

House Appropriations Committee

Commonwealth of Virginia

Mary G. Morris, Chief Executive Officer
June 21, 2010

At a Glance...

The Virginia College Saving Plan (VCSP) is...

- An independent state agency
- An administrator of Internal Revenue Code Section 529 Qualified Tuition Programs
- The country's largest 529 plan, with more than 2.0 million accounts as of May 31, 2010

Investment options:

- VPEPSM
- VESTSM
- CollegeAmerica[®]
- CollegeWealth[®]



Our Programs



Virginia Prepaid Education Program (VPEP) - allows families to purchase contracts for future tuition and mandatory fees at Virginia public colleges and universities.



Virginia Education Savings Trust (VEST) - a direct-sold savings program offering seventeen investment portfolios featuring Vanguard and other mutual funds.



CollegeAmerica – a savings program available through financial advisors, offering a wide selection of American Funds portfolios, one of the largest mutual fund families in the country.



CollegeWealth - FDIC-insured 529 savings accounts offered through participating banks including Union First Market Bank and BB&T.

Features of 529 Plans

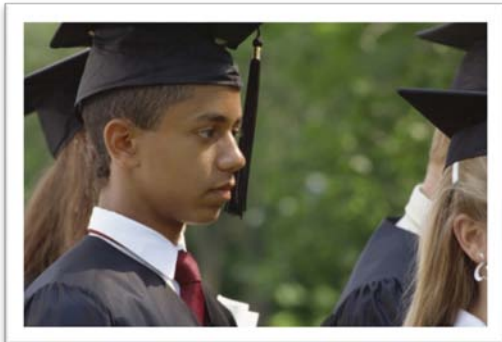


✓ Affordable



✓ Flexible

✓ Diverse investment options



✓ Tax-advantaged



Distributions began in 2000

Over \$686 million distributed through 05/31/10 (VPEP and VEST)

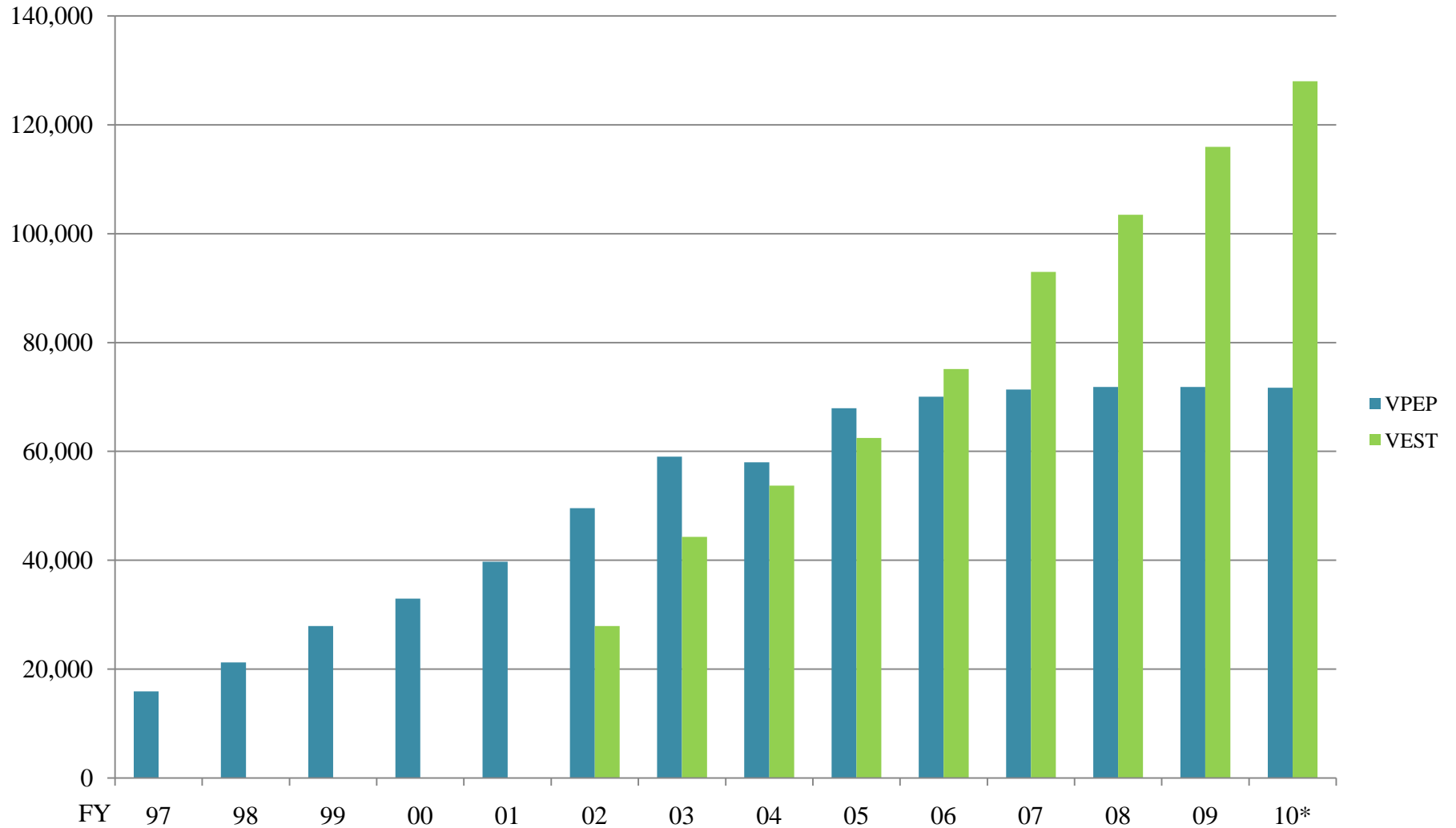
VPEP Student Attendance – 2009-2010 Academic Year

- 68% in-state public four-year institutions*
- 13% community college
- 6% in-state private
- 13% at more than 460 out-of-state schools

* 53% of students (36% overall) attending in-state public institutions attend University of Virginia, Virginia Tech , William & Mary and Virginia Commonwealth University



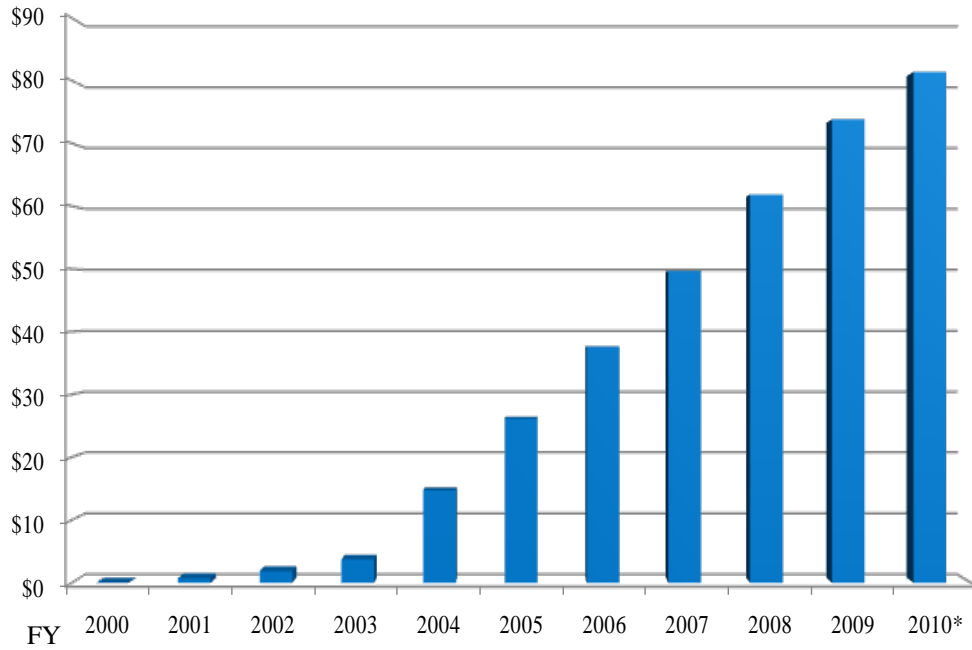
VPEP & VEST Account Growth



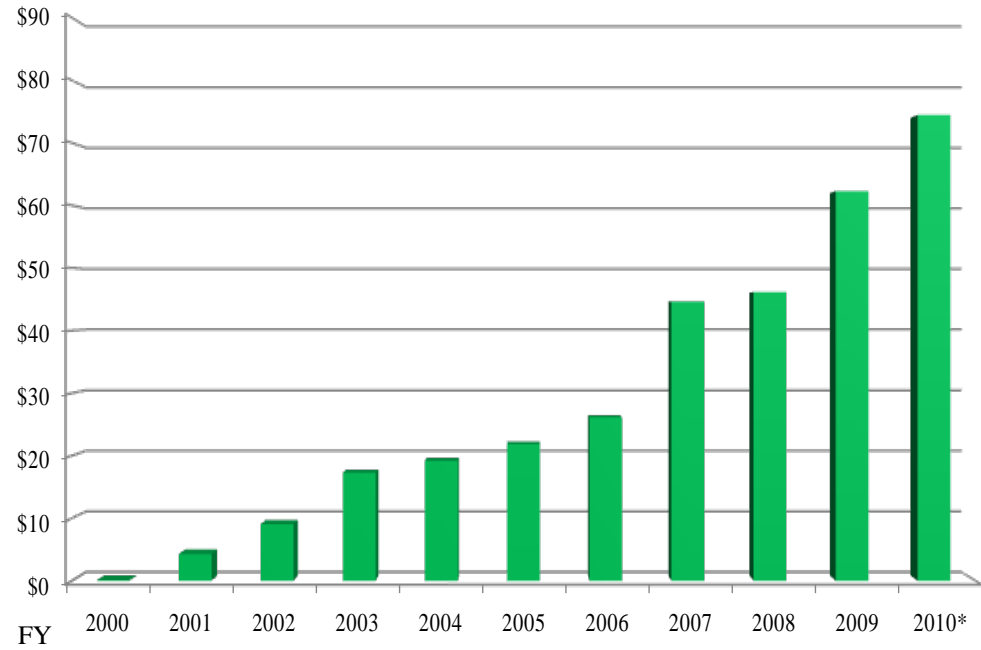
*Note: Dates represent fiscal years; 2010 figures through May 31, 2010

Dollars Paid Out by Program

VPEP (\$ in Millions)

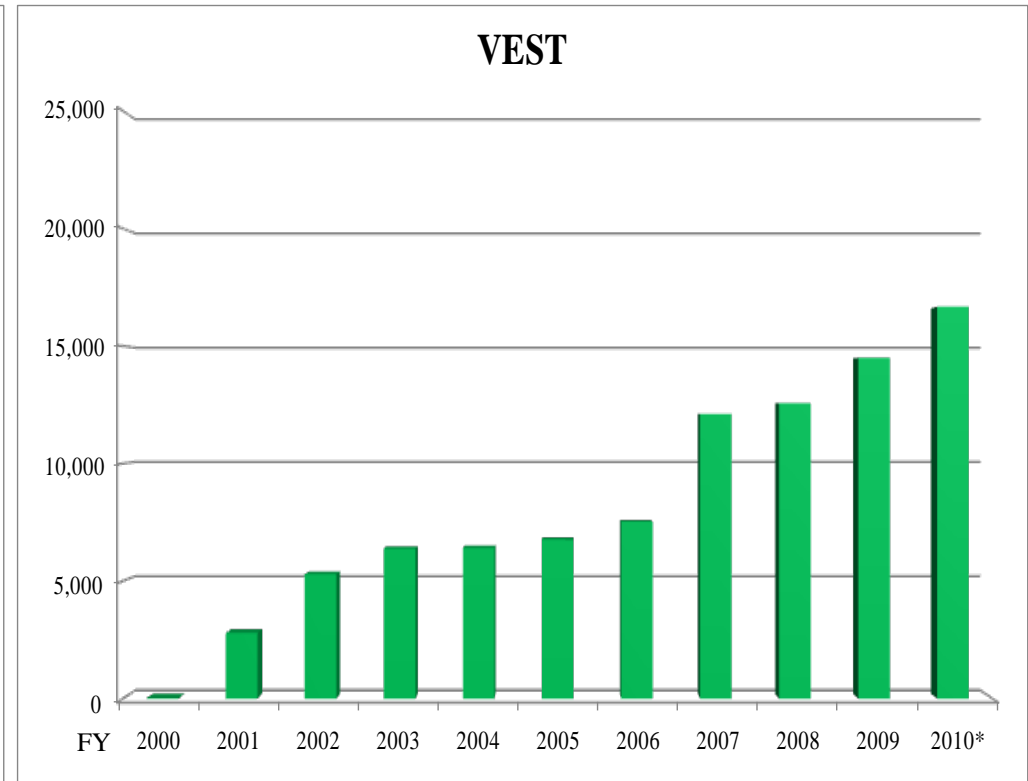
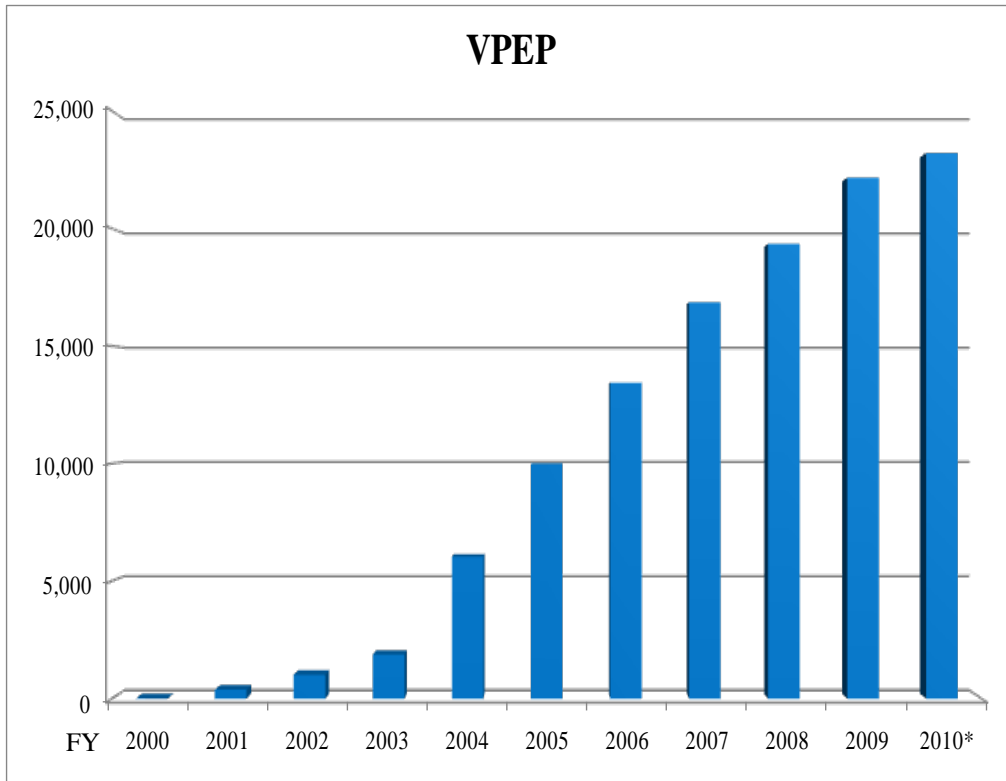


VEST (\$ in Millions)



*Note: Dates represent fiscal years; 2010 figures through 5/31/2010

Number of Payments by Program



*Note: Dates represent fiscal years; 2010 figures through 5/31/2010

Program Benefits - VPEP

For Virginia public schools

- Full coverage of tuition and mandatory fees for normal undergraduate full-time course load (*no coverage for course or degree-specific charges*)

For Virginia private schools

- Payments + actual rate of return
- Cap = highest Virginia public institution

For Out-of-State schools

- Payments + reasonable rate of return (*institutional money market rate*)
- Cap = average Virginia public institution

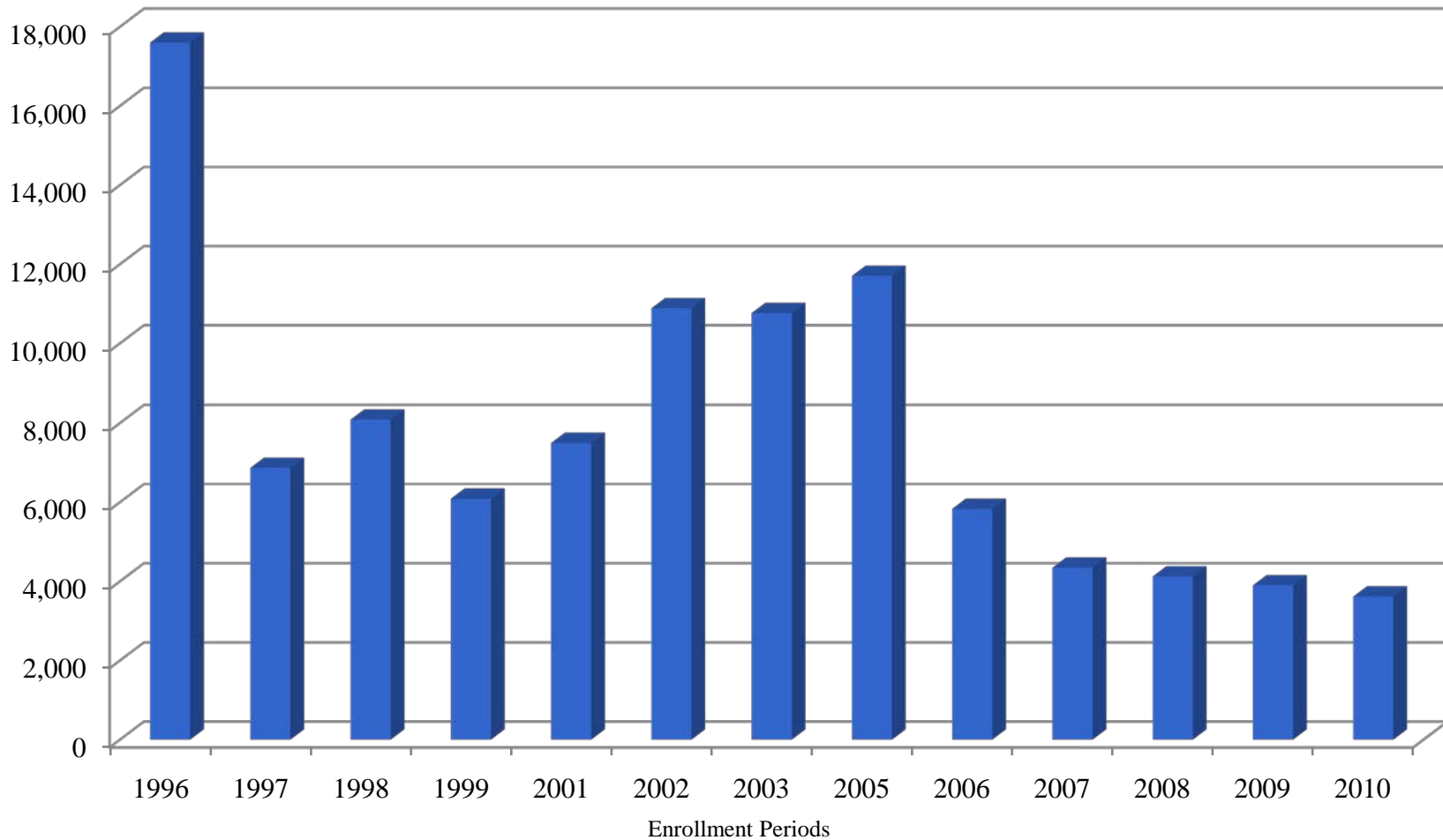


Historical Contract Costs

<i>Four-Year University Contract Cost</i>													
Program Year	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010
9th Grade	16,699	17,604	18,308	16,148	16,800	18,816	23,520	30,584	33,028	36,000	38,520	42,492	44,332
8th Grade	16,544	17,440	18,136	15,996	16,648	18,648	23,312	30,884	33,352	36,352	38,900	42,908	44,768
7th Grade	16,391	17,280	17,972	15,852	16,492	18,472	23,092	31,108	33,596	36,620	39,184	43,224	45,096
6th Grade	16,239	17,120	17,804	15,704	16,340	18,300	22,876	31,256	33,756	36,796	39,368	43,428	45,312
5th Grade	16,089	16,956	17,636	15,556	16,188	18,132	22,664	31,380	33,892	36,944	39,528	43,604	45,492
4th Grade	15,940	16,804	17,476	15,412	16,040	17,964	22,456	31,488	34,008	37,068	39,664	43,752	45,648
3rd Grade	15,792	16,648	17,312	15,268	15,892	17,800	22,252	31,548	34,072	37,140	39,740	43,836	45,736
2nd Grade	15,646	16,492	17,152	15,128	15,744	17,636	22,044	31,596	34,124	37,196	39,800	43,904	45,804
1st Grade	15,501	16,340	16,992	14,988	15,596	17,468	21,836	31,644	34,176	37,252	39,860	43,968	45,876
Age 5	15,357	16,188	16,836	14,848	15,452	17,308	21,636	31,712	34,248	37,332	39,944	44,060	45,972
Age 4	15,215	16,040	16,680	14,712	15,312	17,152	21,440	31,820	34,368	37,460	40,084	44,216	46,132
Age 3	15,074	15,888	16,524	14,576	15,172	16,992	21,240	31,932	34,488	37,592	40,224	44,372	46,292
Age 2	14,935	15,744	16,372	14,440	15,028	16,832	21,040	32,084	34,648	37,768	40,408	44,576	46,508
Age 1	14,797	15,600	16,224	14,308	14,888	16,676	20,844	32,268	34,848	37,984	40,644	44,832	46,776
Infant	14,660	15,452	16,072	14,176	14,752	16,524	20,656	32,484	35,084	38,240	40,920	45,136	47,092
Newborn	14,524	15,312	15,924	14,044	14,616	16,372	20,464	32,772	35,396	38,580	41,284	45,540	47,512

<i>Four-Year University Contract Price % Increase - Year over Year</i>													
Program Year	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010
9th Grade	0.00%	5.42%	4.00%	-11.80%	4.04%	12.00%	25.00%	30.03%	7.99%	9.00%	7.00%	10.31%	4.33%
8th Grade	0.00%	5.42%	3.99%	-11.80%	4.08%	12.01%	25.01%	32.48%	7.99%	8.99%	7.01%	10.30%	4.33%
7th Grade	0.00%	5.42%	4.00%	-11.80%	4.04%	12.01%	25.01%	34.71%	8.00%	9.00%	7.00%	10.31%	4.33%
6th Grade	0.00%	5.43%	4.00%	-11.80%	4.05%	12.00%	25.01%	36.63%	8.00%	9.01%	6.99%	10.31%	4.34%
5th Grade	0.00%	5.39%	4.01%	-11.79%	4.06%	12.01%	24.99%	38.46%	8.01%	9.01%	6.99%	10.31%	4.33%
4th Grade	0.00%	5.42%	4.00%	-11.81%	4.07%	12.00%	25.01%	40.22%	8.00%	9.00%	7.00%	10.31%	4.33%
3rd Grade	0.00%	5.42%	3.99%	-11.81%	4.09%	12.01%	25.01%	41.78%	8.00%	9.00%	7.00%	10.31%	4.33%
2nd Grade	0.00%	5.41%	4.00%	-11.80%	4.07%	12.02%	24.99%	43.33%	8.00%	9.00%	7.00%	10.31%	4.33%
1st Grade	0.00%	5.41%	3.99%	-11.79%	4.06%	12.00%	25.01%	44.92%	8.00%	9.00%	7.00%	10.31%	4.34%
Age 5	0.00%	5.41%	4.00%	-11.81%	4.07%	12.01%	25.01%	46.57%	8.00%	9.00%	7.00%	10.30%	4.34%
Age 4	0.00%	5.42%	3.99%	-11.80%	4.08%	12.02%	25.00%	48.41%	8.01%	9.00%	7.00%	10.31%	4.33%
Age 3	0.00%	5.40%	4.00%	-11.79%	4.09%	12.00%	25.00%	50.34%	8.00%	9.00%	7.00%	10.31%	4.33%
Age 2	0.00%	5.42%	3.99%	-11.80%	4.07%	12.00%	25.00%	52.49%	7.99%	9.00%	6.99%	10.31%	4.33%
Age 1	0.00%	5.43%	4.00%	-11.81%	4.05%	12.01%	24.99%	54.81%	8.00%	9.00%	7.00%	10.30%	4.34%
Infant	0.00%	5.40%	4.01%	-11.80%	4.06%	12.01%	25.01%	57.26%	8.00%	9.00%	7.01%	10.30%	4.33%
Newborn	0.00%	5.43%	4.00%	-11.81%	4.07%	12.01%	24.99%	60.14%	8.01%	9.00%	7.01%	10.31%	4.33%

VPEP Applications Received Each Enrollment Period



Note: 2000 and 2004 enrollment periods were changed/delayed.

Historical Contract Sales by Type

Types of Contracts as a Percent of Total Contracts by Enrollment Year

Type of Contract	1996	1997	1998	1999	2001	2002	2003	2005	2006	2007	2008	2009	2010
1 Year CC	0.5%	1.0%	1.0%	1.1%	0.5%	0.4%	0.4%	1.0%	1.3%	2.2%	2.0%	1.9%	2.2%
2 Year CC	6.6%	7.6%	7.5%	4.3%	2.9%	2.2%	1.8%	2.7%	3.5%	3.4%	4.3%	3.5%	3.2%
2 Year CC + 2 Year University	1.5%	2.0%	1.7%	4.9%	4.5%	4.1%	3.4%	3.7%	4.2%	5.5%	3.9%	2.7%	2.8%
1 Year University	6.7%	9.5%	11.8%	10.4%	7.4%	6.3%	7.1%	10.2%	12.1%	14.6%	14.8%	18.1%	19.4%
2 Year University	7.1%	8.3%	8.7%	10.8%	9.8%	10.7%	11.2%	14.2%	14.7%	14.3%	14.3%	17.3%	16.1%
4 Year University	73.4%	65.4%	63.3%	59.2%	64.9%	67.5%	67.8%	59.2%	54.9%	53.0%	52.4%	48.5%	48.1%
Other Combinations	4.1%	6.2%	6.0%	9.3%	9.9%	8.7%	8.4%	9.0%	9.3%	7.0%	8.3%	8.0%	8.2%



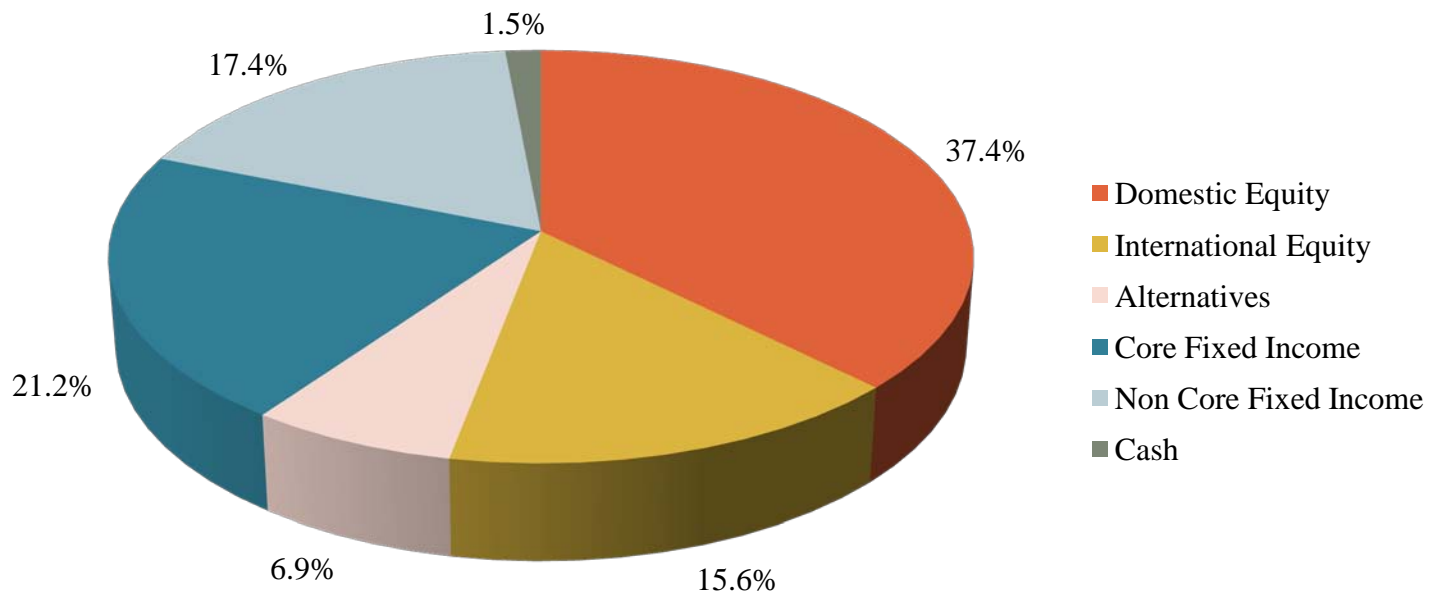
Assets Under Management

Program	Number of Accounts		Assets Under Management	
	June 30, 2009	May 31, 2010	June 30, 2009	May 31, 2010
VPEP	71,847	71,694	\$1,335,093,400	\$1,636,220,293
VEST	115,957	127,994	\$1,056,274,799	\$1,360,256,119
CollegeAmerica	1,807,211	1,886,865	\$21,115,858,233	\$25,485,353,350
CollegeWealth	601	2,516	\$4,986,631	\$12,946,946
Total	1,995,616	2,089,069	\$23,512,213,064	\$28,494,776,709



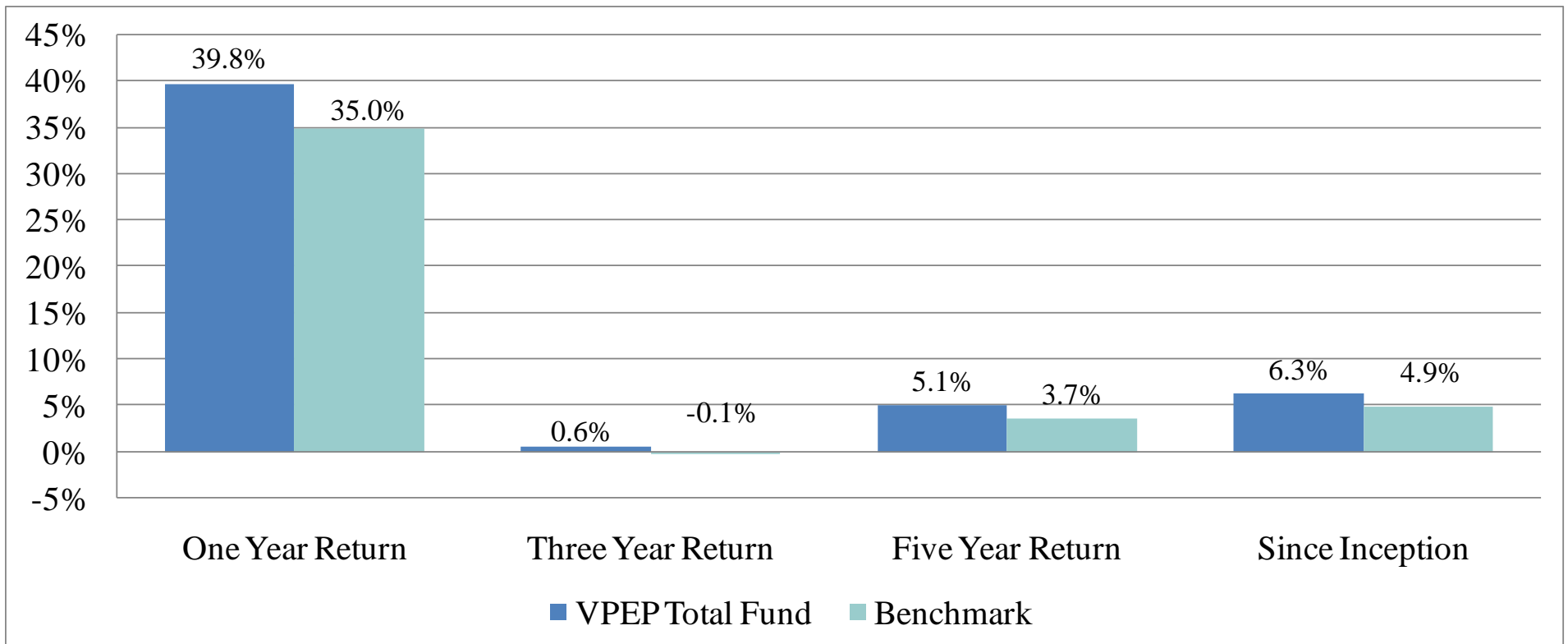
VPEP Assets Under Management

Market Value by Asset Class as of March 31, 2010



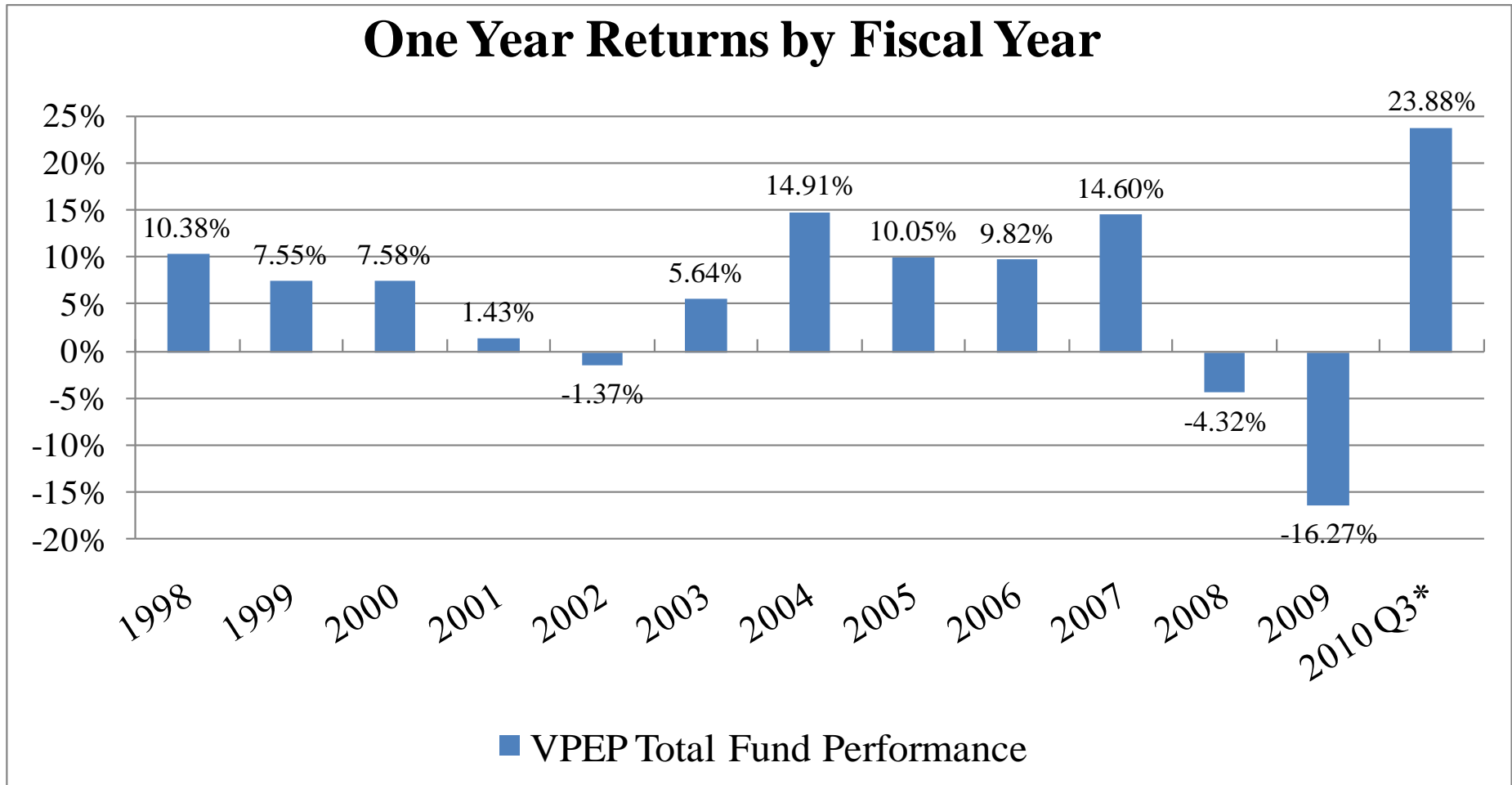
VPEP Performance ending 3/31/2010

** Not including cash with the Treasurer of Virginia.*



VPEP Annual Returns Since Inception

** Fiscal Year 2010 does not include cash with the Treasurer of Virginia.*



Investment Return Assumptions

Year	Return
1996 - 2000	8.0%
2001	7.5%
2002	7.0%
2003	6.75%
2004 - 2009	7.0%

VPEP Actuarial Tuition Increase Assumptions*

Academic Year	Universities		Community Colleges	
	June 30, 2009 assumption	Prior assumption	June 30, 2009 assumption	Prior assumption
Fall 2010	8.50%	8.50%	7.50%	7.50%
Fall 2011	8.50%	7.50%	7.50%	7.50%
Fall 2012 forward	7.50%	7.50%	7.50%	7.50%

*Assumption includes tuition and all mandatory fees (both education and general fees and non-education and general fees)

June 30, 2009 VPEP Actuarial Valuation

(Amounts in Millions)

Actuarial reserve (deficit) at June 30, 2008	\$(51.8)
Interest on the reserve at 7.00%	(3.6)
Investment gain (loss)	(358.3)
Tuition gain (loss)	54.4
Lower than expected account balances	38.1
Sales of new contracts	11.3
Administrative Fee Revenue from VCSP	15.7
Change in Assumptions	(6.7)
Change in Investment Policy	7.7
Other	9.1
Actuarial Reserve / (Deficit) as of June 30, 2009	\$(284.1)

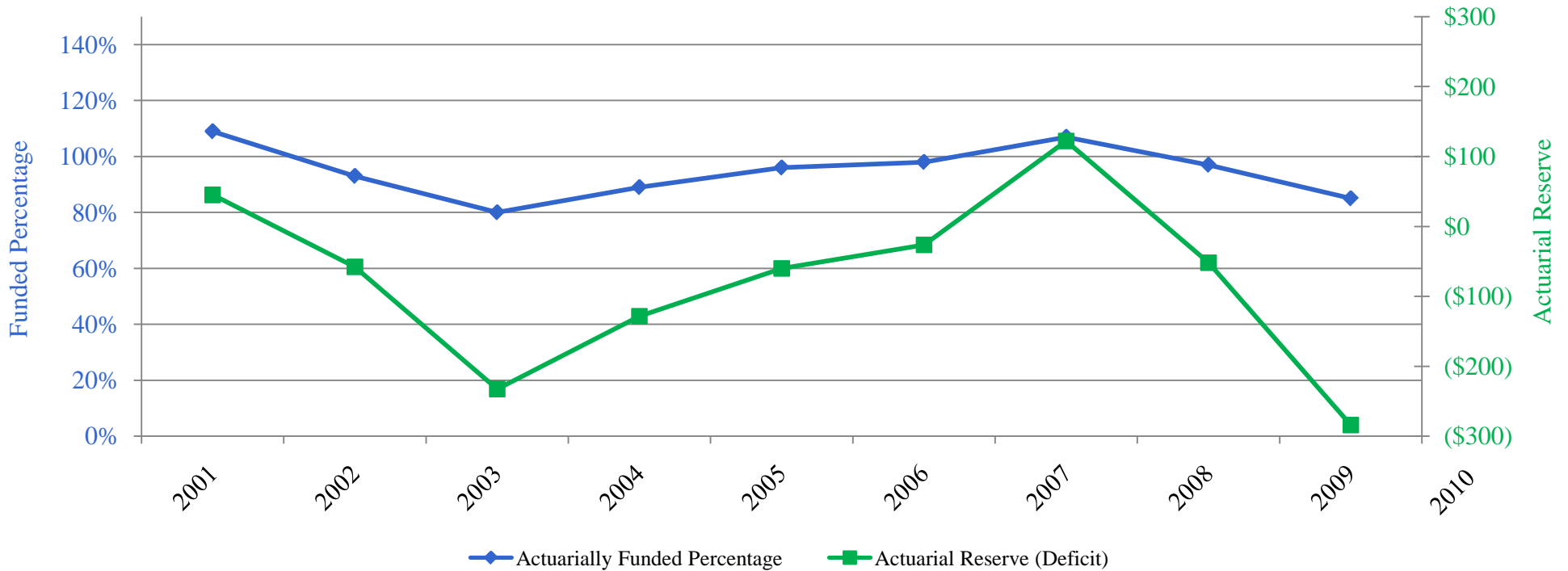
Actuarial Valuation since Inception

(Amounts in Millions)

FY Ended:	Actuarial Value of Program Assets	Actuarial PV of Future Obligations	Actuarially Funded Percentage	Actuarial Reserve (Deficit)
2001	\$576.2	\$531.0	109%	\$45.2
2002	723.9	781.8	93%	(57.9)
2003	945.2	1,177.8	80%	(232.6)
2004	1,029.3	1,157.7	89%	(128.4)
2005	1,370.4	1,430.4	96%	(60.0)
2006	1,591.0	1,617.5	98%	(26.5)
2007	1,852.7	1,730.5	107%	122.2
2008	1,839.6	1,891.4	97%	(51.8)
2009	1,625.7	1,909.8	85%	(284.1)

Historical Funded Status and Actuarial Reserve

(Amounts in Millions)



Outreach

- Marketing Partners

- Virginia High School League
- Idea Stations
- VAWizard.org
- State Fair of Virginia
- WTVR Battle of the Brains
- Richmond International Raceway
- CAA Basketball Tournament

- Revamped Employer Sponsorship Program

- New Website
- Low to Moderate Income Initiative
- Enhanced K – 12 & University Partnerships
- Social Media Campaign



PARNASSUS INVESTMENTSSM

New VEST Investment Option –

- Socially Targeted Investment Portfolio - Offered October 1, 2009
 - Parnassus Equity Income Fund
 - Parnassus received two Thompson Reuters Lipper Fund Awards for 2010



CollegeWealth Re-launch

- New partnership with BB&T
 - Opened in early November 2009

Virginia529
College Savings Plan



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