following adjustments were made as a result of the Study and VRS Board action:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

### 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Estate	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi -Asset Public Strategies	6.00%	3.29%	0.20%
PIP- Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return	7.39%

### 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, 2021, a portion of the rates will be funded by an appropriation from the Commonwealth. From July 1, 2021 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	\$ 15,604,397	\$ 8,330,659	\$ 2,235,634

### Pension Plan Fiduciary Net Position

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

### Payables to the Pension Plan

As of June 30, 2022, VA529 reported payables to VRS in the amount of \$86,271. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

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

### Eligibility and Plan Descriptions

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

Details as to eligibility, the benefit provisions, and contribution requirements for each of these programs may be found in the VRS annual report found at <https://www.varetire.org>. 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 VA529 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 for each of the programs include as follows:

GLIP	VSDP	HICP
The benefits payable under the GLIP include natural death and accidental death benefits and additional benefits provided under specific circumstances. The benefit amounts provided to members are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLIP of \$8,000. This amount is increased annually based on a cost-of-living adjustment and is currently \$8,722.	Leave and short-term disability benefits under the VSDP are paid by the employer. The short-term and long-term disability benefits include income replacement up to certain levels and for certain time periods based on the employee's disability period and length of service. Long-term disability and long-term care benefits are paid from the VSDP. Depending on the type of long-term benefit received, the employee's benefit or creditable compensation may be increased annually by an amount recommended by VRS's actuary and approved by the VRS Board.	The monthly benefit payable to retired VA529 employees under the HICP is \$4.00 per year of service per month with no cap on the benefit amount. For VA529 employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program, the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

### Contributions

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

GLIP	VSDP	HICP
The total rate for the GLIP was 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent (1.34 percent X 60 percent) and the employer component was 0.54 percent (1.34 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, 2022 was 0.54 percent of covered employee compensation based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. VA529's contributions were \$59,710 and \$55,426 for the years ended June 30, 2022 and June 30, 2021, respectively.	VA529's contractually required contribution rate for the VSDP for the year ended June 30, 2022 was 0.61 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$67,172 and \$62,278 for the years ended June 30, 2022 and June 30, 2021, respectively.	VA529's contractually required contribution rate for the year ended June 30, 2022 was 1.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$123,803 and \$114,957 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, VA529 reported a liability \$578,759 for its proportionate share of the VRS Net GLIP OPEB Liability. The Net GLIP OPEB Liability was measured as of June 30, 2021 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, VA529's proportion 0.04971% as compared to 0.04617% at June 30, 2020.

For the year ended June 30, 2022, VA529 recognized GLIP OPEB expense of \$50,150. 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, 2022, VA529 reported deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66,010	\$ 4,410
Net difference between projected and actual earnings on GLIP OPEB program investments	—	138,137
Change in assumptions	31,907	79,187
Changes in proportion	105,929	—
VA529 contributions subsequent to the measurement date	59,710	—
Total	<u>\$ 263,556</u>	<u>\$ 221,734</u>

VA529 reported \$59,710 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, 2023. 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:

<b>Fiscal Year ended June 30</b>	<b>GLIP OPEB Expense</b>
2023	\$ (2,073)
2024	3,730
2025	745
2026	(23,166)
2027	2,876
Thereafter	—

**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, 2022, VA529 reported an asset of \$814,299 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2021 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, VA529's proportion was 0.23622% as compared to 0.21806% at June 30, 2020.

For the year ended June 30, 2022, VA529 recognized VSDP OPEB expense of \$22,655. 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, 2022, VA529 reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 38,699	\$ 132,035
Net difference between projected and actual earnings on VSDP OPEB plan investments	—	152,462
Change in assumptions	5,486	19,189
Changes in proportion	—	64,221
VA529 contributions subsequent to the measurement date	67,172	—
Total	<u>\$ 111,357</u>	<u>\$ 367,907</u>

VA529 reported \$67,172 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, 2023. 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:

<b>Fiscal Year ended June 30</b>	<b>VSDP OPEB Expense</b>
2023	\$ (71,167)
2024	(70,453)
2025	(69,829)
2026	(75,556)
2027	(29,338)
Thereafter	(7,379)

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

At June 30, 2022, VA529 reported a liability of \$1,202,879 for its proportionate share of the VRS HICP Net OPEB Liability. The Net HICP OPEB Liability was measured as of June 30, 2021 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, VA529's proportion of the HICP was 0.14243% as compared to 0.13190% at June 30, 2020.

For the year ended June 30, 2022, VA529 recognized HICP OPEB expense of \$149,716. Since there was a change in proportionate share between June 30, 2020 and June 30, 2021 a portion of the HICP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, VA529 reported deferred outflows of resources and deferred inflows of resources related to the HICP OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 372	\$ 39,170
Net difference between projected and actual earnings on State HICP OPEB plan investments	—	22,831
Change in assumptions	31,153	3,394
Changes in proportionate share	182,902	—
VA529 contributions subsequent to the measurement date	123,803	—
Total	<u>\$ 338,230</u>	<u>\$ 65,395</u>

VA529 reported \$123,803 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, 2023. 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
2023	\$ 38,002
2024	39,026
2025	34,554
2026	22,897
2027	14,131
Thereafter	422

#### Actuarial Assumptions

The various total OPEB liabilities were based on an actuarial valuation for all programs as of June 30, 2020, 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, 2021:

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	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years
Post-Retirement	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females
Post-Disablement	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years
Beneficiaries and Survivors	Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year of age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

#### 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 %	5.00%	1.70%
Fixed Income	15.00 %	0.57%	0.09%
Credit Strategies	14.00 %	4.49%	0.63%
Real Assets	14.00 %	4.76%	0.67%
Private Equity	14.00 %	9.94%	1.39%
MAPS - Multi-Asset Public	6.00 %	3.29%	0.20%
PIP - Private Investment	3.00 %	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

\* The above allocation provides a one-year return of 7.39 %. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

#### 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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by VRS Board of Trustees.
VSDP	Projection of cash flows used to determine the discount rate assumed that employer contributions will be made per VRS Statutes 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 Board of Trustees.
HICP	Projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with VRS funding policy at rates equal to the actuarially determined contribution rates adopted by VRS Board of Trustees.

Through the fiscal year ending June 30, 2021, a portion of the rates for each of the programs was funded by an appropriation from the Commonwealth. From July 1, 2021, 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 6.75% 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	\$ 845,588	\$ 578,759	\$ 363,283
VSDP Net OPEB Asset	\$ (769,328)	\$ (814,299)	\$ (853,845)
HICP Net OPEB Liability	\$ 1,349,389	\$ 1,202,879	\$ 1,077,356

#### 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, 2022, VA529 reported payables to VRS in the amount of \$8,742 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, 2022, VA529 reported payables to VRS in the amount of \$3,980 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, 2022, VA529 reported payables to VRS in the amount of \$7,307 for HICP. This amount is comprised of payments due to the VRS that were not made until after the fiscal year end through the normal course of business.

### 13. Healthcare Plan for Pre-Medicare Retirees

#### Eligibility and Plan Description

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

- be receiving (not deferring) the periodic benefit immediately upon retirement;
- have the individual's last employer before retirement be the Commonwealth of Virginia;
- 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 and Enrollment Form to the individual's Benefits Administrator within 31 days of retirement date.

#### 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.

#### Actuarial Assumptions and Discount Rate

The Total PMRHP OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2021, 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. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 percent for dental.



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, 2021 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed.
Effective Amortization Period	6.37 years
Discount Rate	2.16%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality:	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2021.

#### Changes of Assumptions

The following assumptions were updated since the July 1, 2020 valuation based recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index.

There were no plan changes in the valuation since the prior year.

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

At June 30, 2022, VA529 reported \$706,935 as VA529's proportionate share of the PMRHP's Total OPEB liability. The PMRHP OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. VA529's proportionate amount of the PMRHP OPEB liability was based on each employer's healthcare premium contributions, to include the December premium holiday amounts, as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2021, VA529's proportion was 0.15748 percent as compared to 0.14497 percent at June 30, 2020. For the year ended June 30, 2022, VA529 recognized PMRHP OPEB expense of (177,386).

At June 30, 2022, 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	\$ —	\$ 359,434
Change in assumptions	—	679,924
Change in proportion	414,942	—
Subtotal	414,942	1,039,358
VA529 contributions subsequent to the measurement date	51,687	N/A
<b>Total</b>	<b>\$ 466,629</b>	<b>\$ 1,039,358</b>

VA529 reported \$51,687 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, 2023. 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
2023	\$ (267,594)
2024	(217,628)
2025	(105,284)
2026	(24,051)
2027	(6,658)
Thereafter	(3,199)

#### Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents VA529's proportionate share of the PMRHP OPEB liability using the discount rate of 2.16 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 (1.16 percent) or one percentage point higher (3.16 percent) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
VA529's proportionate share of the total PMRHP liability	\$ 743,198	\$ 706,935	\$ 670,227

#### 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 a healthcare cost trend rate of 6.75 percent decreasing to 4.5 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 (5.75 percent decreasing to 3.50 percent) or one percentage point higher (7.75 percent decreasing to 5.50 percent) than the current rate:

	1.00% Decrease 5.75% decreasing to 3.50%	Trend Rate (6.75% - 4.50%)	1.00% Increase 7.75% decreasing to 5.50%
VA529's proportionate share of the total PMRHP liability	\$637,717	\$706,935	\$787,302

Detailed information about the Commonwealth's PMRHP is available in the separately issued Commonwealth's Annual Comprehensive Financial Report found at <https://www.doa.virginia.gov>.

## 14. Risk Management

VA529 is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. VA529 participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. 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 Annual Comprehensive Financial Report.

## 15. Access and Affordability

VA529's Access & Affordability Initiatives support the agency's SOAR Virginia early commitment scholarship program and external partnerships which provide educational opportunities to Virginians.

### 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 (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, 2022, the SOAR Virginia account had a balance of \$17.6 million. During fiscal year 2022, \$669,431 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, 2022 are shown below.

Number of Students Enrolled <sup>(1)</sup>	7,847
Award Amounts Allocated to Enrolled Students	\$ 9,951,936
Additional Awards Enrolled Students May Receive	\$ 2,962,500
<b>Total SOAR Commitment</b>	<b>\$ 12,914,436</b>

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

### Access and Affordability Expansion

The Board approved the expansion of VA529's existing Access and Affordability (A&A) programs in fiscal 2021. This new program was designed to partner with organizations who already administer programs which align with the three pillars of the initiatives. These pillars are: scholarships, workforce/middle-skill development, and mentoring/coaching. VA529 identifies these programs and their partners and makes annual awards to each based on overall funding levels approved by the Board. After the programs and partners are identified and funding is approved, agreements are established to outline how VA529 will fund the initiatives. Disbursement to respective partners is made via funding requests in accordance with these agreements.

In February 2021, the Board approved an allocation of net operating revenues remaining in the Agency Operating Fund on June 30, 2020 in the amount of \$7.5 million towards this expansion. In June 2021, the Board approved the initial funding levels to partners. In August, 2021, also approved an allocation of net operating revenues remaining in the Agency Operating Fund on June 30, 2021 in the amount of \$8 million towards A&A initiatives. The table below provides the amounts committed to A&A initiatives by year.

Commitments to Partners*			
Year 1	Year 2	Year 3	Total
\$4,301,838	\$4,666,088	\$4,502,074	\$13,470,000

\* Funding of future commitments are subject to annual funding to the the Master account per Board approval and operating budget expenditure authority.

To account for this program, funds are authorized and expensed annually from the enterprise fund to the fiduciary fund. As of June 30, 2022, funding amounts totaling \$15.5 million had been deposited into a master A&A account within the fiduciary fund. The funds will remain in the master account and invested within the stable value investment portfolio until fiscal 2022 when subsequent allocations to partner sub-accounts and subsequent disbursements to respective partners begin.

## 16. Scholarship Program And Promotional Accounts

The VA529 scholarship program consists of the Defined Benefit 529 and Defined Contribution 529 Programs' 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 accounts for beneficiaries. The mission of VA529's scholarship program 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 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, 2022:

Program	Scholarship		Promotional	
	Accounts	Value	Accounts	Value
DC529 <sup>1</sup>	213	\$819,959	162	\$948,914
DB529 <sup>2</sup>	11	\$189,614	11	\$105,981

<sup>1</sup> DC529 Program value represents the cancellation value of Invest529 accounts at June 30, 2022.

<sup>2</sup> DB529 Program's value represents the aggregate market value of Prepaid529 accounts at June 30, 2022.

## 17. Unrelated Business Income Tax

As a qualified tuition program under IRC §529, VA529 is subject to tax on unrelated business income. VA529 invests in certain agreements and funds that may produce unrelated business income. As such, VA529 may pay taxes on unrelated business income. During fiscal year 2022 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 2022 after it receives all Schedule K-1s at the end of calendar 2022.

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# Required Supplementary Information



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<b>Schedule of VA529's Share of Net Pension Liability</b> <b>VRS State Employee Retirement Plan</b> <b>For the Annual Measurement Dates of June 30, 2014 through June 30, 2021</b>								
	2021	2020	2019	2018	2017	2016	2015	2014
VA529's Proportion of the Net Pension Liability (Asset)	0.22967 %	0.21124 %	0.19588 %	0.18750 %	0.18062 %	0.17742 %	0.17215 %	0.15817 %
VA529's Proportionate Share of the Net Pension Liability (Asset)	8,330,659	15,304,038	12,379,092	\$ 10,150,000	\$ 10,526,000	\$ 11,693,000	\$ 10,540,000	\$ 8,855,000
VA529's Covered Payroll	\$10,264,022	\$9,502,561	\$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	81.16 %	161.05 %	149.72 %	129.85 %	144.69 %	166.60 %	158.88 %	144.97 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.44 %	72.15 %	75.13 %	77.39 %	75.33 %	71.29 %	72.81 %	74.28 %
<p><i>Schedule is intended to show information for 10 years. Since 2021 is the eighth year for this presentation, only eight years available. However, additional years will be included as they become available.</i></p>								

See notes to RSI

Schedule of VA529 Contributions					
VRS State Employee Retirement Plan					
For the Years Ended June 30, 2013 through 2022					
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)
2022	\$1,478,398	\$1,478,398	\$—	\$11,053,824	14.46%
2021	\$1,484,178	\$1,484,178	\$—	\$10,264,022	14.46%
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%

**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, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year of age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change



## VA529 OPEB Liability

<b>Schedule of VA529's Share of Net OPEB Liability</b>					
<b>Group Life Insurance Program (GLIP)</b>					
<b>For the Annual Measurement Dates of June 30, 2017 through June 20, 2021</b>					
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
VA529's Proportion of the Net GLIP OPEB Liability (Asset)	0.04971 %	0.04617 %	0.04218 %	0.04111 %	0.03944 %
VA529's Proportionate Share of the Net GLIP OPEB Liability (Asset)	\$ 578,759	\$ 770,501	\$ 686,381	\$ 624,000	\$ 593,000
VA529's Covered Payroll	\$ 10,264,022	\$ 9,502,561	\$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	5.64 %	8.11 %	8.30 %	7.98 %	8.15 %
Plan Fiduciary Net Position as a Percentage of the Total GLIP OPEB Liability	67.45 %	52.64 %	52.00 %	51.22 %	48.86 %
<i>Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, only five years of data is available. However, additional years will be included as they become available.</i>					

See notes to RSI

<b>Schedule of VA529 Contributions - GLIP</b>					
<b>For the Years Ended June 30, 2013 through 2022</b>					
<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2022	\$ 59,710	\$ 59,710	\$ —	\$ 11,057,324	0.54%
2021	\$ 55,426	\$ 55,426	\$ —	\$ 10,264,022	0.54%
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%

<b>Schedule of VA529's Share of Net OPEB Liability Health Insurance Credit Program (HICP) For the Annual Measurement Dates of June 30, 2017 through June 30, 2021</b>					
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
VA529's Proportion of the Net HICP OPEB Liability (Asset)	0.14243%	0.13190%	0.12133%	0.11609%	0.11259%
VA529's Proportionate Share of the Net HICP OPEB Liability (Asset)	\$1,202,879	\$1,210,850	\$1,119,962	\$1,059,000	\$1,025,000
VA529's Covered Payroll	\$10,264,022	\$9,502,561	\$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	11.72%	12.74%	13.55%	13.55%	14.09%
Plan Fiduciary Net Position as a Percentage of the Total HICP OPEB Liability	19.75%	12.02%	10.56%	9.51%	8.03%
<i>Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, only five years of data is available. However, additional years will be included as they become available.</i>					

See notes to RSI

<b>Schedule of VA529 Contributions - HICP</b>						
<b>For the Years Ended June 30, 2013 through 2022</b>						
		Contributions in Relation to				Contributions
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll		as a % of Covered Payroll
Date	(1)	(2)	(3)	(4)		(5)
2022	\$ 123,803	\$ 123,803	\$ —	\$ 11,053,824		1.12%
2021	\$ 114,957	\$ 114,957	\$ —	\$ 10,264,022		1.12%
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%

**Schedule of VA529's Share of Net OPEB Liability****Virginia Sickness and Disability Program (VSDP)****For the Annual Measurement Dates of June 30, 2017 through June 30, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
VA529's Proportion of the Net VSDP OPEB Liability (Asset)	0.23622 %	0.21806 %	0.20299 %	0.19690 %	0.19152 %
VA529's Proportionate Share of the Net VSDP OPEB Liability (Asset)	\$ (814,299)	\$ (481,233)	\$ (398,256)	\$ (444,000)	\$ (393,000)
VA529's Covered Payroll	\$ 10,209,579	\$ 9,449,285	\$ 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	(7.98)%	(5.09)%	(4.85)%	(5.72)%	(5.44)%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	229.01 %	181.88 %	167.18 %	194.74 %	186.63 %

*Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, only five years of data is available. However, additional years will be included as they become available.*

See notes to RSI

<b>Schedule of VA529 Contributions - VSDP</b>						
<b>For the Years Ended June 30, 2013 through 2022</b>						
<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>	
2022	\$ 67,172	\$67,172	\$ —	\$11,011,878	0.61%	
2021	\$ 62,278	\$62,278	\$ —	\$10,209,579	0.61%	
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%	

**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, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

<b>Schedule of VA529's Share of Total OPEB Liability</b>					
<b>Pre-Medicare Retirees</b>					
<b>For the Annual Measurement Dates of June 30, 2017 through June 30, 2021</b>					
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
VA529's proportion of the collective total OPEB liability	0.15748 %	0.14497 %	0.12625 %	0.12019 %	0.11627 %
VA529's proportionate share of the collective total OPEB liability	\$ 706,935	\$ 824,639	\$ 857,063	\$ 1,208,717	\$ 1,510,217
VA529's covered payroll	\$10,264,022	\$9,502,561	\$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 payroll	6.89 %	8.68 %	10.37 %	15.46 %	20.76 %
<i>Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only five years of data are available. However, additional years will be included as they become available.</i>					

**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, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2022.



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# Supplementary Information

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## ADDITIONAL FINANCIAL INFORMATION

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

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

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**APPENDIX A**


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**Mutual Funds by Program**


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**Defined Benefit 529 Program**

<b>Investment Manager</b>	<b>Fund Name</b>
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)

**Defined Contribution 529 Program**

<b>Investment Manager</b>	<b>Fund Name</b>
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
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 <sup>1</sup>	Emerging Markets Growth Fund

<sup>1</sup> Sub-Advised by Sands Capital Management, LLC

## APPENDIX B

## Separate Accounts, Commingled Funds &amp; Alternative Managers by Program

## Defined Benefit 529 Program

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
Ares Management Corporation	Private Debt
Asia Alternatives Management, LLC	Private Equity Fund of Funds
Aventura Holdings, LLC	Private Real Estate
Bain Capital Real Estate	Private Real Estate
BlackRock, Inc.	Intermediate Corporate Bonds
BlackRock MSCI Equity Index	US All Cap Equity
The Carlyle Group	Private Debt
Commonfund	Private Equity Fund of Funds
Eagle Point Credit Management, LLC	Private Debt
Golub Capital	Private Debt
Hamilton Lane	Private Equity Fund of Funds
Horsley Bridge Partners	Private Equity Fund of Funds
LGT Capital Partners	Private Equity Secondaries
Loomis, Sayles & Company, LP	Multi-Asset Credit
Morgan Stanley Real Estate	Private Real Estate
Neuberger Berman Investment Advisers	Private Equity Fund of Funds
PGIM Fixed Income	High-Yield Fixed Income
Private Advisors, LLC	Private Equity Fund of Funds
Related Funds Management, LLC	Opportunistic Real Estate
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
Starwood Real Estate	Private Real Estate
Stockbridge Capital Group, LLC	Private Real Estate
Transition Account	Fixed Income
UBS Realty Investors, LLC	Private Real Estate
Wellington Management Co., LLP	Emerging Market Debt

## Defined Contribution 529 and Access and Affordability Programs

Investment Manager	Investment Strategy
Atlantic Union Bank	FDIC-Insured (Cash & Equivalents)
Blackstone Property Advisors, L.P.	Private Real Estate
Invesco Advisers, Inc. <sup>1</sup>	Stable Value Fixed Income
Neuberger Berman Investment Advisers	Emerging Market Debt
PGIM Fixed Income	High-Yield Fixed Income
UBS Realty Investors, LLC	Private Real Estate
Wellington Management Co., LLP	International Equity

<sup>1</sup>Includes Access and Affordability funds

**Appendix C**  
**Investment Details by Program as of June 30, 2022**  
**Defined Benefit 529 Program**

Investment Manager	Asset Class / Strategy	Mutual Fund(s) (if applicable)	Aggregate Fair Value	% of Total Fund <sup>1</sup>
<b>Equities</b>				
Acadian Asset Management, LLC	Developed Markets International Equity	N/A	\$ 128,979,157	4.43%
BlackRock MSCI Equity Index	US All Cap Equity	N/A	372,685,397	12.79%
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	55,350,010	1.90%
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	40,607,820	1.39%
Sands Capital Management , LLC	Emerging Market Growth	N/A	31,504,168	1.08%
Total Equities			<b>\$ 629,126,552</b>	<b>21.59%</b>
<b>Alternative Investments</b>				
Adams Street Partners	Private Equity Fund of Funds	N/A	285,496,356	9.80%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	45,251,079	1.55%
Asia Alternatives Management, LLC	Private Equity Fund of Funds	N/A	4,635,783	0.16%
Aventura Holdings, LLC	Private Real Estate	N/A	8,627,386	0.30%
Bain Capital Real Estate	Private Real Estate	N/A	11,137,020	0.38%
The Carlyle Group	Private Debt	N/A	9,463,597	0.32%
Commonfund	Private Equity Fund of Funds	N/A	15,007,557	0.52%
Hamilton Lane	Private Equity Fund of Funds	N/A	47,534,120	1.63%
Horsley Bridge Partners	Private Equity Fund of Funds	N/A	14,077,744	0.48%
LGT Capital Partners	Private Equity Secondaries	N/A	7,657,142	0.26%
Morgan Stanley Real Estate	Private Real Estate	N/A	82,097,338	2.82%
Neuberger Berman	Private Equity Fund of Funds	N/A	34,519,310	1.18%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	34,914,160	1.20%
Related Funds Management, LLC	Private Real Estate	N/A	11,056,753	0.38%
Starwood Real Estate	Private Real Estate	N/A	6,593,344	0.23%
UBS Realty Investors, LLC	Private Real Estate	N/A	54,933,846	1.89%
Total Alternative Investments			673,002,534	23.10%
<b>Fixed Income</b>				
Advent Capital Management, LLC	Convertible Bonds	N/A	95,035,946	3.26%
Ares Capital Management	Private Debt	N/A	18,616,815	0.64%
BlackRock Inc.	Intermediate Corporate Bonds	N/A	337,551,843	11.58%
Dreyfus Cash Investment Strategies <sup>2</sup>	Cash Equivalents	Dreyfus Cash Management	20,495,861	0.70%
Eagle Point Credit Management, LLC	Private Debt	N/A	10,610,240	0.36%
Golub Capital	Private Debt	N/A	62,125,000	2.13%
Loomis, Sayles & Company, LP	Multi Asset Credit	N/A	68,271,914	2.34%
PGIM Fixed Income	High Yield Bonds	N/A	284,303,676	9.76%
Schroders Investment Management, Inc.	Multi Asset Credit	N/A	118,917,954	4.08%
Schroders Investment Management, Inc.	Mortgage-Backed Securities	N/A	145,645,803	5.00%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	248,699,664	8.53%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	190,886,695	6.55%
Treasurer of Virginia <sup>3</sup>	Cash Equivalents	N/A	10,701,719	0.37%
VA529 Transition Account	N/A	N/A	61,189	0.00%
Total Fixed Income			1,611,924,320	55.32%
Grand Total			2,914,053,407	100.00%

<sup>1</sup>May not sum to 100% due to rounding. <sup>2</sup>Operating Cash of \$41,165,425 is not included in the total above. <sup>3</sup>Funds include \$7,758,949 in the disbursement account with Wells Fargo.

## Appendix C

### Investment Details by Program as of June 30, 2022

#### Defined Contribution 529 and Access and Affordability Programs

Investment Manager	Asset Class / Strategy	Mutual Fund (if applicable)	Aggregate Fair Value <sup>1</sup>
Atlantic Union Bank	FDIC - Insured (Cash & Equivalents)	N/A	\$ 213,485,783
Blackstone Property Partners	Private Real Estate	N/A	65,007,810
Capital Research & Management Co.	Global Small-Cap	American Funds SMALLCAP World Fund	1,320,211
Capital Research & Management Co.	International Growth	American Funds EuroPacific Growth	200,780,883
Dimensional Fund Advisors, LP	Emerging Market Equity	Emerging Markets Core Equity	72,414,036
Invesco Advisers, Inc. <sup>3</sup>	Stable Value	N/A	1,626,929,269
Neuberger Berman Investment Advisers	Emerging Market Debt	N/A	274,896,749
Parnassus Investments	Socially Targeted Large Cap Core Equity	Core Equity Fund	154,277,894
PGIM Fixed Income	High Yield Bonds	N/A	166,693,848
Rothschild Asset Management <sup>4</sup>	Small/Mid Cap Domestic Equity	N/A	4,179
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	1,711,397,865
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	49,785,652
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	759,288,851
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	475,507,385
The Vanguard Group, Inc.	International Fixed Income	Total International Bond Index Fund	123,250,498
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	494,292,869
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	53,220,240
The Vanguard Group, Inc.	U.S. Real Estate	Real Estate Index Fund	201,855,025
Touchstone Investments <sup>2</sup>	International /Global Equity	Emerging Markets Growth Fund	74,362,617
UBS Trumbull Property	Private Real Estate	N/A	32,694,720
Wellington Management Co., LLP	International Equity	N/A	201,966,889
<b>Grand Total</b>			<b>\$ 6,953,433,273</b>

<sup>1</sup>Cash net of distributions liability held with Wells Fargo as well as with BNY Mellon (custodian) in the amount of \$2,386,758 is not included in the total above.

<sup>2</sup>Sub-Advised by Sands Capital Management, LLC.

<sup>3</sup>Includes Access and Affordability funds.

<sup>4</sup>Investment Manager terminated; funds in transition.



## APPENDIX D

<b>SCHEDULE OF INVESTMENT EXPENSES FOR THE YEAR ENDING JUNE 30, 2022</b>	
<b>DB529 Program</b>	<b>2022</b>
<b>Management Fees:</b>	
Domestic Equity Managers	\$ 55,903
International Equity Managers	1,461,317
Domestic Fixed Income Managers	2,795,369
International Fixed Income Managers	954,433
Multi Asset Credit Managers	527,278
Convertibles Managers	940,643
Private Equity Managers	3,877,570
Private Debt Managers	1,218,858
Private Real Estate Managers	2,056,318
Other Investment-Related Expenses*	1,881,985
<b>Total Management Fees</b>	<b>\$ 15,769,674</b>
<b>DC529 and Access and Affordability Programs</b>	
<b>2022</b>	
<b>Management Fees:</b>	
Domestic Equity	\$ 1,249,244
International Equity	3,860,999
Domestic Fixed Income	1,479,109
International Fixed Income	1,111,696
Real Estate	1,106,952
<b>Total Management Fees</b>	<b>\$ 8,808,000</b>

**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.

\*Other Investment-Related Expenses include custodial and other services (actuarial, proxy voting, investment consultant, etc.). These types of expenses, are charged directly to the DB529 fund as a fee is already charged to the Invest529 program.



## Other Information



**Virginia529™**  
**ABLEnow.**

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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 does not manage the day-to-day operations of the CollegeAmerica program. 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, 2022, approximately 2.6 million unique active accounts were open with net assets in excess of \$75.3 billion. American Funds defines unique active accounts as unique open account numbers at period end. Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected.

As of June 30, 2022, the CollegeAmerica program offered 46 American Funds mutual funds, offering six share classes. The six share classes offered are as follows: 529-A, 529-C, 529-E, 529-F-1, 529-F-2 and the 529-F-3. 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, 2022 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
<b>Growth funds</b>			
AMCAP Fund <sup>®</sup>	74,967	\$ 2,896,646	02/28/22
American Funds Global Insight Fund <sup>SM</sup>	480	10,413	10/31/21
American Funds International Vantage Fund <sup>SM</sup>	325	5,783	10/31/21
EuroPacific Growth Fund <sup>®</sup>	32,037	1,793,995	03/31/22
The Growth Fund of America <sup>®</sup>	13,796	1,940,333	08/31/21
The New Economy Fund <sup>®</sup>	20,408	1,311,704	11/30/21
New Perspective Fund <sup>®</sup>	59,143	3,890,226	09/30/21
New World Fund <sup>®</sup>	15,432	1,434,526	10/31/21
SMALLCAP World Fund <sup>®</sup>	30,891	2,672,086	09/30/21
<b>Growth-and-income funds</b>			
American Mutual Fund <sup>®</sup>	29,853	1,572,102	10/31/21
Capital World Growth and Income Fund <sup>®</sup>	73,066	4,683,950	11/30/21
American Funds Developing World Growth and Income Fund <sup>SM</sup>	5,055	63,050	11/30/21
Fundamental Investors <sup>®</sup>	57,454	4,355,907	12/31/21
International Growth and Income Fund <sup>SM</sup>	5,818	241,577	06/30/21
The Investment Company of America <sup>®</sup>	79,636	4,112,259	12/31/21
Washington Mutual Investors Fund <sup>SM</sup>	62,357	3,451,662	04/30/22
<b>Equity-income funds</b>			
Capital Income Builder <sup>®</sup>	41,712	2,881,149	10/31/21
The Income Fund of America <sup>®</sup>	87,826	2,270,266	07/31/21
<b>Balanced funds</b>			
American Balanced Fund <sup>®</sup>	208,645	6,970,884	12/31/21
American Funds Global Balanced Fund <sup>SM</sup>	11,036	441,016	10/31/21
<b>Bond funds</b>			
American High-Income Trust <sup>®</sup>	40,362	425,760	09/30/21
American Funds Inflation Linked Bond Fund <sup>®</sup>	7,704	86,963	11/30/21
The Bond Fund of America <sup>®</sup>	131,928	1,765,859	12/31/21
Capital World Bond Fund <sup>®</sup>	18,189	363,040	12/31/21
Intermediate Bond Fund of America <sup>®</sup>	48,653	674,180	08/31/21
Short-Term Bond Fund of America <sup>®</sup>	73,094	732,999	08/31/21
American Funds Strategic Bond Fund <sup>SM</sup>	10,606	120,322	12/31/21
U.S. Government Securities Fund <sup>®</sup>	18,985	269,757	08/31/21
American Funds Mortgage Fund <sup>®</sup>	4,065	41,532	08/31/21
American Funds Corporate Bond Fund <sup>®</sup>	7,536	84,208	05/31/21
American Funds Emerging Markets Bond Fund <sup>®</sup>	1,890	17,590	12/31/21
American Funds Multi-Sector Income Fund <sup>SM</sup>	1,290	13,702	12/31/21
<b>Money market fund</b>			
American Funds U.S. Government Money Market Fund <sup>SM</sup>	2,679,415	2,679,471	09/30/21
<b>American Funds College Target Date Series funds</b>			
American Funds College 2024 Fund <sup>®</sup>	248,766	3,138,048	10/31/21
American Funds College 2027 Fund <sup>®</sup>	194,616	2,676,743	10/31/21
American Funds College 2030 Fund <sup>®</sup>	197,360	3,053,458	10/31/21
American Funds College 2033 Fund <sup>®</sup>	156,020	2,234,975	10/31/21
American Funds College 2036 Fund <sup>®</sup>	98,322	1,352,655	10/31/21
American Funds College 2039 Fund <sup>SM</sup>	6,260	69,128	10/31/21
American Funds College Enrollment Fund <sup>®</sup>	296,669	2,977,843	10/31/21
<b>American Funds Portfolio Series<sup>SM</sup> funds</b>			
American Funds Global Growth Portfolio <sup>SM</sup>	34,958	885,894	10/31/21
American Funds Growth Portfolio <sup>SM</sup>	91,405	2,521,494	10/31/21
American Funds Growth and Income Portfolio <sup>SM</sup>	65,793	1,290,220	10/31/21
American Funds Moderate Growth and Income Portfolio <sup>SM</sup>	41,951	794,172	10/31/21
American Funds Conservative Growth and Income Portfolio <sup>SM</sup>	27,549	385,255	10/31/21
American Funds Preservation Portfolio <sup>SM</sup>	27,653	281,918	10/31/21

Data compiled from American Funds audited fund statements. Funds listed are those open as of June 30, 2022.

## CollegeAmerica

529 Share Class Net Assets as of June 30, 2022 (dollars and shares in thousands)

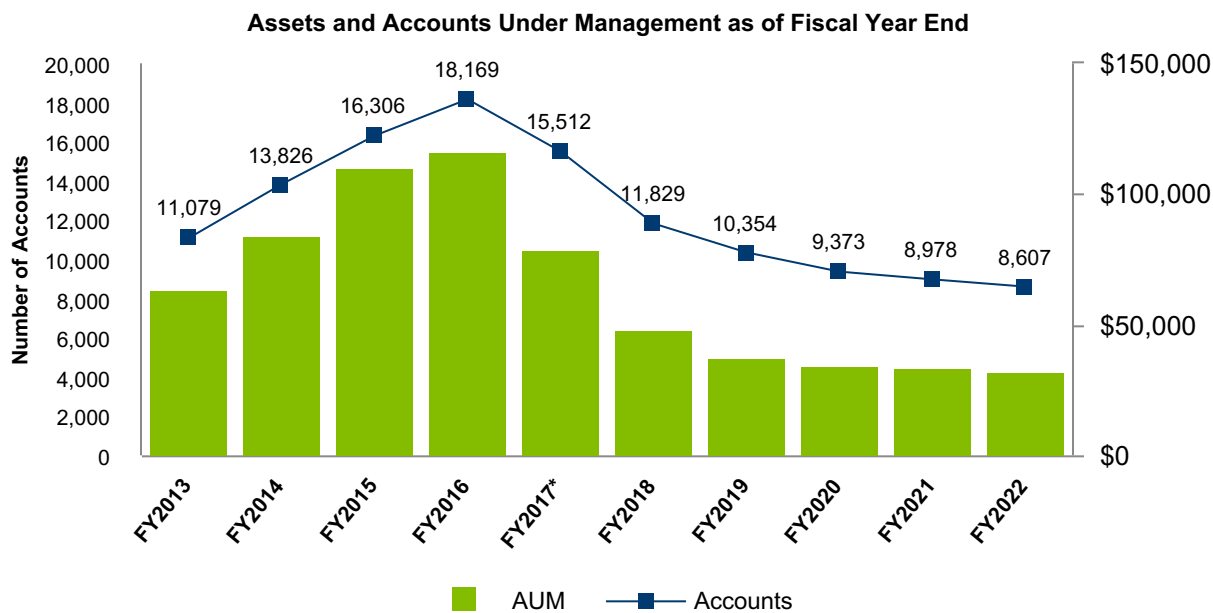
Fund	Shares	Net Assets
<b>Growth funds</b>		
AMCAP Fund <sup>®</sup>	80,200	\$ 2,335,394
American Funds Global Insight Fund <sup>SM</sup>	612	10,790
American Funds International Vantage Fund <sup>SM</sup>	395	5,325
EuroPacific Growth Fund <sup>®</sup>	31,882	1,513,937
The Growth Fund of America <sup>®</sup>	225,101	11,453,181
The New Economy Fund <sup>®</sup>	21,415	899,259
New Perspective Fund <sup>®</sup>	62,188	2,961,078
New World Fund <sup>®</sup>	16,028	1,040,155
SMALLCAP World Fund <sup>®</sup>	33,267	1,776,442
<b>Growth-and-income funds</b>		
American Mutual Fund <sup>®</sup>	32,580	1,569,081
Capital World Growth and Income Fund <sup>®</sup>	75,535	3,734,267
American Funds Developing World Growth and Income Fund <sup>SM</sup>	5,137	47,611
Fundamental Investors <sup>®</sup>	58,248	3,415,632
International Growth and Income Fund <sup>SM</sup>	6,089	190,592
The Investment Company of America <sup>®</sup>	79,681	3,247,876
Washington Mutual Investors Fund <sup>SM</sup>	64,548	3,263,160
<b>Equity-income funds</b>		
Capital Income Builder <sup>®</sup>	41,627	2,602,059
The Income Fund of America <sup>®</sup>	90,354	2,081,771
<b>Balanced funds</b>		
American Balanced Fund <sup>®</sup>	209,669	5,978,869
American Funds Global Balanced Fund <sup>SM</sup>	11,521	367,264
<b>Bond funds</b>		
American High-Income Trust <sup>®</sup>	40,062	360,558
American Funds Inflation Linked Bond Fund <sup>®</sup>	9,979	99,745
The Bond Fund of America <sup>®</sup>	128,044	1,518,598
Capital World Bond Fund <sup>®</sup>	17,573	292,297
Intermediate Bond Fund of America <sup>®</sup>	46,493	598,354
Short-Term Bond Fund of America <sup>®</sup>	72,639	697,939
American Funds Strategic Bond Fund <sup>SM</sup>	11,412	116,285
U.S. Government Securities Fund <sup>®</sup>	17,830	230,619
American Funds Mortgage Fund <sup>®</sup>	3,864	36,374
American Funds Corporate Bond Fund <sup>®</sup>	7,183	68,521
American Funds Emerging Markets Bond Fund <sup>®</sup>	1,985	14,671
American Funds Multi-Sector Income Fund <sup>SM</sup>	1,520	13,821
<b>Money market fund</b>		
American Funds U.S. Government Money Market Fund <sup>SM</sup>	2,918,506	2,918,506
<b>American Funds College Target Date Series funds</b>		
American Funds College 2024 Fund <sup>®</sup>	269,949	3,035,628
American Funds College 2027 Fund <sup>®</sup>	225,469	2,651,206
American Funds College 2030 Fund <sup>®</sup>	239,551	2,948,651
American Funds College 2033 Fund <sup>®</sup>	192,346	2,093,343
American Funds College 2036 Fund <sup>®</sup>	128,069	1,317,686
American Funds College 2039 Fund <sup>SM</sup>	24,494	208,935
American Funds College Enrollment Fund <sup>®</sup>	264,221	2,476,129
<b>American Funds Portfolio Series<sup>SM</sup> funds</b>		
American Funds Global Growth Portfolio <sup>SM</sup>	38,207	669,690
American Funds Growth Portfolio <sup>SM</sup>	101,924	1,934,193
American Funds Growth and Income Portfolio <sup>SM</sup>	72,892	1,130,941
American Funds Moderate Growth and Income Portfolio <sup>SM</sup>	44,933	699,846
American Funds Conservative Growth and Income Portfolio <sup>SM</sup>	29,797	365,808
American Funds Preservation Portfolio <sup>SM</sup>	27,390	263,236
<b>Total Assets</b>		<b>\$ 75,255,323</b>

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, 2022, there were 8,607 unique active accounts with net assets of \$32.5 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.



\* 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.

For 2022, individuals can save up to \$16,000 per year in an ABLE account. Earnings grow free of federal taxation and may be free of state taxation if benefits are used for qualified disability expenses.



### 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. (PNC) to offer the ABLEnow program through November 29, 2021 and renewed this contract during fiscal 2022 to extend through November 29, 2022. As of June 30, 2022, contract negotiations are in process for further renewal.

The first \$2000 in an ABLEnow account is automatically allocated to the PNC 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. The program offers an online portal and mobile application 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, 2022, 12,705 accounts were open with more than \$89.4 million in assets under management. More information on ABLEnow can be found at [www.ablenow.com](http://www.ablenow.com). The following below outlines the shares and net assets for the ABLEnow portfolios as of June 30, 2022.

### ABLEnow

#### Shares and Net Assets as of June 30, 2022 (dollars and shares in thousands)

Fund	Shares	Net Assets <sup>1</sup>
<b>Money market fund</b>		
Fidelity® Investments Money Market Government Portfolio	5,532	\$ 5,532
<b>LifeStrategy funds</b>		
Vanguard LifeStrategy® Growth Fund	500	18,012
Vanguard LifeStrategy® Income Fund	188	2,779
Vanguard LifeStrategy® Moderate Growth Fund	256	7,140
<b>Total Assets</b>		<b>\$ 33,463</b>

<sup>1</sup>PNC Bank NA, FDIC Insured Deposit Account of \$55,981,198, 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 with VA529. 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 does not manage the day-to-day operations of this program. VA529 has contracted these services with the American Funds through February 15, 2020.

Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2022, approximately 1,987 unique active accounts were open with net assets in excess of \$24.1 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.

There are two ABLE share classes offered the ABLE-A and ABLE F-2 share class. 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, 2022 for each fund are presented in the following charts.



# Statistical Section



**Virginia529™**  
**ABLEnow.**

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## Changes in net position for the past ten fiscal years (dollars in millions)

**Enterprise Fund**

Fiscal Year	2013	2014	2015*	2016	2017	2018*	2019	2020	2021	2022
Net Position - Beginning of year	\$ 74.2	\$ 219.5	\$ 513.6	\$ 546.3	\$ 589.7	\$ 783.8	\$ 784.6	\$1,029.4	\$1,068.2	\$1,650.9
Revenues										
Charges for sales and services and other	41.8	47.1	48.6	48.7	41.0	45.8	46.7	48.1	54.5	55.4
Net investment income/(loss)	159.2	253.7	27.5	0.6	255.6	135.2	131.1	43.6	624.1	(164.7)
DB529 contributions	99.8	106.9	111.7	97.2	107.4	114.4	128.6	3.6	28.3	38.1
Total Revenues	<u>\$ 300.8</u>	<u>\$ 407.7</u>	<u>\$ 187.8</u>	<u>\$ 146.5</u>	<u>\$ 404.0</u>	<u>\$ 295.4</u>	<u>\$ 306.4</u>	<u>\$ 95.3</u>	<u>\$ 706.9</u>	<u>\$ (71.2)</u>
Expenses										
Operating expenses	155.1	103.5	154.6	102.5	206.1	291.3	61.2	56.1	123.9	123.4
Non-operating expenses and transfers	0.4	0.3	0.5	0.6	0.9	3.4	0.4	0.4	0.4	0.4
Total expenses	<u>\$ 155.5</u>	<u>\$ 103.8</u>	<u>\$ 155.1</u>	<u>\$ 103.1</u>	<u>\$ 207.0</u>	<u>\$ 294.7</u>	<u>\$ 61.6</u>	<u>\$ 56.5</u>	<u>\$ 124.3</u>	<u>\$ 123.8</u>
Net Increase/(decrease) in net positions	<u>145.3</u>	<u>303.9</u>	<u>32.7</u>	<u>43.4</u>	<u>197.0</u>	<u>0.7</u>	<u>244.8</u>	<u>38.8</u>	<u>582.6</u>	<u>(195.0)</u>
Net Position - End of year	<u>\$ 219.5</u>	<u>\$ 523.3</u>	<u>\$ 546.3</u>	<u>\$ 589.7</u>	<u>\$ 786.8</u>	<u>\$ 784.6</u>	<u>\$1,029.4</u>	<u>\$1,068.2</u>	<u>\$1,650.9</u>	<u>\$1,455.9</u>

\*Beginning balance was re-stated

**Fiduciary Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net assets held in trust for program participants - Beginning of Year	\$1,960.7	\$2,301.9	\$2,810.8	\$3,072.6	\$3,329.2	\$3,944.7	\$4,521.9	\$5,103.6	\$5,626.2	\$7,318.5
Additions										
Contributions	322.2	353.2	400.4	433.8	551.7	666.7	708.6	780.6	935.7	1,042.9
Net investment income/(loss)	163.8	322.8	54.8	51.0	328.0	239.6	270.4	166.5	1,235.7	(833.4)
Total additions:	<u>486.0</u>	<u>676.0</u>	<u>455.2</u>	<u>484.8</u>	<u>879.7</u>	<u>906.3</u>	<u>979.0</u>	<u>947.1</u>	<u>2,171.4</u>	<u>209.5</u>
Deductions	<u>144.8</u>	<u>167.1</u>	<u>193.4</u>	<u>228.2</u>	<u>264.2</u>	<u>329.1</u>	<u>397.3</u>	<u>424.5</u>	<u>479.1</u>	<u>569.1</u>
Net increase/(decrease)	<u>341.2</u>	<u>508.9</u>	<u>261.8</u>	<u>256.6</u>	<u>615.5</u>	<u>577.2</u>	<u>581.7</u>	<u>522.6</u>	<u>1,692.3</u>	<u>(359.6)</u>
Net assets held in trust for program participants - End of Year	<u>\$2,301.9</u>	<u>\$2,810.8</u>	<u>\$3,072.6</u>	<u>\$3,329.2</u>	<u>\$3,944.7</u>	<u>\$4,521.9</u>	<u>\$5,103.6</u>	<u>\$5,626.2</u>	<u>\$7,318.5</u>	<u>\$6,958.9</u>

**Net Position by component for the past ten fiscal years (dollars in millions)****Enterprise Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Position -										
Net investment in capital assets	\$ 3.5	\$ 3.5	\$ 3.4	\$ 3.3	\$ 3.3	\$ 0.8	\$ 1.0	\$ 0.7	\$ 0.7	\$ 0.6
Restricted for net OPEB asset	—	—	—	—	—	—	0.4	0.3	0.3	0.5
Unrestricted	216.0	519.8	542.9	586.4	783.5	783.9	1,028.0	1,067.2	1,649.9	1,454.8
Total Enterprise Fund Net Position	<u>\$ 219.5</u>	<u>\$ 523.3</u>	<u>\$ 546.3</u>	<u>\$ 589.7</u>	<u>\$ 786.8</u>	<u>\$ 784.6</u>	<u>\$1,029.4</u>	<u>\$1,068.2</u>	<u>\$1,650.9</u>	<u>\$1,455.9</u>
Percent Change	195.9 %	138.4 %	4.4 %	7.9 %	33.4 %	(0.3)%	31.2 %	3.8 %	54.5 %	(11.8)%

**Fiduciary Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiduciary Net Position										
Net position held in trust for program participants	<u>\$2,301.9</u>	<u>\$2,810.8</u>	<u>\$3,072.6</u>	<u>\$3,329.2</u>	<u>\$3,944.7</u>	<u>\$4,521.9</u>	<u>\$5,103.6</u>	<u>\$5,626.2</u>	<u>\$7,318.5</u>	<u>\$6,958.9</u>
Percent Change	17.3 %	22.1 %	9.3 %	8.4 %	18.5 %	14.6 %	12.9 %	10.2 %	30.1 %	(4.9)%

## Revenues by source for the past ten fiscal years (dollars in millions)

**Enterprise Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Charges for sales and services	\$ 41.8	\$ 47.1	\$ 48.6	\$ 48.7	\$ 41.0	\$ 45.8	\$ 46.7	\$ 48.1	\$ 54.5	\$ 55.4
Net realized investment earnings	103.2	151.7	113.7	54.2	129.4	147.0	129.8	71.1	284.9	368.0
Net unrealized investment earnings	56.0	102.1	(86.2)	(53.6)	126.2	(11.8)	1.4	(27.5)	339.2	(532.7)
Contributions from customers	116.2	117.5	120.3	107.7	111.6	114.8	113.2	49.0	72.1	68.7
Actuarial contributions from customers	(16.4)	(10.5)	(8.6)	(10.5)	(4.2)	(0.3)	15.4	(45.4)	(43.8)	(30.6)
Total Revenues	<u>\$ 300.8</u>	<u>\$ 407.7</u>	<u>\$ 187.8</u>	<u>\$ 146.5</u>	<u>\$ 404.0</u>	<u>\$ 295.4</u>	<u>\$ 306.4</u>	<u>\$ 95.3</u>	<u>\$ 706.9</u>	<u>\$ (71.2)</u>
Percent Change	87.9 %	35.5 %	(53.9)%	(22.0)%	175.8 %	(26.9)%	3.7 %	(68.9)%	641.8 %	(110.1)%

**Fiduciary Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Participant contributions	\$ 321.4	\$ 353.2	\$ 400.4	\$ 433.8	\$ 551.7	\$ 666.7	\$ 708.6	\$ 780.6	\$ 935.7	\$1,042.9
Net realized investment earnings	72.7	63.7	160.2	95.7	126.9	414.8	186.4	182.7	263.4	261.5
Net unrealized investment earnings	91.9	259.1	(105.3)	(44.8)	201.1	(175.2)	84.0	(16.3)	972.4	(1,095.0)
Total additions:	<u>\$ 486.0</u>	<u>\$ 676.0</u>	<u>\$ 455.2</u>	<u>\$ 484.8</u>	<u>\$ 879.7</u>	<u>\$ 906.3</u>	<u>\$ 979.0</u>	<u>\$ 947.1</u>	<u>\$2,171.4</u>	<u>\$ 209.5</u>
Percent Change	64.5%	39.1 %	(32.7)%	6.5 %	81.5 %	3.0 %	8.0 %	(3.3)%	129.3 %	(90.4)%

**Actuarial Information for the past ten fiscal years (dollars in millions)**

**Enterprise Fund**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Value of DB529 assets	\$2,408.5	\$2,663.7	\$2,663.2	\$2,625.3	\$2,835.0	\$2,919.9	\$3,020.9	\$2,881.2	\$3,354.5	\$3,025.3
Present value of DB529 obligations	\$2,189.0	\$2,140.4	\$2,116.8	\$2,035.6	\$2,048.2	\$2,135.3	\$1,991.5	\$1,831.0	\$1,734.0	\$1,613.8
Actuarial reserve/(deficit)	\$ 219.5	\$ 523.3	\$ 546.4	\$ 589.7	\$ 786.8	\$ 784.6	\$1,029.4	\$1,050.2	\$1,620.5	\$1,411.5
Actuarial funded status	110.0 %	124.4 %	125.8 %	129.0 %	138.4 %	136.7 %	151.7 %	157.4 %	193.5 %	187.5 %

**Investment return rates for the past ten fiscal years**

*Time-weighted average rates, net of fees*

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>DB529 Program</b>	8.40%	11.83%	1.16%	0.10%	10.70%	5.18%	4.92%	1.64%	23.63%	(5.35)%

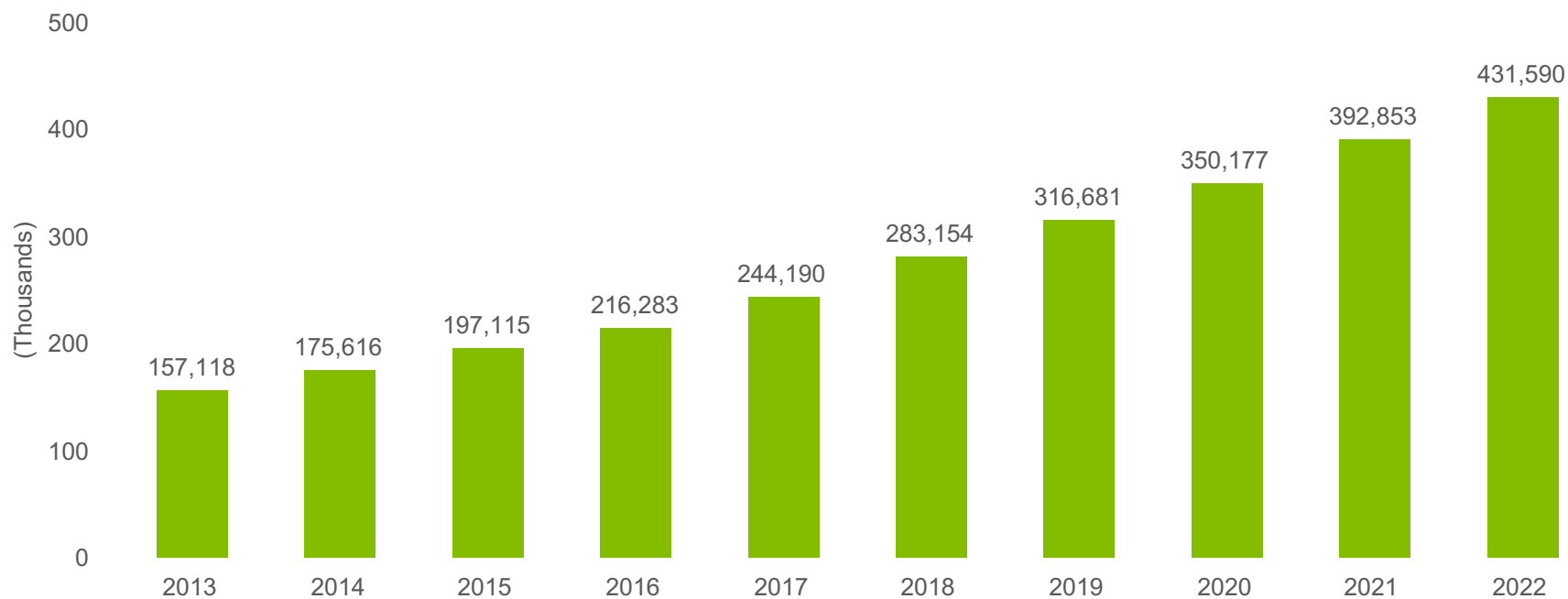
**Investment return rates for the past ten fiscal years, continued***Time-weighted average rates, net of fees*

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>DC529 Program</b>										
2039 Portfolio									33.16 %	(14.55)%
2036 Portfolio						7.26 %	4.81 %	(0.08)%	30.43 %	(14.13)%
2033 Portfolio			1.38 %	(0.66)%	13.81 %	6.86 %	4.77 %	0.77 %	26.22 %	(13.03)%
2030 Portfolio	13.20 %	16.91 %	1.68 %	(0.39)%	12.40 %	6.24 %	4.97 %	1.47 %	22.12 %	(12.01)%
2027 Portfolio	11.90 %	15.88 %	1.23 %	0.34 %	10.71 %	5.38 %	5.08 %	2.18 %	18.34 %	(9.78)%
2024 Portfolio	10.45 %	14.14 %	1.32 %	0.94 %	9.26 %	4.69 %	4.75 %	3.00 %	12.64 %	(6.44)%
2021 Portfolio	8.99 %	12.72 %	1.19 %	1.33 %	7.12 %	3.65 %	4.27 %	3.81 %	4.47 %	(1.84)%
2018 Portfolio	7.47 %	11.09 %	0.77 %	2.21 %	3.74 %	1.93 %	3.37 %	2.73 %	1.71 %	1.42 %
ESG Core Equity Portfolio	23.69 %	27.07 %	4.50 %	4.03 %	14.38 %	11.77 %	17.33 %	6.78 %	42.65 %	(11.31)%
Global Equity Portfolio								0.67 %	46.13 %	(18.63)%
Aggressive Growth Portfolio	14.64 %	19.88 %	3.17 %	(0.61)%	14.83 %	9.34 %	6.21 %	3.66 %	31.93 %	(14.87)%
Moderate Growth Portfolio	10.64 %	15.79 %	2.94 %	1.32 %	10.84 %	7.15 %	6.75 %	4.95 %	23.17 %	(13.64)%
Conservative Income Portfolio	2.75 %	7.94 %	2.36 %	4.72 %	3.05 %	2.76 %	7.53 %	6.90 %	7.08 %	(11.32)%
Active Aggressive Portfolio					14.12 %	7.30 %	5.01 %	(0.71)%	33.14 %	(14.98)%
Active Moderate Portfolio					9.99 %	5.06 %	5.39 %	1.66 %	21.41 %	(12.32)%
Active Conservative Portfolio					5.77 %	3.08 %	5.18 %	2.88 %	11.19 %	(7.57)%
Total Stock Market Index Fund	21.23 %	24.98 %	7.04 %	1.95 %	18.42 %	14.74 %	8.90 %	6.31 %	44.26 %	(14.30)%
Total Bond Market Index Fund	(1.01)%	4.13 %	1.60 %	5.99 %	(0.54)%	(0.61)%	7.77 %	8.93 %	(0.49)%	(10.43)%
Total International Stock Portfolio	13.37 %	22.25 %	(4.75)%	(9.26)%	19.98 %	7.03 %	0.50 %	(4.13)%	36.43 %	(18.97)%
Total Inflation-Protected Securities Fund	(5.23)%	4.30 %	(1.95)%	4.59 %	(0.88)%	1.83 %	4.61 %	8.05 %	6.41 %	(5.05)%
REIT Index Fund	8.77 %	13.22 %	3.70 %	23.74 %	(1.95)%	2.22 %	12.14 %	(7.06)%	34.29 %	(8.09)%
Stable Value Portfolio	1.47 %	1.27 %	1.45 %	1.57 %	1.69 %	1.95 %	2.34 %	2.39 %	1.72 %	1.42 %
FDIC-Insured Portfolio						0.63 %	1.87 %	2.00 %	0.99 %	0.80 %

## Customers by Program



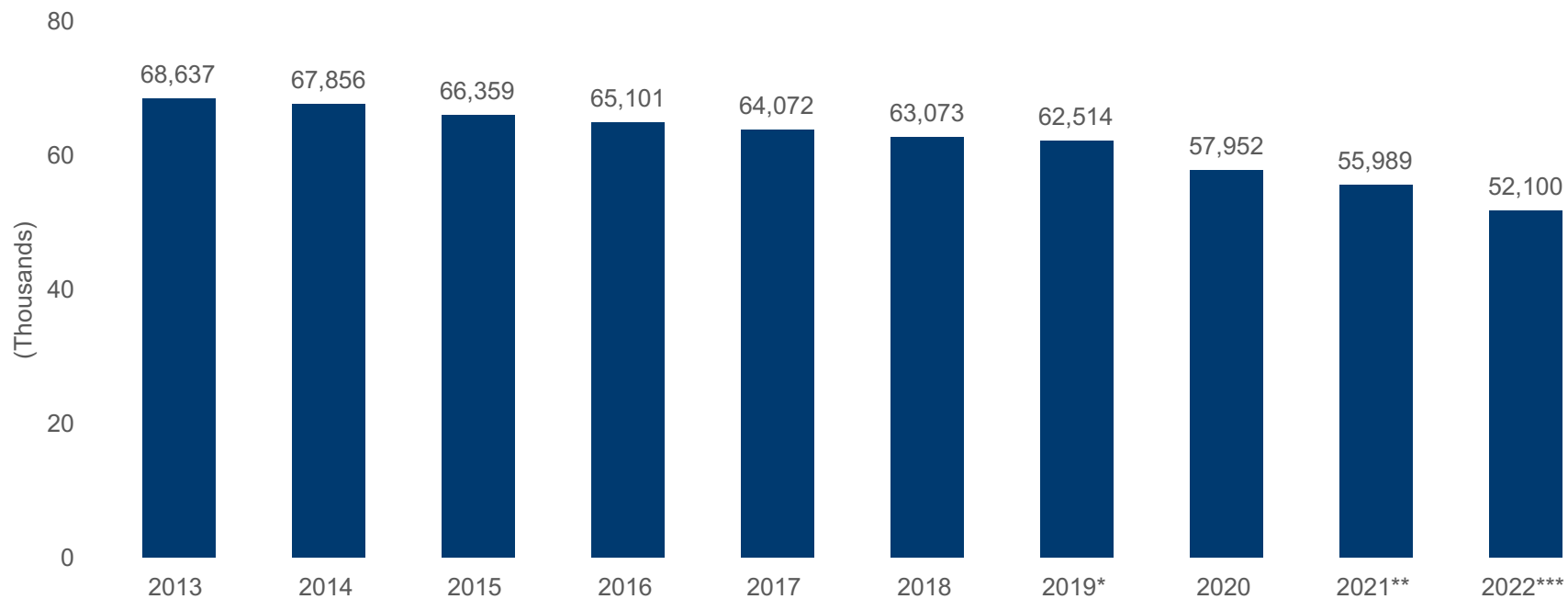
Active Accounts by Fiscal Year





## Defined Benefit 529 Program

Active Accounts by Fiscal Year



\*Prepaid529 was closed to new participants in fiscal 2019

\*\*Tuition Track Portfolio was opened as the successor program to Prepaid529 in fiscal 2021

\*\*\*In fiscal 2022, approximately 1,800 accounts were closed due to exceeding their 10-year expiration; these accounts were transitioned to the FDIC-Insured Portfolio within the Invest529 program.