PURPOSE

The purpose of this Statement of Investment Policy and Guidelines ("Statement") is to identify a set of investment objectives, guidelines and performance standards for the Defined Benefit 529 program (which includes Prepaid529, the Tuition Track Portfolio as well as the Access and Affordability fund) and will be referred to going forward as the "Program". This Statement represents the formal investment policy document for the Program and is to be communicated to the investment managers for their use in developing appropriate investment portfolios. This document will also be used by the Board of the Commonwealth Savers Plan ("Board") as the basis for future investment management decisions, measurement and evaluation of investment performance of the Program.

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

RESPONSIBILITIES

Standard of Care

Pursuant to § 23.1-706 of the Code of Virginia ("Code"), the Board, and any person, investment manager, or committee to whom the board delegates any of its investment authority, shall act as trustee and shall exercise the judgment of care under the circumstances then prevailing that 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 and the probable safety of their capital.

Board

Pursuant to § 23.1-704 of the Code of Virginia (the "Code"), the Board shall administer the Commonwealth Savers Plan ("Plan") and shall develop and implement programs for (i) the prepayment of undergraduate tuition, as defined in § 23.1-700 of the Code, at a fixed, guaranteed level for application at a public institution of higher education and (ii) contributions to college savings trust accounts established on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified higher education expenses at eligible educational institutions, as both such terms are defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of Commonwealth Savers Plan ("Management"), the Investment Advisory Committee, a custodian, investment managers, an investment consultant, legal counsel and an actuary to perform various functions.

Management

Commonwealth Savers 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. Management shall (i) oversee the development, structure, evaluation and implementation of the Program's strategic goals and objectives and (ii) with the assistance of the Investment Advisory Committee, and investment consultants, will direct, manage and administer the Program's assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23.1-702 of the Code, the Board of Commonwealth Savers Plan shall appoint an Investment Advisory Committee ("Committee"), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of the Plan and to assist Management in directing, managing, and administering Plan assets, and to provide the Board with sophisticated, objective and prudent investment advice and direction on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter.

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 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.

INVESTMENT OBJECTIVES

The Defined Benefit 529 program includes both Prepaid529 (*closed to new investors*) and the Tuition Track Portfolio (*established in 2021*). Prepaid529 contracts cover the future in-state undergraduate tuition and mandatory fees assessed to all students for the normal full-time course load at Virginia public colleges and universities. Tuition Track Portfolio units provide a benefit when distributed of 1/100 of the calculated weighted average tuition of Virginia public colleges and universities as most recently calculated. 100 units is designed to provide this average calculated tuition to program beneficiaries. Tuition Track Portfolio benefits may be applied toward the cost of tuition and fees at Virginia public and private colleges as well as at eligible educational institutions nationwide, and in certain cases, at schools around the world. Given this mission, the primary investment objectives are outlined below.

- The Defined Benefit 529 investment portfolio shall be allocated and managed with the objective of attaining an investment return which equals or exceeds the actuarial return assumptions, throughout the majority of economic cycles, taking into consideration cash flow demands and investment risks.
- The investment portfolio shall be invested and managed to provide sufficient liquidity to meet all reasonably anticipated operational requirements.
- The investment portfolio shall be invested prudently with a goal to meet or exceed the assumed targeted rate of return as determined by the Board.

ALLOWABLE INVESTMENTS

Pursuant to § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;
- Common or preferred stocks traded on foreign or domestic stock exchanges;
- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;

- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;
- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment; and
- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

General 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.
- The individual managers are expected to be fully invested at all times, with cash accounting for no more than 10% of the portfolio's market value.

Individual Portfolio Guidelines - Equity

- Securities of any one issuer are limited to 5% (at market) of the individual portfolio.
- Portfolios should be diversified by sector, with sector allocations limited to a maximum of 200% of the weight of the sector in the benchmark (see Appendix for the benchmark assigned to each asset class), or 25%, whichever is greater, with the exception of sectors whose benchmark allocation is less than 5%, where the maximum allocation shall be 15%.
- No quantitative guidelines are given as to industry diversification. However, the investment manager is expected to develop and apply prudent standards.

Individual Portfolio Guidelines – Fixed Income

- While no specific ranges are required, it is expected that the average duration of the portfolio will be within +/- 20% of its designated benchmark (see Appendix for the benchmark assigned to each asset class).
- For the core fixed income portfolios, which are primarily invested in U.S. investment grade debt securities, the average quality of the total account should be A-rated or higher. Only investment grade securities, as defined as BBB-rated or higher by Standard & Poor's, or the equivalent rating by Moody's or Fitch may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify Management and outline the course of action anticipated for the security.
- For the non-core fixed income portfolios, which can hold non-investment grade debt securities, the portfolio is expected to maintain an overall average quality rating of BBB or higher.

- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.

Exceptions Allowed

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

Commingled Funds, Collective Trusts and Mutual Funds

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of the Program. 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. The restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.

INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

The Board reserves the right to hire, terminate or replace investment managers in order to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio. The Board has delegated to the Staff, principally the CEO and Investment Director, the authority to select, contract, hire, and terminate individual investment managers that satisfy the requirements of the Board approved asset allocation.

SELECTION – GENERAL CRITERIA

When selecting investment managers for the Program, six broad categories should be considered including economies of scale, organizational strength, diversification, performance consistency, transparency and risk/reward. Managers should be of institutional quality based on metrics such as assets under management and offer reasonable fees compared to an appropriate peer group. Likewise, appropriate risk controls may be outlined in each investment manager agreement with respect to sector and industry weightings relative to benchmark. The strategy should be supported by qualified personnel with sufficient resources and have at least three years of verifiable investment performance. Returns versus benchmark and peer group should be competitive. Staff or managers may consider ESG issues when selecting certain investment strategies. Evaluation of strategies is not adjusted based on ESG factors and should be compared to the appropriate benchmark and universe for the asset class as stipulated in the Appendix. For avoidance of doubt, any incorporation of ESG factors into investment analysis must be done through a lens of being additive to pecuniary factors (risk and return). The Board is committed to seeking diversity in the ownership, management, and staffing of firms with which the Plan does business, including investment managers. Each firm's commitment to diversity shall be considered in evaluating potential investment managers, with the primary criteria remaining those outlined in this section, in accordance with the fiduciary obligations of the Board.

PERFORMANCE MONITORING

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

Measurement Period	Benchmark Comparison	Peer Group Comparison
Multiple rolling 3-year periods	The total rate of return should exceed the return of the benchmark index over most rolling periods.[1]	The total rate of return should exceed the median return of the fund's peer group over most rolling periods.

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

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

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

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for the Program;
- its management fees; and
- any other measures staff 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, staff may place the manager on a watch list for up to one year. Staff maintains a manager dashboard that evaluates managers across areas of performance, team, process, strategy, capacity and firm and develops watch statuses based on this analysis. Significant changes or weakness in any of these areas can be cause for termination.

ACCEPTANCE AND ADOPTION

The Board of Commonwealth Savers Plan has approved and adopted this amended and restated Statement of Investment Policy and Guidelines as of August 28, 2024.

---

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

APPENDIX - TARGET ASSET ALLOCATION

The target asset mix, consistent with the achievement of the long-term objective of the Plan, is as follows. This Allocation was recommended by the Investment Advisory Committee and approved by the Board on June 27, 2023.

	Target	Allowable Range
Equities	**22.0%**	**14.5% - 29.5%**
Global All Cap Equity	22.0%	
Fixed Income	**55.0%**	**50.0% - 60.0%**
U.S. Aggregate FI	20.0%	
Multi-Asset Credit	35.0%	
Alternatives	**23.0%**	**15.0% - 31.0%**
Real Estate - Core	10.0%	
Private Equity	13.0%	

APPENDIX – COMPOSITE BENCHMARKS

The composite benchmarks are intended to reflect the target asset allocation and do change from time to time. Below are the current composite benchmarks for the Defined Benefit 529 portfolio.

Total Fund Benchmark		
Public Equity	MSCI All Country World Index	22.0%
Core Real Estate	NCREIF NFI ODCE Net (1Q in Arrears)	10.0%
Private Equity	Private Equity Custom Benchmark*	13.0%
Non-Core Fixed Income	Multi-Asset Credit Benchmark	35.0%
Core Fixed Income	Bloomberg US Aggregate Bond Index	20.0%

Total Fixed Income Benchmark		
Non-Core Fixed Income	Non-Core Fixed Income Benchmark	63.6%
Core Fixed Income	Core Fixed Income Benchmark	36.4%

Non-Core Fixed Income / Multi-Asset Credit Benchmark		
High Yield	Bloomberg US Corp High Yield	33.3%
Leverage Loans	Credit Suisse Leverage Loan Index	33.3%
Emerging Markets Debt	JPMorgan EMBI Global Diversified	33.4%

Core Fixed Income Benchmark		
Core Bonds	Bloomberg US Aggregate Bond Index	100.0%

Alternatives Benchmark		
Core Real Estate	NCREIF ODCE (1Q in Arrears)	43.5%
Private Equity	Private Equity Custom Benchmark*	56.5%

** Private Equity Custom Benchmark is defined as the actual partnership returns for the first 4 years and MSCI ACWI + 300 thereafter.*