



# Leading the Way

FY2013 IN REVIEW



Virginia**529**   
College Savings Plan

# Leading the Way to Higher Education

In Fiscal Year 2013 (FY13), ending June 30, 2013, families in Virginia and across the country continued their commitment to planning and saving for future higher education expenses and participating in the four programs offered by Virginia529 College Savings Plan<sup>SM</sup> (Virginia529<sup>SM</sup>).

Virginia529 ended FY13 with **2.3 million** accounts and more than **\$43 billion** in assets under management, which continue to make it the largest 529 plan in the United States. A trusted leader in the 529 industry since offering its first prepaid tuition contract in 1996, Virginia529 aims to offer programs that appeal to every budget and saving or investment strategy.

In Virginia529's two direct-sold savings programs, inVEST<sup>SM</sup> and CollegeWealth<sup>®</sup>, assets under management swelled **19 percent** and new accounts grew by **12 percent**. Contributions to the advisor-sold CollegeAmerica<sup>®</sup> increased **16 percent** and accounts grew by **3 percent**.

One of only 11 active prepaid tuition programs in the country, Virginia529 prePAID<sup>SM</sup> remained a popular component of Virginia529's program offerings. The number of contracts sold in FY13 grew **4 percent** and the program's funded status increased to **110 percent**. Program changes, including the addition of more affordable semester contracts and certainty in conversion values, enhanced prePAID.

Virginia529 remains committed to continued achievements in FY14, being responsible stewards of the funds in our care and providing the best customer service to current and future participants. This FY13 summary highlights key data and program enhancements. Complete financial reports and program information are available at Virginia529.com.



## Quick Stats

As of June 30, 2013 | Agency inception date: 1994

1,334,197 - Unique account owners

2,296,190 - Total unique active accounts<sup>i</sup>

**\$43.5 billion** - Assets under management

**Flexibility** **Convenience** **Investment Options** **Low Fees**  
**Tax-free Growth**  
**Highly Ranked**  
**Program Variety** **Tax Deductions**



## Making a (New) Name for Ourselves

To reinforce the established Virginia529 brand and more clearly convey program objectives and benefits, Virginia529 renamed two programs in November 2012. The Virginia Prepaid Education Program<sup>SM</sup> (VPEP<sup>SM</sup>) became Virginia529 prePAID and the Virginia Education Savings Trust<sup>SM</sup> (VEST<sup>SM</sup>) changed to Virginia529 inVEST<sup>SM</sup>. To complement these name changes, Virginia529 introduced a new logo for each program.

**Virginia529**  
inVEST



**Virginia529**  
prePAID



“The prePAID and inVEST accounts I have for my grandchildren have been the best, and certainly the most rewarding, investments I have ever made.”

— Ogle, Richmond, VA

## Taming the Tuition Monster

In November 2012, Virginia529 introduced a new brand icon: Tuition Monster, a character that personifies parents' anxiety about financing their children's education. Of course, the Tuition Monster can be tamed—if families prepare with a Virginia529 plan. The mortarboard-wearing character stars in television commercials and makes live appearances around the Commonwealth, receiving a warm reception from both kids and adults while raising awareness of Virginia529 and its mission.



# Enhancing Options



As part of its mission to make college more affordable and accessible, Virginia529 introduced semester contracts and expanded payment options for the FY13 prePAID enrollment period. The cost of tuition and prePAID contracts may continue to rise, but semester contracts reduce by half the cost of getting started compared to prior years when only year contracts were available.

prePAID semesters are priced in two levels: Tier I which covers one semester at a four-year institution and Tier II which covers one semester at a two-year institution. In FY13, to promote the flexibility of the tiers, Virginia529 more actively advertised conversion ratios that determine how Tier II contracts may be used at four-year institutions and vice versa. As with pricing, conversion ratios are fixed for each enrollment period.

prePAID benefits fund future undergraduate in-state tuition and mandatory fees at Virginia public two- and four-year colleges and universities, eliminating some uncertainty about the rising cost of higher education. prePAID benefits also may be applied to costs at private Virginia colleges and universities and schools outside of Virginia, but the benefits differ.

**11% +**  
of contracts purchased during the 2012-13 enrollment period were single semesters.



Virginia is one of 11 states currently offering a prepaid tuition program.



## Quick Stats

*As of June 30, 2013 | Inception date: 1996*

44,008 - Unique account owners

68,637 - Total unique active accounts<sup>i</sup>

**\$2.1 billion** - Assets under management

1. Get Started  
2. Select Purchase Options

**Number of Semesters**  
(Start here or go to straight to Payment Options)

SELECT a number of Tier I and/or Tier II semesters:

Number of **Tier I** semesters:

and/or

Number of **Tier II** semesters:

[Information on Tier Structures](#)

Next, SELECT Payment Options OR CALCULATE now.

**Payment Options**

Down Payment  Monthly Payments

Virginia529 prePAID Tuition Calculator Results

Anticipated Usage Fall of **2029**

Maximum number of months to pay: **181**

The cost of **2 Tier II** Semesters:

Lump Sum Payment: **\$5,800**

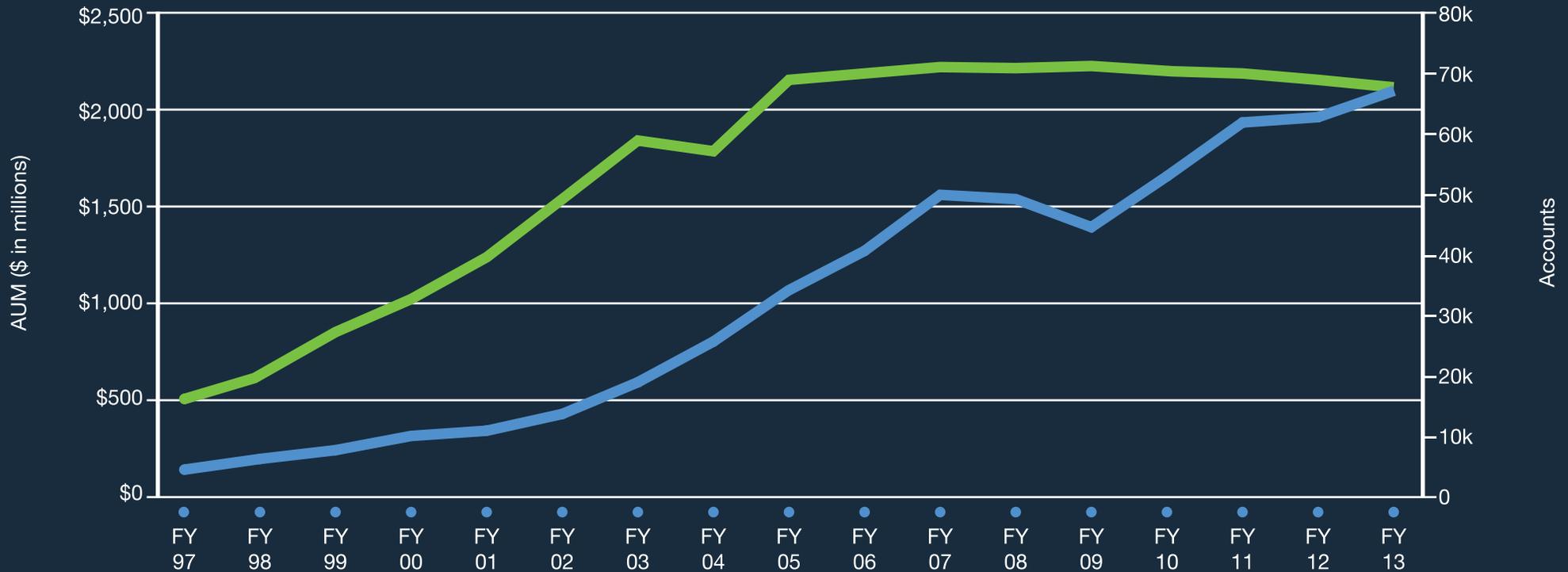
OR

Monthly payments of **\$55** per month until the year **2029**.

**Interactive**  
online calculator, new in 2012, helps customers calculate the prePAID pricing and semester options that best fit their needs.

# prePAID Assets Under Management and Total Accounts

■ Assets Under Management (AUM) (as of fiscal year end June 30)  
■ Accounts<sup>1</sup>



# Virginia529 prePAID is 110% funded as of June 30, 2013



Funded status is an actuarial measure used by defined benefit programs, such as retirement and prepaid tuition programs, to measure long-term financial health and a program's ability to meet future obligations.

Two key components used in determining the actuarial funded status of a prepaid program are the long-term portfolio return assumption and the long-term tuition increase assumption of the program.

Long-Term Portfolio Return Assumption		
	Assumption	Actual <sup>a</sup>
FY09	7.00%	-16.30%
FY10	7.00%	17.70%
FY11	7.00%	19.00%
FY12	6.75%	1.00%
FY13	6.75%	8.40%

Long-Term Tuition Increase Assumption		
	Assumption	Actual <sup>b</sup>
FY10	7.50%	5.30%
FY11	7.50%	10.50%
FY12	7.50%	8.00%
FY13	7.50%	4.00%
FY14	7.50%	4.70%

<sup>a</sup>Represents annual one-year return for prePAID Portfolio

<sup>b</sup>Represents annual increase in tuition and total mandatory fees for Virginia public four-year institutions as reported by the State Council of Higher Education for Virginia

“Being protected from tuition increases and the ups and downs of the stock market made prePAID a low-stress way of saving.”

— Fred, Springfield, VA

# Virginia529 prePAID Portfolio Investment Information

(as of June 30, 2013)

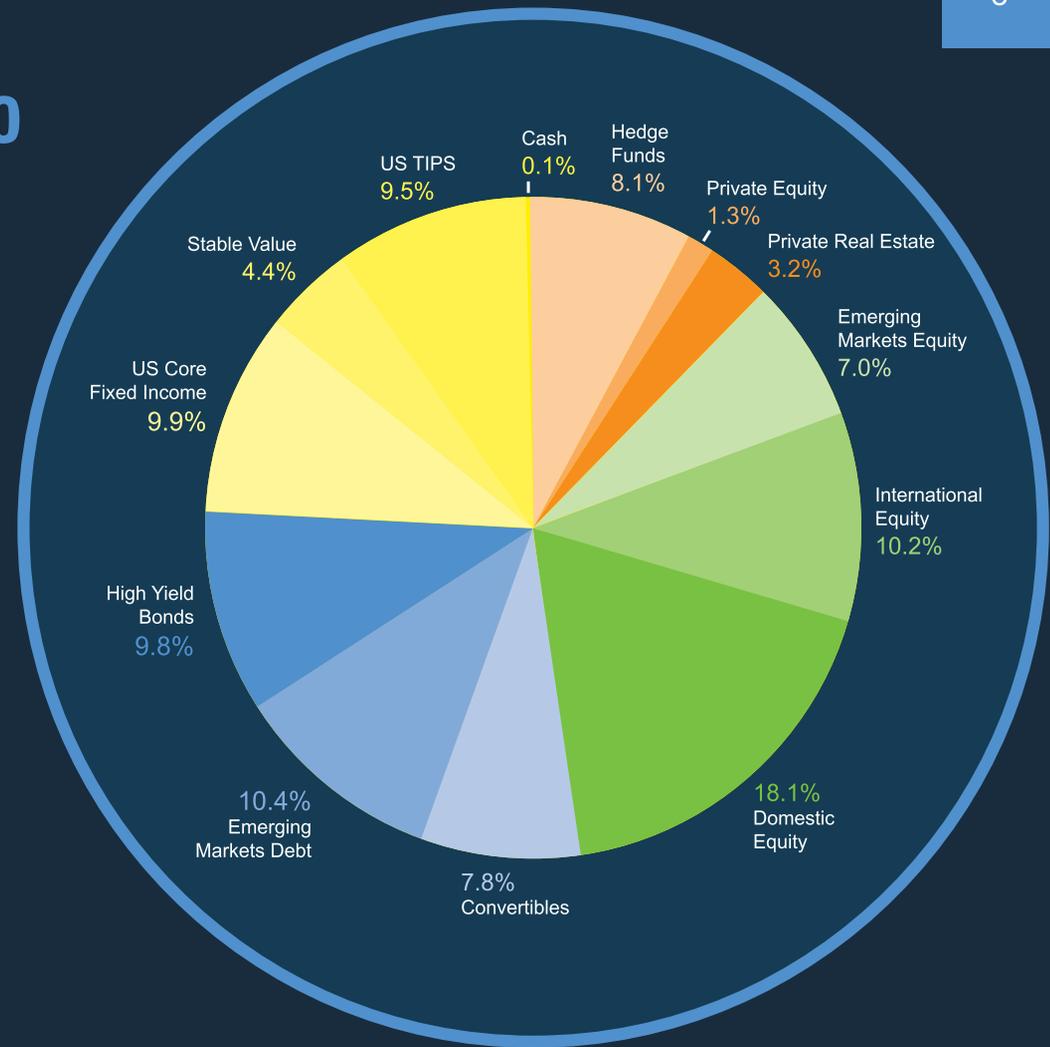
Virginia529 invests the prePAID portfolio pursuant to statute and investment policies and guidelines under the direction of the Virginia529 Board and its Investment Advisory Committee. The asset allocation strategy for the prePAID portfolio provides a diversified mix of equity, fixed income and alternative investments designed to provide a reasonable return on investment while maintaining necessary liquidity, combined with an appropriate level of risk.

The current prePAID asset allocation is:

Asset Category	Actual	Target
Core Fixed Income	24.0%	25.0%
Alternatives	12.6%	15.0%
Equities	35.4%	32.5%
Non-Core Fixed Income	28.1%	27.5%

Each major asset category includes a number of asset classes. Detail on the asset classes and percent of each category as of June 30, 2013 are illustrated on the right.

*Amounts may not sum due to rounding. Asset allocation subject to change.*



## prePAID Portfolio Return (as of June 30, 2013)

	Current Market Value	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>\$2,141,360,647</b>	<b>8.4%</b>	<b>9.2%</b>	<b>5.2%</b>	<b>7.1%</b>	<b>6.4%</b>	<b>Oct-97</b>
<i>prePAID Total Fund Benchmark</i>		<i>8.7%</i>	<i>9.7%</i>	<i>4.8%</i>	<i>5.8%</i>	<i>5.4%</i>	<i>Oct-97</i>

# Reporting Results



Virginia529 inVEST is a defined contribution plan, similar to certain types of self-directed retirement plans. It provides a range of investment options for those who want more flexibility and choice in their college savings strategy.

inVEST portfolios are of two basic types—age-based evolving and static—that provide a range of investment options in equity and fixed income investments to meet many investment styles, from conservative to aggressive.

To provide better and more complete information about inVEST performance, Virginia529 enhanced performance reporting in FY13, adding daily net asset values (NAV) and timely historical performance and expense ratio information at Virginia529.com.

inVEST continues to outpace the 529 industry in growth of assets and accounts, receiving more than **\$319 million** in contributions in FY13 and increasing new accounts by **11 percent** and increasing assets under management by **18 percent** over the prior fiscal year.

“Our college savings are on autopilot thanks to inVEST and monthly automatic contributions!”

—Russell, Virginia Beach, VA

## Daily Performance Updates

Account owners can view the daily performance of inVEST's Age-Based Evolving and Non-Evolving Portfolios at Virginia529.com



## Quick Stats

As of June 30, 2013 | Inception date: 1999

73,194 - Unique account owners

157,118 - Total unique active accounts<sup>i</sup>

**\$2.3 billion** - Assets under management

Virginia529 College Savings Plan  
Affordable, Flexible, Tax-Advantaged College Savings

Home Saving with 529 Plans Programs Features & Benefits About VA529 Resources Contact What's New

inVEST<sup>SM</sup> Performance

Age-Based Evolving Portfolios

Investment Portfolio	Market values as of 1/2/2014			Total Returns as of 11/30/2013*							Expense Ratio	
	Unit Value	Daily Change	YTD Return as of 1/2/2014	1 Month	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception		Inception Date
<b>Rappahannock</b>												
80% Equity / 20% Fixed Income	\$ 10.00	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Jan 2014	0.79%
<b>Benchmark</b>				N/A	N/A	N/A	N/A	N/A	N/A	N/A		
<b>James River</b>												
80% Equity / 20% Fixed Income	\$ 12.75	-0.94%	-0.95%	0.37%	8.53%	15.71%	N/A	N/A	N/A	8.74%	Jan 2011	0.79%
<b>Benchmark</b>				0.24%	8.56%	16.50%	N/A	N/A	N/A	8.61%		
<b>Eastern Shore</b>												
70% Equity / 30% Fixed Income	\$ 13.01	-0.85%	-0.85%	0.46%	7.96%	14.23%	9.90%	13.63%	N/A	8.92%	Feb 2008	0.71%

# inVEST Assets Under Management and Total Accounts

Assets Under Management (AUM)

(as of fiscal year end June 30)

Accounts<sup>i, ii</sup>



# Leading the Pack

## CollegeAmerica

CollegeAmerica's assets grew by **18.4 percent** to **\$38.9 billion** in FY13, extending its position as the largest single 529 program in the country. Available through financial advisors, CollegeAmerica is distributed throughout the country as a truly national college savings program and offers a full lineup of American Funds investment options.

In FY13, Virginia529 and American Funds introduced target date funds to CollegeAmerica's investment lineup. The seven new funds offer investors convenient, low-maintenance choices that automatically become more conservative as the beneficiary's projected college enrollment date approaches. The target date funds were popular with investors, garnering **30 percent** of total CollegeAmerica contributions for the year, with more than **\$1 billion** in investments.



## Quick Stats

*As of June 30, 2013 | Inception date: 2002*

1,209,500 - Unique account owners

2,059,356 - Total unique active accounts<sup>iii</sup>

**\$38.9 billion** - Assets under management



 **WINNER**  
of Morningstar Silver medal

 **TOP FIVE**  
529 plan, ranked by  
*Money Magazine*

 **HIGHLY RANKED**  
among advisor-sold programs

“CollegeAmerica's ever-present strengths preserve its lead over most advisor-sold 529 plans.”

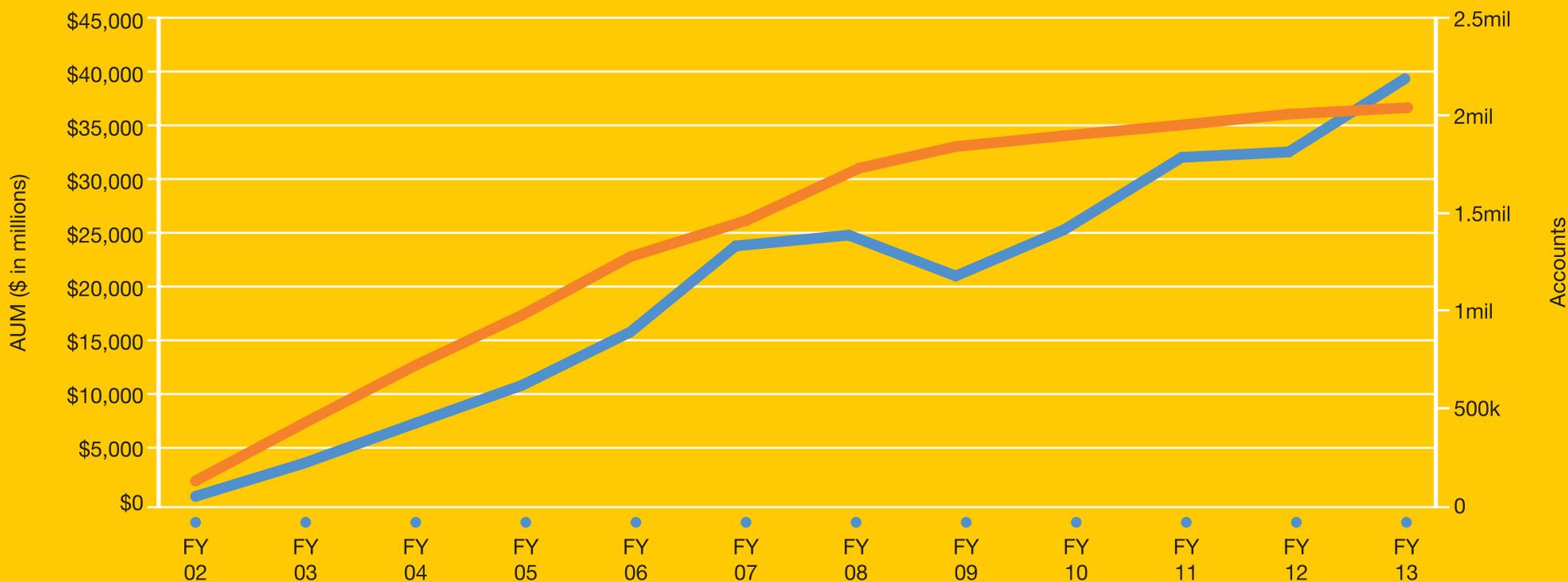
—Morningstar (Oct 2013)

# CollegeAmerica Assets Under Management and Total Accounts

Assets Under Management (AUM)

(as of fiscal year end June 30)

Accounts<sup>iii</sup>



# Growing Appeal

## CollegeWealth

Virginia529's newest program offering, CollegeWealth, continued to experience strong growth in FY13, with assets under management increasing **52.7 percent** to more than **\$63.4 million**.

CollegeWealth's FDIC-insured saving accounts appeal to conservative savers with its competitive interest rate of a minimum **2 percent** APY throughout FY13. Higher interest rates applied to larger balances.

CollegeWealth also is a popular option for participants with shorter time horizons, such as families with children close to college age who may be most concerned with principal preservation.



## Quick Stats

*As of June 30, 2013 | Inception date: 2007*

7,495 - Unique account owners

11,079 - Total unique active accounts<sup>1</sup>

**\$63.4 million** - Assets under management

Partners

**BB&T**

**UNION**<sup>®</sup>  
Union First Market Bank

### CollegeWealth Contributions by Fiscal Year (\$ in millions)



“Thanks to CollegeWealth we had a great return on our savings even during the economic downturn.”

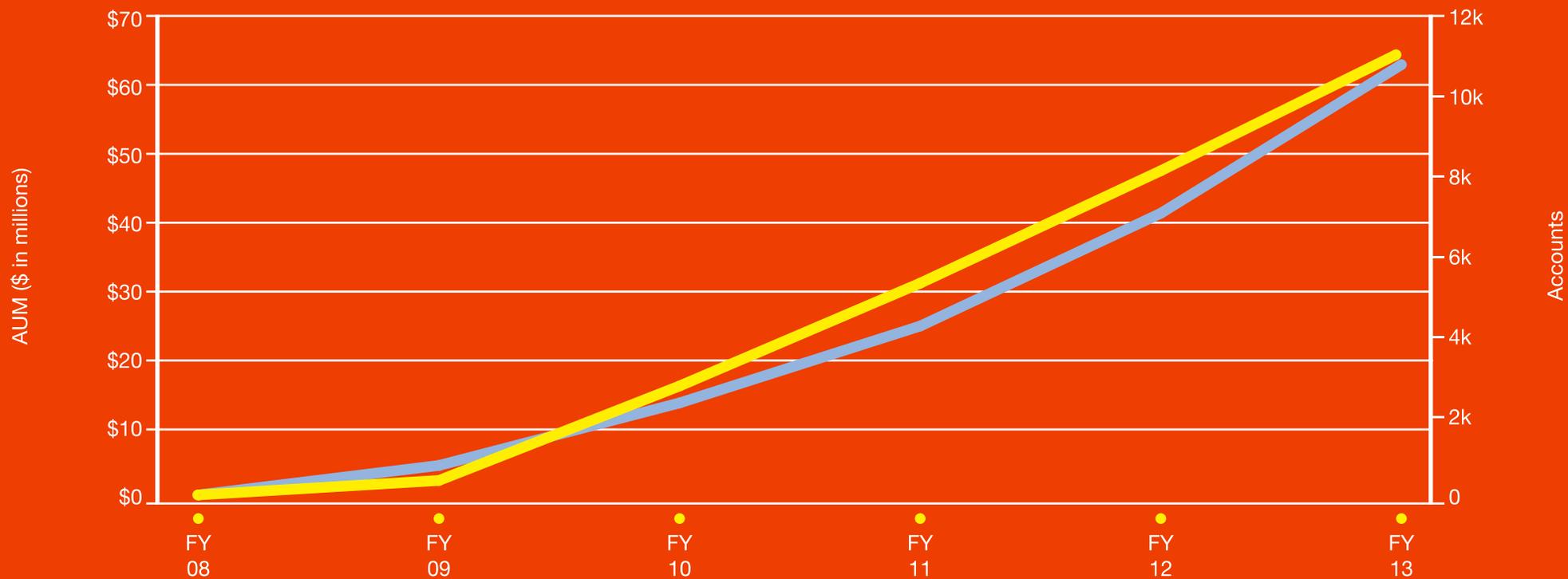
— Samantha, Arlington, VA

# CollegeWealth Assets Under Management and Total Accounts

Assets Under Management (AUM)

(as of fiscal year end June 30)

Accounts<sup>i</sup>



# \$3 Billion for Education Expenses

As Virginia529 programs mature, distributions accelerate as families use their Virginia529 accounts to pursue their higher education dreams. Virginia529 distributed \$3 billion from its four programs in FY13.

## FY13 Distributions

CollegeAmerica	<b>\$2.8</b> billion
inVEST	<b>\$129.1</b> million
prePAID	<b>\$112.7</b> million
CollegeWealth	<b>\$7.9</b> million

Distributions may be paid either directly to colleges and universities or to account owners/beneficiaries for reimbursement of qualified higher education expenses or to third parties for books, rent and other qualified expenses. In FY13, \$122.8 million was paid directly to Virginia public two- and four-year colleges and universities on behalf of account beneficiaries.

“Once you need to actually use your Virginia529 plan, the process is seamless. My son’s school sends the tuition bill and Virginia529 pays it within days.”

—Tina, Fairfax, VA

## Top Schools Receiving Funds Directly from Virginia529

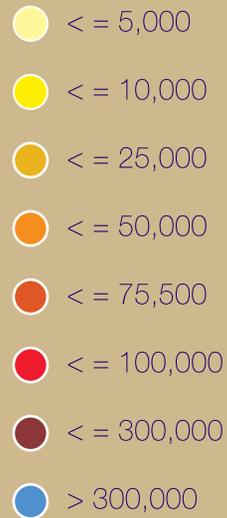
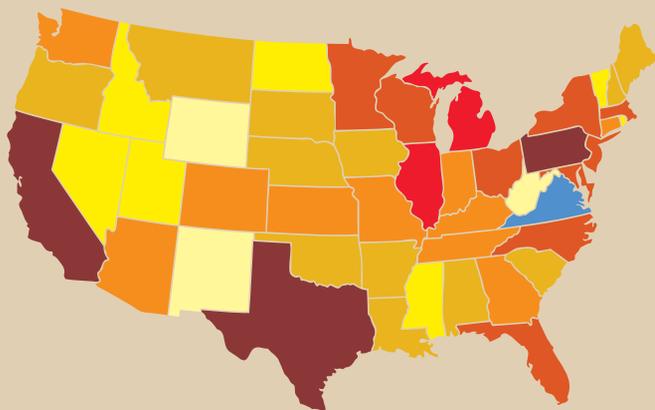
( Numbers represent percentage of total dollars paid to Virginia public schools. )



# Customers Across the U.S.

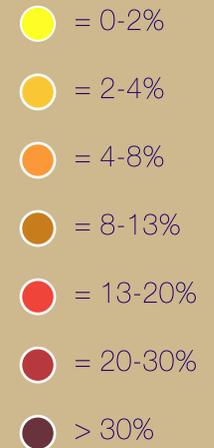
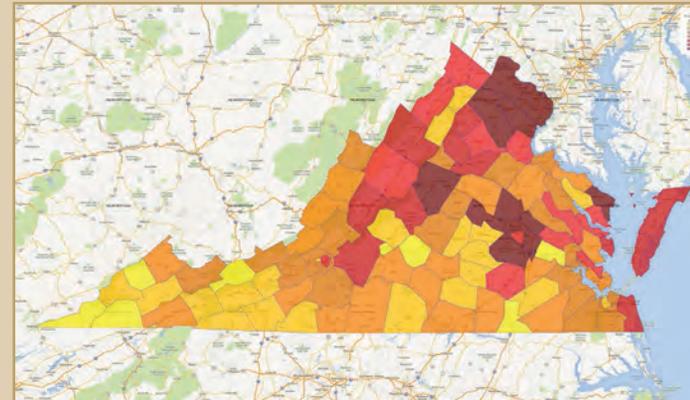
Families across America trust Virginia529 with their college savings, with students using their Virginia529 accounts at schools across the country. The map below shows the density of Virginia529 accounts by state. As expected, the largest number of accounts are owned by Virginians, but the plan is well represented in all states. Participants evaluate many factors in deciding which 529 program best fits their needs and should always consider any particular tax or other benefits provided by the program offered by their state of domicile. Virginia529's mission is to offer superior, affordable, innovative, tax-advantaged college savings options to all families and individuals as they pursue their higher education goals.

## Virginia529 Accounts by State



## Virginia529 Accounts by Locality

( Numbers represent percentage of locality households. )



“After much research into all the state 529 plans, I deemed Virginia529 most worthy for my daughter’s college savings.”

—Christopher, Henderson, NV

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# Helping Students Aspire and Succeed

Virginia529 is committed to reaching families throughout Virginia across all demographics including age, household income, geography and ethnicity. SOAR Virginia® is an early commitment scholarship pilot program sponsored by Virginia529 providing scholarships and advising and assistance in finding sources of financial aid and preparing for higher education. Virginia529 partners with college access providers across Virginia to implement the program.

SOAR Virginia is offered in more than 40 high schools from the Eastern Shore to Lee County in Southwest Virginia, reaching students in 13 of the Commonwealth's 17 highest-need school districts (as determined by the State Council of Higher Education for Virginia.) SOAR Virginia assists low- and moderate-income families who aspire to higher education. SOAR Virginia scholars must meet program pledge criteria and, in exchange, they receive program resources including potentially \$2,000 over three years of participation.

Although still in pilot, the program will serve some 1,000 students in academic year 2013-14.



College Access Partners



“SOAR Virginia taught me that if you really want to do something, you can.”

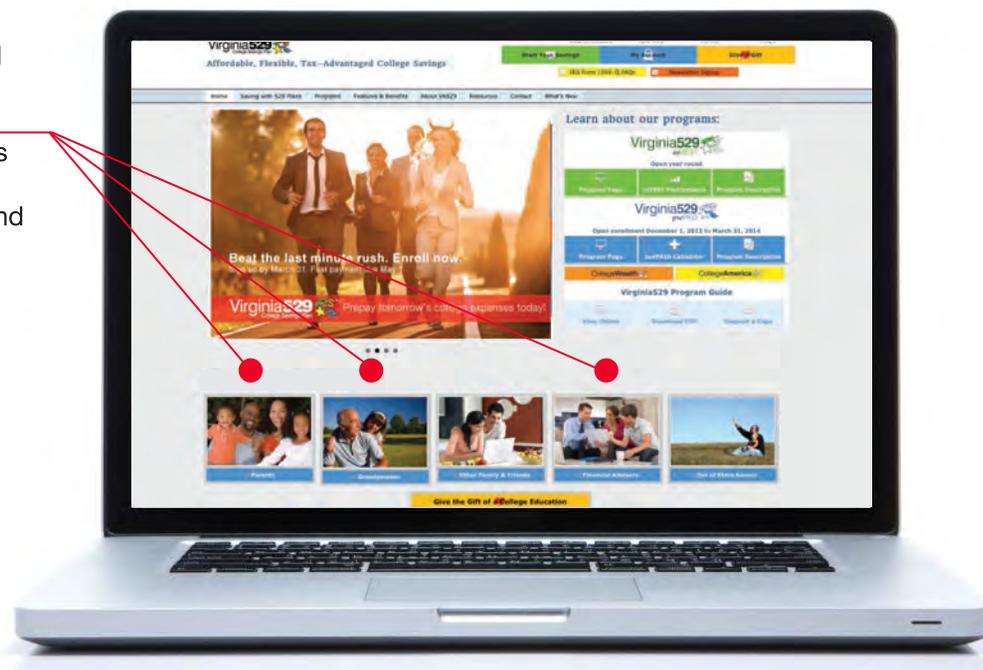
—Shanice, SOAR Virginia scholar, Beaverdam, VA

# Rebooting Virginia529.com

The Virginia529.com website re-launched in June 2013 with a fresh look and a reorganized navigation structure. Because Virginia529 serves a variety of stakeholders with unique needs, the new site includes sections for **parents, grandparents and financial advisors**. In addition, the site's fluid design allows it to adapt to a variety of operating systems, including desktops and mobile devices, reflecting consumers' increasing use of smartphones to research and conduct business online.

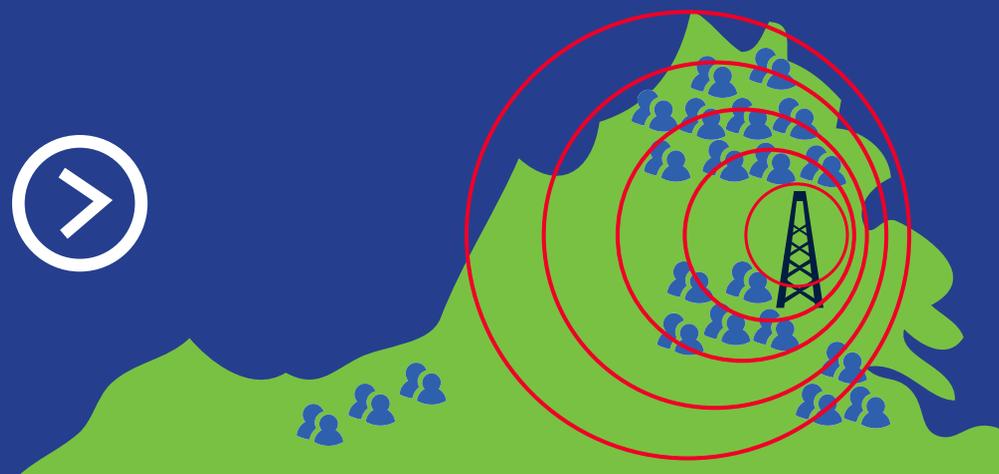
“My husband and I are much more aware of the need to be saving, thanks to Virginia529’s informational resources.”

—Kristen, Charlottesville, VA



Virginia529 initiated a newsletter in 2013 to communicate program news, changes, deadlines and promotions by email.

The VA529 Xpress e-newsletter reaches **100,000** current and potential account holders with each issue.



# Spreading the Word

Celebrated annually on May 29, 529 College Savings Day (529 Day) is one way Virginia529 raises awareness about the importance of saving for higher education and the tax advantages of 529 plans. From radio ads to contests, Virginia529 made the 529 Day celebration in 2013 its largest yet.

To encourage people to visit the Virginia529 website or become fans on Facebook, the agency offered two \$5,000 accounts, one to an existing account owner (to encourage regular saving) and the other to a family not already saving with Virginia529 (to encourage getting started). More than 6,000 people entered the online contest.

In addition, Virginia529 expanded its 529 Day baby initiative, which awards babies born closest to 5:29 p.m. on May 29 with \$529 accounts. Virginia529 partnered with 21 hospitals in 2013, nearly tripling the number of hospitals that participated in 2012.



**250+**  
mentions  
across all  
platforms



Print



Online



Radio



Social  
Media



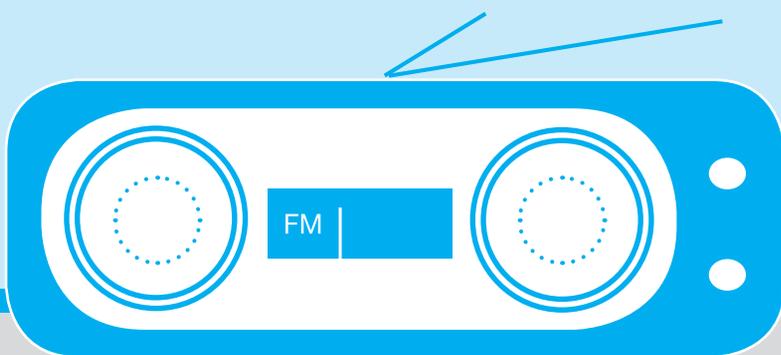
TV



Jennifer, Mechanicsville, VA



Martine, Fairfax Station, VA



**39** minutes of TV news coverage seen by **1.2 million** viewers



**30** radio interviews ranging in length from 1 to 20 minutes



**\$25,000** in savings accounts awarded

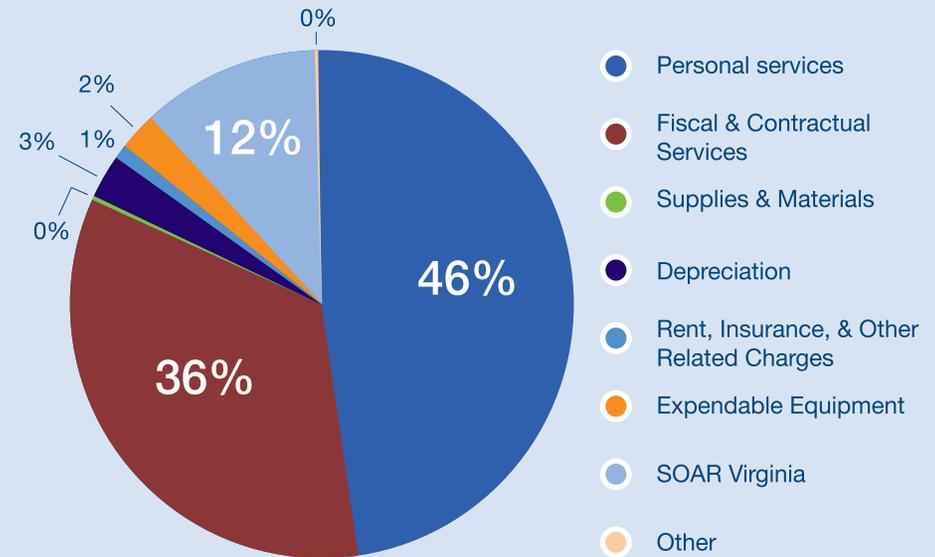


# Crunching Numbers

Virginia529 prepares an Annual Financial Report (the Report) pursuant to Virginia Code § 23-38.84 and the Report is communicated to the Governor, key members of the General Assembly and the Joint Legislative and Audit Review Commission (JLARC). Financial statements are presented in accordance with generally accepted accounting principles (GAAP) and are audited by the Virginia Auditor of Public Accounts (APA). Key indicators of Virginia529 revenues and expenses for FY2013 are presented on this page, indicating the strong growth of program revenues and contributions in FY2013.

Annual audited financial statements for Virginia529 are available at [Virginia529.com/about/reports](http://Virginia529.com/about/reports).

## 2013 VA529 Operating Expenses



## Virginia529 Operating Revenues and Expenses

(\$ in millions)

Years Ended June 30	2012	2013
Revenues	\$35.9	\$41.8
Expenses	17.2	17.1
Transfers	(17.9)	(21.8)
Non-operating interest expense	(0.1)	(0.1)
<b>Change in net position</b>	<b>\$0.7</b>	<b>\$2.8</b>

## prePAID – Changes in Net Position

(\$ in millions)

Years Ended June 30	2012	2013
Program revenue	\$124.2	\$259.0
Program expenses	78.4	138.0
Operating gain	45.8	121.0
Operating transfer-in	17.5	21.5
Change in net position	\$63.3	\$142.5
Net position, beginning	(0.9)	62.4
Net position, ending	\$62.4	\$204.9

## inVEST – Changes in Fiduciary Net Position

(\$ in millions)

Years Ended June 30	2012	2013
Additions	\$295.5	\$486.0
Deductions	117.8	144.8
Net increase	177.7	341.2
Net position held in trust, beginning	1,784.8	1,960.7
Net position held in trust, ending <sup>iv</sup>	\$1,962.5	\$2,301.9

# Working Together

## Virginia529 Community Partners

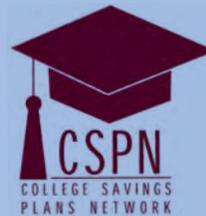
ACCESS College Foundation  
College Savings Foundation  
College Savings Plans Network  
Financial Planning Association and Virginia affiliates  
GREAT Aspirations Scholarship Program, Inc.  
Junior Achievement of Central Virginia®  
National Association of Personal Financial Advisors  
Partnership for the Future  
Public and Private Higher Education Institutions in Virginia  
Public radio systems in Virginia  
Richmond International Raceway®  
Richmond Flying Squirrels  
Science Museum of Virginia  
State Council of Higher Education for Virginia  
Virginia Parent Teacher Association  
Virginia High School League  
Virginia College Access Network  
Virginia's Community Colleges  
Virginia Mentoring Partnership  
Virginia Council on Economic Education

“I recommend Virginia529 to my clients because it allows them to spend more time preparing their children for college and less time worrying about saving for it.”

—David, registered financial advisor, Midlothian, VA



Collegiate athletic events raise awareness of Virginia529 programs by tapping into the emotional connection alumni and fans have to colleges and universities.



Serving on the boards of the national College Savings Plans Network and the College Savings Foundation ensures Virginia529 executives stay abreast of current challenges and opportunities and contribute to advancing awareness of and support for 529 plans.



Promoting financial literacy helps families understand the costs and benefits of higher education, the advantages of saving and the availability of funding sources to help with expenses.

# Leadership

## Board Members as of June 30, 2013

Shawn P. McLaughlin, Chairman  
 Vincent D. Carpenter, Vice-Chairman  
 Peter A. Blake  
 Glenn DuBois  
 Manju Ganeriwala  
 Philip R. Langham  
 Amy Nisenson  
 R. Fern Spencer  
 Mark A. Steppel  
 David A. Von Moll  
 John D. Whitlock

## Chief Executive Officer Mary G. Morris



# Mission Statement

“Continue to be a national leader in 529 programs by providing superior, affordable, innovative, tax-advantaged college savings options to assist families and others in achieving their higher education goals.”



### Endnotes:

<sup>1</sup>Total unique active accounts are the number of active accounts in the specific savings options. These can include accounts that are either paid in full (prePAID only) or accounts that are eligible to receive contributions.

<sup>2</sup>On June 27, 2013 Virginia529 closed all zero balance inVEST accounts with no activity for the trailing 18 months. inVEST number of accounts reported for fiscal years prior to 2013 have been adjusted retroactively as if the zero balance account policy had been in effect since inception of the inVEST program.

<sup>3</sup>American Funds defines total unique active accounts as unique open account numbers at period end. An account owner could have more than one unique account for each owner/beneficiary combination.

<sup>4</sup>The difference in FY13 beginning and FY12 ending net positions are due to a restatement of an overstated beginning balance in FY11 when Virginia529 converted to the Banner Finance accounting system. See the FY13 annual report for additional information.

# Virginia529

The Nation's Largest College Savings Plan

**Toll-Free 1.888.567.0540 | Virginia529.com**

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