

**Virginia College Savings Plan
Statement of Investment Policy and
Guidelines
For**

Virginia529 inVESTSM

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I. PURPOSE & RESPONSIBILITIES

PURPOSE

The purpose of this Statement of Investment Policy and Guidelines (“Statement”) is to identify a set of investment objectives, guidelines and performance standards for Virginia529 inVEST (“inVEST”). This Statement represents the formal investment policy document for inVEST and is to be communicated to the investment managers for their use in developing an appropriate investment portfolio. This document will also be used by the Board as the basis for future investment management decisions, measurement, and evaluation of investment performance of inVEST.

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

RESPONSIBILITIES

Board

Pursuant to § 23-38.77 of the Code of Virginia (“Code”), the Board shall administer the Virginia College Savings Plan (“VA529” or the “Plan”) and shall develop and implement programs for (i) the prepayment of undergraduate tuition, as defined in § [23-38.75](#) of the Code, at a fixed, guaranteed level for application at a two-year or four-year public institution of higher education in the Commonwealth and (ii) contributions to savings trust accounts established on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified higher education expenses at eligible educational institutions, both as defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23-38.77.1 of the Code, the Board shall have the power and duty to invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of VA529 Management, the Investment Advisory Committee, a custodian, investment managers, an investment consultant and legal counsel to perform various functions. The various roles and duties of each are further described below.

VA529 Management

VA529 Management, comprised of the Chief Executive Officer (“CEO”) and such other senior officers as may be appointed by the CEO, shall implement decisions approved by the Board and/or Investment Advisory Committee unless otherwise specifically provided by the Board or the Investment Advisory Committee. VA529 Management shall (i) oversee the development, structure, evaluation and implementation of inVEST’s strategic goals and objectives and (ii) with the assistance of the Investment Advisory Committee appointed by the Board, and by investment

consultants, direct, manage and administer inVEST's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23-38.79:1 of the Code, the Board of VA529 shall appoint an Investment Advisory Committee ("Committee"), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of VA529's funds and to assist VA529 Management in directing, managing, and administering VA529's assets, and to provide the Board with sophisticated, objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter¹.

The Committee shall be comprised and administered in accordance with the Committee Charter, as it may be amended from time to time by the Board. The Committee shall review VA529's investments and is authorized to make decisions with regard to investment managers. The Committee is further authorized to take any additional action specifically authorized in other Board actions. Recommendations are not binding upon the Board.

The Committee shall report any action taken to the Board at the Board's next meeting.

Custodian

The Plan shall contract on behalf of the Board with a third party custodian which shall have a level of experience and expertise in providing custodial services to plans and funds similar to those of inVEST. The custodian shall act as a fiduciary in the administration of the inVEST accounts utilizing appropriate internal controls to insure the safety of the assets from such things as fraud, collusion, loss, diversion, etc. While the specific duties and responsibilities of the Plan's custodian are contained in the contractual agreement between the custodian and the Plan, the custodian, in general, has the following responsibilities:

- to handle all income, cash transactions, interest received, and other necessary activities;
- hold all securities on behalf of inVEST and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;
- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, unless specifically authorized;

¹ The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on December 14, 2011.

- safekeep all assets including securities, cash and cash equivalents;
- receive instructions from investment managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures; and
- provide monthly transaction accounting on security holdings with reports provided to the appropriate VA529 Management in a timely manner.

Investment Consultant

While the specific duties and responsibilities of the Plan's investment consultant are contained in the contractual agreement between the investment consultant and the Plan, the consultant, in general, has the following responsibilities and will assist the Board and Committee with the following functions:

- provide evaluation of the investment results achieved by the designated investment managers in light of the investment guidelines and performance standards contained in this Statement;
- make recommendations to the Board of appropriate actions to be considered which, in the consultant's opinion, will enhance the probability of achieving overall investment program objectives. Such recommendations may include, but are not limited to:
 - use of alternate asset strategies or asset classes;
 - changes in overall investment policy;
 - changes in designated investment managers;
- provide assistance to the Board and/or Committee in screening and selecting investment managers, as appropriate; and
- at a minimum, meet with the Committee and Board every quarter.

Legal Counsel

The VA529 General Counsel shall advise and represent the Board in all matters requiring legal insight and advice. VA529 Management, in consultation with the General Counsel, shall utilize the services of outside counsel and/or the Office of the Attorney General as such services may be required from time to time.

Investment Managers

While the specific duties and responsibilities of the Plan's investment managers are contained in each contractual agreement between the designated investment manager and the Plan, investment managers, in general, have the following responsibilities:

- maintain registration as an investment advisor under the Investment Advisers Act of 1940, or be authorized and regulated by another appropriate authority;
- adhere to the policy guidelines contained in this Statement, unless granted an exception in writing;
- invest only in those asset classes, and adhere to the ranges for allocation among those classes, that the Board has stated to be appropriate for that manager's portfolio;
- exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement or in any written exceptions to this Statement;
- strictly comply with all of the provisions of appropriate law as they pertain to the firm's dealings, functions and responsibilities as fiduciaries;
- prudently liquidate assets in the portfolio which cease to be in compliance with this Statement or any written exceptions to this Statement. If in the manager's judgment, it is in inVEST's best interest to not liquidate such an asset promptly, the manager will advise VA529 management of the circumstances and make a recommendation regarding the liquidation of that asset;
- diversify the portfolio unless, under the circumstances, it is clearly prudent to not so diversify;
- ensure that brokers will be selected only on a competitive, best execution basis;
- invest the assets with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
- provide VA529 Management with a monthly accounting of assets;
- issue a quarterly report to the Board and/or their designees which includes the following information:
 - the market value of account assets as of the last business day of each quarter;
 - the portion of account assets allocated to each investment asset class as of the last business day of each quarter;

- time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods;
 - average account characteristics and number of holdings as of the last business day of each quarter; and
 - expenses;
- acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary, and the firm's intention to comply with this Statement as it currently exists or as is modified by joint agreement in the future.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager an exception to the foregoing requirements where such exceptions are deemed appropriate and prudent. Exceptions applicable to each individual investment manager may be included in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

II. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23-38.80(B) of the Code, as amended, the Board is authorized to acquire and retain every kind of property and every kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;
- Common or preferred stocks traded on foreign or domestic stock exchanges;
- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;
- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;
- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment;
- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

General Portfolio Diversification

All individually managed portfolios and funds must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the entire portfolio. Investment mandates will be considered individually as well as collectively to ensure that investment styles, philosophies and investment approaches are complementary.

General Restrictions/Guidelines

The Board requires that all investment managers comply with the following limitations and restrictions on their investment activities and holdings:

- Unless granted permission by the Board in writing, investment managers shall not engage in short sales or margin purchases and all accounts shall be free of leverage.

- Unless granted permission by the Board in writing, commodities or commodity contracts are not allowed.
- Derivative securities are prohibited except where specifically permitted in the investment manager agreement, subscription agreement or prospectus. Specific asset classes may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that asset class.
- Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards.
- The individual managers are expected to be fully invested at all times, with cash accounting for no more than 10% of the portfolio's market value.

Individual Portfolio Guidelines - Equity

- Securities of any one issuer are limited to 5% (at market) of the individual portfolio.
- Portfolios should be diversified by sector, with sector allocations limited to a maximum of 200% of the weight of the sector in the benchmark (see the Appendix for the benchmark assigned to each asset class), or 25%, whichever is greater, with the exception of sectors whose benchmark allocation is less than 5%, where the maximum allocation shall be 15%.
- U.S. equity portfolios cannot hold non-dollar denominated securities.
- No quantitative guidelines are given as to industry diversification. However, the investment manager is expected to develop and apply prudent standards.

Individual Portfolio Guidelines – Fixed Income

- While no specific ranges are required, it is expected that the average duration of the account will be within +/- 20% of the designated benchmark (see Appendix B for the benchmark assigned to each asset class).
- For the Core Fixed Income portfolios, the average quality of the total account should be A- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Core Plus Fixed Income portfolios can hold non-investment grade securities and have an overall average quality rating of BBB or higher.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- U.S. fixed income portfolios cannot hold non-dollar denominated securities.

Individual Portfolio Guidelines – Fixed Income, Stable Value

- While no specific ranges are required, it is expected that the average duration of the account will be between two and four years.
- The average quality of the total account should be AA- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- Stable Value portfolios cannot hold non-dollar denominated securities.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager a special exception to the foregoing restrictions where such exceptions are deemed appropriate and prudent. Specific guidelines applicable to each individual investment manager may be recorded in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

Commingled Funds, Collective Trusts and Mutual Funds

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of inVEST. However, in attempting to meet these objectives, it may be advantageous for a portion of portfolio assets to be placed in a pooled, commingled, collective trust, or mutual fund which may have specific restrictions, policies, or guidelines that conflict from time-to-time with those outlined in this Statement. To the extent that the Board has reviewed the investment guidelines of such funds, and determined their appropriateness to inVEST's investment objectives, the restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.

III. inVEST PROGRAM STRUCTURE

INVESTMENT OPTION STRUCTURE

The Virginia529 inVEST offers individual tax-advantaged Internal Revenue Code Section 529 savings accounts with a variety of investment options from which a participant may choose. The Board determines the investment options to be offered in inVEST. inVEST has no state residency requirements, no age limits and is open year round. The risk of investment losses in inVEST accounts rests with the participant. The primary investment objectives of inVEST are to offer a set of investment options that:

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

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

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

General Description of inVEST Investment Options

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

next target stage of asset allocation is complete, with the exception of the portfolio which has entered the final transition phase which will evolve to an allocation of 100% to stable value or an equivalent investment over a two-year period.

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

AGE-BASED PORTFOLIOS

Asset Allocation

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

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

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

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

Rebalancing

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

Portfolio Structure of Age-based Portfolios

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

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

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

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

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

STATIC ACTIVELY-MANAGED BALANCED PORTFOLIOS

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

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

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

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

STATIC PASSIVELY-MANAGED BALANCED PORTFOLIOS

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

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

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

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

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

STATIC SINGLE ASSET CLASS PORTFOLIOS

These portfolios will be offered such that they along with other inVEST and Plan programs, will provide sufficient investment options such that a Plan investor/participant could construct a portfolio to meet their college savings goals based on the individual investor's risk orientation, time horizon, etc.

At a minimum, portfolios providing the ability to invest in the following asset classes are to be provided:

- U.S. Equity
- International Equity
- U.S. Investment Grade Fixed Income

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

- U.S. core fixed income (passively-managed)
- U.S. Treasury inflation-protected securities (actively-managed)
- U.S. broad market equity (passively-managed)
- International equity (passively-managed)

- U.S. REITs (passively-managed)
- Socially responsible equity income fund (actively-managed)

IV. INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

BACKGROUND

The Board reserves the right to add, delete or replace investment managers based upon inability to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio. Either separately managed portfolios, commingled funds or mutual funds may be used in inVEST.

SELECTION – GENERAL CRITERIA

When selecting funds for inVEST, the following six broad categories should be considered:

- Economies of Scale
- Diversification
- Transparency
- Organizational Strength
- Performance Consistency
- Risk/ Reward

The following *basic* selection criteria are to be used when selecting a new investment manager to be added to inVEST or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

Economies of Scale

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

Diversification

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

Transparency

- Employ an investment process that is well defined.
- Invest in securities consistent with the vehicle's strategy².
- Agree to meet all other requirements set forth in this Statement. However, all mutual funds, collective trusts, and similar commingled fund vehicles included in inVEST will also be subject to the investment guidelines as set forth in their prospectuses, or applicable offering documents.

Organizational Strength

- Be supported by qualified personnel and appropriate resources.

Performance Consistency

- Have a minimum of 3 years of verifiable investment performance information³.
- Have competitive returns versus an appropriate benchmark index and peer group.

² For instance, large cap growth vehicles should primarily focus on large cap stocks with growth-oriented characteristics.

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

Risk/ Reward

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

INVESTMENT MANAGER SEARCHES – COMMITMENT TO DIVERSITY

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

PERFORMANCE MONITORING

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

<i>Measurement Period</i>	<i>Benchmark Comparison</i>	<i>Peer Group Comparison</i>
Multiple rolling 3-year periods	<ul style="list-style-type: none">• The total rate of return should exceed the return of the benchmark index over most rolling periods.⁴	<ul style="list-style-type: none">• The total rate of return should exceed the median return of the fund’s peer group over most rolling periods.⁴

⁴ Measured over the latest 12 quarters available for review.

For the managers that do not have a 3-year track record with inVEST, the manager's separate account composite or mutual fund performance will be used for evaluation. The manager may also be placed on watch within a lesser period if the strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.

If the investment manager utilizes a passively-managed strategy, the portfolio will be monitored on its ability to successfully track the risk and return characteristics of the stated benchmark. Peer group performance will not be required for passive strategies.

In addition to monitoring investment performance results, the Board may periodically evaluate the investment managers on the basis of the following factors to ascertain whether they should continue to be utilized in inVEST:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for inVEST;
- its management fees; and
- any other measures the Board deems useful and relevant.

Watch List Status & Termination

If an investment manager fails to meet the minimum standards of investment performance outlined in this document, the Board has the discretion to place the manager on a 'watch list' for a year. The following are some examples of reasons for termination or placing an investment manager on the watch list:

- significant change in portfolio management, ownership or control;
- significant change in portfolio management style;
- substantive change in portfolio turnover; and
- continued performance shortfalls versus the peer group or benchmark.

Reasons for termination without a probationary period may include, but are not limited to:

- any violation of SEC, or other applicable authority, rules or regulations, as well as any other important and appropriate statutory regulatory requirements;
- operational difficulties concerning fund transfers or pricing;
- substantial and consistent deviation from the characteristics of its investment category; and
- failure to adhere to guidelines in this Statement or in the investment management agreement.

By the end of the watch list period, the Board will evaluate the investment manager and determine whether:

- the investment manager remains on the watch list for an additional specified period of time;
- the investment manager is removed from the watch list; or
- the investment manager is terminated.

V. SUPPLEMENTAL ITEMS

PROXY VOTING

Proxies will be voted for the benefit of the Plan.

Proposals Related to Funds and other Securities

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

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

SECURITIES LENDING

Securities lending is not allowed in the separate accounts in inVEST, unless specifically approved by the Board. However, some of the investment vehicles, such as mutual funds, collective trusts, and similar commingled fund vehicles may engage in securities lending if so allowed by their prospectus or applicable offering documents.

ACCEPTANCE AND ADOPTION

The Board of the Virginia College Savings Plan has approved and adopted this restated Statement of Investment Policy and Guidelines as of December 9, 2015.

APPENDIX A: ASSET ALLOCATION

The table below outlines the evolving allocation of assets for the age-based portfolios as of January 1, 2016.

	Asset Alloc. January 2015 - January 2018	Asset Alloc. January 2018 - January 2021	Asset Alloc. January 2021 - January 2024	Asset Alloc. January 2024 - January 2027	Asset Alloc. January 2027 - January 2030	Asset Alloc. January 2030 - January 2033	Asset Alloc. January 2033
Ages 0-3	80% Stock 20% Fixed Income	70% Stock 30% Fixed Income	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income
Ages 4-6	70% Stock 30% Fixed Income	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income	
Ages 7-9	60% Stock 40% Fixed Income	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income		
Ages 10-12	50% Stock 50% Fixed Income	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income			
Ages 13-15	40% Stock 60% Fixed Income	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income				
Ages 16-18	25% Stock 75% Fixed Income	0% Stock 100% Fixed Income					
Over Age 18	0% Stock 100% Fixed Income						

APPENDIX B: BENCHMARKS & PEER GROUPS

The table below outlines the target benchmarks and peer groups for the inVEST portfolios.

<u>Manager/Portfolio</u>	<u>Category</u>	<u>Benchmark</u>	<u>Peer Group</u>
80% Equity / 20% Fixed Income	Age-Based Portfolios	17.5% S&P 500 / 11.25% Russell 2500/ 3.75% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 15% MSCI Emerging Markets / 15% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Barclays U.S. Aggregate Float Adjusted / 2.5% 3-Month T-Bills + 100 basis points	NA
70% Equity / 30% Fixed Income	Age-Based Portfolios	17.5% S&P 500 / 8.33% Russell 2500/ 4.17% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 12.5% MSCI Emerging Markets / 10% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 10% Barclays U.S. Aggregate Float Adjusted / 7.5% 3-Month T-Bills + 100 basis points	NA
60% Equity / 40% Fixed Income	Age-Based Portfolios	15% S&P 500 / 6.67% Russell 2500/ 3.33% CRSP US Small Cap Index / 15% MSCI AC EAFE / 10% MSCI Emerging Markets / 10% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 7.5% JP Morgan Emerging Bond Market Index Global Diversified / 12.5% Barclays U.S. Aggregate Float Adjusted / 15% 3-Month T-Bills + 100 basis points	NA
50% Equity / 50% Fixed Income	Age-Based Portfolios	13.75% S&P 500 / 3.75% Russell 2500/ 3.75% CRSP US Small Cap Index/ 13.75% MSCI AC EAFE / 7.5% MSCI Emerging Markets / 7.5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Barclays U.S. Aggregate Float Adjusted / 20% 3-Month T-Bills + 100 basis points	NA
40% Equity / 60% Fixed Income	Age-Based Portfolios	12.5% S&P 500 / 2.5% Russell 2500/ 2.5% CRSP US Small Cap Index / 12.5% MSCI AC EAFE / 5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 17.5% Barclays U.S. Aggregate Float Adjusted / 27.5% 3-Month T-Bills + 100 basis points	NA
25% Equity / 75% Fixed Income	Age-Based Portfolios	7.5% S&P 500 / 1.25% Russell 2500/ 1.25% CRSP US Small Cap Index/ 7.5% MSCI AC EAFE / 2.5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Transition)	Age-Based Portfolios	5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 65% 3-Month T-Bills + 100 basis points	NA
100% Fixed Income (Stable Value)	Age-Based Portfolios	100% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

<u>Manager/Portfolio</u>	<u>Category</u>	<u>Benchmark</u>	<u>Peer Group</u>
Conservative Portfolio	Static, Balanced	64% Barclays U.S. Aggregate Float Adjusted / 14% CRSP US Total Market / 6% FTSE Global All Cap ex US / 16% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped	NA
Moderate Portfolio	Static, Balanced	42% CRSP US Total Market / 32% Barclays U.S. Aggregate Float Adjusted / 8% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 18% FTSE Global All Cap ex US	NA
Aggressive Portfolio	Static, Balanced	56% CRSP US Total Market / 16% Barclays U.S. Aggregate Float Adjusted / 4% Barclays Global Aggregate ex-USD Float Adjusted RIC Capped / 24% FTSE Global All Cap ex US	NA
U.S. Total Stock Index Fund	Static, Single Asset Class Portfolio	CRSP US Total Market Index	NA
U.S. Total Bond Index Fund	Static, Single Asset Class Portfolio	Barclays U.S. Aggregate Float Adjusted Index	NA
International Stock Index Fund	Static, Single Asset Class Portfolio	FTSE Global All Cap ex US Index	NA
Inflation Protected Securities Fund	Static, Single Asset Class Portfolio	Barclays Capital US Treasury Inflation Protected Index	NA
U.S. REIT Index Fund	Static, Single Asset Class Portfolio	MSCI REIT Index	NA
Parnassus Equity Income Fund	Static, Single Asset Class Portfolio	S&P 500	NA
Active Conservative Portfolio	Static Balanced	7.5% S&P 500 / 1.25% Russell 2500/ 1.25% CRSP US Small Cap Index/ 7.5% MSCI AC EAFE / 2.5% MSCI Emerging Markets / 5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 20% Barclays U.S. Aggregate Float Adjusted / 40% 3-Month T-Bills + 100 basis points	NA
Active Moderate Portfolio	Static Balanced	13.75% S&P 500 / 3.75% Russell 2500/ 3.75% CRSP US Small Cap Index/ 13.75% MSCI AC EAFE / 7.5% MSCI Emerging Markets / 7.5% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 10% JP Morgan Emerging Bond Market Index Global Diversified / 15% Barclays U.S. Aggregate Float Adjusted / 20% 3-Month T-Bills + 100 basis points	NA
Active Aggressive Portfolio	Static Balanced	17.5% S&P 500 / 11.25% Russell 2500/ 3.75% CRSP US Small Cap Index / 17.5% MSCI AC EAFE / 15% MSCI Emerging Markets / 15% FTSE EPRA-NAREIT Developed Real Estate / 5% Barclays Corporate High Yield / 5% JP Morgan Emerging Bond Market Index Global Diversified / 7.5% Barclays U.S. Aggregate Float Adjusted / 2.5% 3-Month T-Bills + 100 basis points	NA

APPENDIX B: BENCHMARKS & PEER GROUPS (CONTINUED)

Asset Class	Benchmark	Peer Group
Stable Value	3-Month T-Bills + 100bps	Stable Value Funds
U.S. Core Fixed Income/Passively-Managed	Barclays U.S. Aggregate Float Adjusted Index	NA
U.S. Large Cap Equity/Passively-Managed	S&P 500 Index	NA
U.S. Small Cap Equity/Passively-Managed	CRSP US Small Cap Index	NA
U.S. Small/Mid Cap Equity/Actively-Managed	Russell 2500 Index	Small/Mid Cap Equity Managers
Emerging Markets Debt/Actively-Managed	JP Morgan EMBI Global Diversified	Emerging Markets Debt Mutual Funds
Emerging Markets Equity/Actively-Managed	MSCI Emerging Markets Index	Emerging Markets Equity Mutual Funds
U.S. High Yield Fixed Income/Actively-Managed	Barclays Corporate High Yield Index	U.S. High Yield Fixed Income Managers
Global REITs/Actively-Managed	FTSE EPRA/NAREIT Developed RE Index	Global REIT Mutual Funds
International Equity/Actively-Managed	MSCI EAFE	International Equity Mutual Funds