



***Report on the Response of the Virginia529 College Savings
Plan to the Impact of the Aging of Virginia's Population***

November 14, 2014

Virginia529 College Savings Plan – Signature Page

Pursuant to Code of Virginia §§ 2.2-5510 and 51.5-136, the Virginia529 College Savings Plan submits this report of its progress in addressing the impact of the aging of Virginia's population.

Submitted respectfully on November 14th, 2014



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Virginia529 College Savings Plan – Executive Summary

Virginia529 College Savings Plan does not anticipate being impacted significantly by the aging of Virginia's population. Our plans are designed for all residents of Virginia, regardless of age or any other demographic factor.

Recently, Virginia529 College Savings Plan has experienced growth in grandparents participating in our programs, and this growth is anticipated to continue in coming years, as 529 plans become more utilized for estate planning. Efforts have been made to better prepare for the aging population through website enhancements and new program materials being developed specifically for the grandparent populations.

Agency staffing needs should not be impacted in the near term by the aging population, as less than 10% of agency employees are eligible for retirement in the next five years.

The majority of the factors cited in this report are not applicable to Virginia529 College Savings Plan. The agency is well equipped to handle the increase in older Virginian's and actively seeks out these residents as a means to better inform them of the many plan benefits available to them.

Virginia529 College Savings Plan – Agency Description

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.

Virginia529 Background and History

Born as the Virginia Higher Education Tuition Trust Authority in a cubicle in the Virginia Department of the Treasury, the Virginia College Savings Plan (re-branded as Virginia529) has emerged as the premier 529 plan in the country. Our growing agency has always thrived on innovation and is very much a mission-driven financial services organization. Virginia529 is an independent state agency headquartered in Richmond, Virginia with a diverse team of almost 90 dedicated employees. All 529 plans derive their special federal tax status from § 529 of the Internal Revenue Code, hence the universally used description of “529 plans.” Virginia’s enabling legislation is found at Chapter 4.9 of Title 23 of the Code of Virginia (Va. Code §§ 23-38.75 – 23-38.87:1) and predates § 529.

The first prepaid contracts in what was then known as the Virginia Prepaid Education Program, or VPEP, were offered to Virginia families in 1996. Eighteen years later, we continue to deliver for Virginia families, and families across the country, by offering four flexible, affordable and tax-advantaged programs assisting families in planning and saving for future higher education goals.

What started as a vision for helping Virginia families pay for college via the prepaid tuition program has grown into the largest 529 plan in the country with more than 23 percent of the nation’s 529 assets under management, or more than \$52 billion as of September 30, 2014. Every state (except Wyoming) and the District of Columbia offers at least one 529 program. Virginia529 offers four 529 college savings programs, Virginia529 prePAIDSM, Virginia529 inVESTSM, CollegeWealth[®] and CollegeAmerica[®], each described in greater detail below. In addition, in 2011 Virginia529 launched an early commitment scholarship pilot program – SOAR VirginiaSM - to assist low and moderate income families in saving for higher education.

Contributions to 529 plans are made with after-tax dollars, but earnings are exempt from both federal and state income tax, and are never taxed when used for qualified higher education expenses. In addition, Virginia taxpayers may deduct contributions to Virginia529 college savings programs from Virginia individual income taxes, up to \$4,000 per account per year. Qualified higher education expenses, as defined by USC §529(e)(3), include tuition, mandatory

fees, certain room and board costs when the student is attending at least half time, textbooks, supplies and equipment required by a college.

Virginia529 Programs

In addition to providing four college savings programs, Virginia529 also maintains the College Savings Program (CSP) module of the Banner software suite through an agreement with Ellucian (formerly SunGard Higher Education), which has exclusive rights to Banner. College Savings Systems (CSS) is the software development and technical services division of Virginia529, formed in 2004, which maintains the CSP module and provides record keeping software and technical services to Virginia529 as well as 529 plans in Colorado, Maryland, Texas, and Washington. More information on CSS is provided in the Information Technology section.

Virginia529 prePAID

Virginia529 prePAID is a defined benefit program which offers contracts at actuarially determined amounts that provide for the future payment of undergraduate in-state tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher educational institution and all mandatory fees, each as required as a condition of enrollment of all students.

Key facts:

- The account owner or the beneficiary must be a Virginia resident at the time the account is opened.
- Accounts may be opened only during a limited enrollment period each year, which typically opens December 1 and closes March 31 of the following year.
- Pricing is set by the Board with input from the Virginia529 actuarial consultant and the Audit and Actuarial Committee. Two main drivers of pricing of contracts are the assumed long-term rate of return on the prePAID portfolio and the assumed short and long-term increase in tuition and mandatory fees.
- Total cost to the purchaser depends on the level of contract (Tier I (based on four-year college and university costs) or Tier II (based on community college costs), number of semesters purchased and payment terms (lump sum, extended payments or a combination).
- Contracts are available for purchase for beneficiaries in the ninth grade or younger.

Virginia529 inVEST

Virginia529 inVEST is a defined contribution savings program which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, books, room and board in many instances, and other required supplies and equipment. Those expenses may be incurred at any eligible educational institution, which includes most public, private and for profit institutions of higher education if approved to receive federal financial aid. Investment options include a range of portfolios including age-based evolving portfolios and static portfolios with a wide range of investment types and styles, depending on the needs of the account owner. inVEST is available directly through Virginia529.

Key facts:

- inVEST does not have residency or beneficiary age restrictions, except that account owners and beneficiaries must be U.S. citizens or legal residents and account owners must be at least 18 years of age.
- Accounts may be opened year-round and on-line at Virginia529.com with a minimal \$25 initial contribution.
- Customers select from 17 investment options, including age-based evolving portfolios (target date funds) with asset allocations that become more conservative as the expected beneficiary age moves closer to college age.

CollegeWealth

CollegeWealth is a defined contribution savings program under which participants invest in FDIC-insured high yield bank savings accounts offered through partners BB&T and Union First Market Bank.

Key facts:

- CollegeWealth does not have residency or beneficiary age restrictions except that account owners and beneficiaries must be U.S. citizens or legal residents and account owners must be at least 18 years of age.
- Accounts may be opened year-round with a minimal \$25 initial contribution.
- Account owners earn competitive interest rates, currently 2 percent APY.
- All CollegeWealth accounts are insured through the FDIC up to the federal limits.

CollegeAmerica

CollegeAmerica is a defined contribution savings program available only through financial advisers, offering a full line-up of American Funds mutual fund investment options by virtue of Virginia529's exclusive partnership with the American Funds.

Key facts:

- Program allows participants to invest in 38 American Funds mutual funds, including the recently offered Portfolio Series and Target Date Funds.
- Accounts may be opened year-round with a \$250 initial contribution (\$50 if enrolling in automatic monthly deductions).
- CollegeAmerica is a pioneer in offering advisor-sold 529 programs in an omnibus environment.

SOAR Virginia ®

SOAR Virginia is an early commitment scholarship program for low- and moderate-income students, combining access to up to \$2,000 in scholarship support (earned over the three years a participant is in high school) with the support and counsel of access providers in each high school. SOAR Virginia currently is in pilot and is offered in school districts defined as "high need" by the State Council of Higher Education for Virginia (SCHEV).

Key facts:

- SOAR Virginia began its pilot program in 2010 and is currently available in 42 public secondary schools in Virginia.
- Students are eligible to join the program in the tenth grade.
- If a student participates for three years, he or she can earn up to \$2,000 in financial aid (\$500/year and an additional \$500 for students continuing at a Virginia public or private institution).
- To complete the program, SOAR Virginia scholars must maintain a 2.5 GPA, comply with their schools' conduct codes and attendance requirements, complete financial literacy training, log hours providing community service, work with their access providers to complete the Federal Application for Student Aid and apply to a college, university or technical school.
- In June 2012, Virginia529's Board extended the pilot through FY2016 in order to continue extending the reach of the program while continuing to develop metrics for evaluating the success of the program.
- SOAR Virginia is funded 100% with non-general fund program operating revenues.

Information Requested

1. If your agency has undertaken any actions to respond to the current and future impact of an aging population, such as needs assessments, strategic planning, or use of best practices, please briefly describe those actions. Please indicate what assistance from DARS could help your agency as it prepares to serve an aging Virginia population.

Not Applicable to Virginia529 College Savings Plan

Information Requested

2. Briefly describe your agency's services that are used primarily by older Virginians and the funding streams (types and amounts) that support those services. If these particular services or funding streams are provided in conjunction with other state or local agencies or other for profit or non-profit organizations, please list them.

Virginia529 College Savings Plans services are used by all residents of the Commonwealth, regardless of age. Older Virginians are eligible to participate in our plans, and most do so in the form of account ownership (opening an account to benefit a family member – most likely a grandchild).

Usage of our plans has been growing across the grandparent population, as evidenced by the data presented in item #5. Nationally, grandparents participate in 529 plans at a lower rate than we experience in Virginia, mostly due to the increased awareness of our plans.

Information Requested

3. Identify current agency programs specifically designed to serve older Virginians that fall into any of the following eight categories:

Health Care/Wellness – Not Applicable to Virginia529 College Savings Plan

Education – Virginia529 programs are designed to allow all citizens, regardless of age or background, the opportunity to pursue higher education goals. Older Virginians are eligible to participate in our programs, either as an end user or as an account owner (someone saving for another individual).

Public Safety – Not Applicable to Virginia529 College Savings Plan

Recreation – Not Applicable to Virginia529 College Savings Plan

Housing – Not Applicable to Virginia529 College Savings Plan

Accessibility – Not Applicable to Virginia529 College Savings Plan

Financial Security – 529 plans have become a popular estate planning tool in recent years, mostly through the advice of financial professionals. Virginia529 College Savings Plan is not able to give financial advice, but we do refer potential and current account owners to financial professionals for assistance as needed.

Transportation – Not Applicable to Virginia529 College Savings Plan

Information Requested

4. Is your agency able to meet all of the service demands of older Virginians for the services listed above? If there are any instances where the demand for services exceeds your agency's ability to meet the demand, please indicate the service and the extent of the unmet demand. Also, if your agency maintains waiting lists for services, please provide this information, including the waiting list numbers for each service.

Not Applicable to Virginia529 College Savings Plan

Information Requested

5. Provide the number of persons, by gender if available, who received services from the agency in each of the past five state fiscal years (FY 2010 through FY2014) who fell into the following age ranges: 60-64; 65-74; 75-84; and 85 and older. If your agency lacks specific information about the numbers of older Virginians it serves but has other evidence indicating that it is serving more or fewer older Virginians than it has in the past, please describe the basis for that estimation.

In previous years, we have not collected demographic information relating to the age of our account owners. As such, we are not able to identify exactly the amount of Virginia residents within these age ranges have utilized Virginia529 College Savings Plan services. During the enrollment process, we do ask that our account owners self identify their relationship to the account beneficiary (i.e. relationship to the person they are saving for). We have experienced growth in the number of grandparents opening and maintaining accounts, as evidenced by data below. But in reality, we are not able to fully understand the impact of grandparent participation, as many grandparents “gift” funds to their own children for college savings accounts, in order for the beneficiaries parents to receive the \$4,000 Virginia State Income Tax deduction.

	New Grandchildren Accounts	Total New Accounts	% of Total
2009-10	1,833	22,113	8.29%
2010-11	2,324	25,023	9.29%
2011-12	2,239	22,812	9.82%
2012-13	2,512	26,270	9.56%
2013-14	3,849	33,741	11.41%

Information Requested

6. Referring to the services or funding you described in item two, describe any services or funding provided to older Virginians for which the accessibility or availability varies considerably in different parts of the Commonwealth.

Not Applicable to Virginia529 College Savings Plan

Information Requested

7. Over the next five to 10 years, in what ways do you anticipate that an aging population will impact your agency's services, funding streams, or policies? Consider the impact from an increase in the number of older Virginians and whether the needs of older Virginians will differ from those of today's older adults. Please include any anticipated impacts upon the cost of services, changes in type of services or the manner of service delivery, or modifications to agency policies, staffing needs, or procedures.

Given the growth in usage of 529 plans amongst the grandparent population, we anticipate that we will need to dedicate more resources towards this audience in the near future in an effort to assist them with understanding their options. Recently, we have introduced a section to our website that is designed to answer questions raised by grandparents, particularly related to estate planning and tax consequences. Additionally, our recent website reorganization included efforts to optimize text for mobile devices, as we are increasingly seeing web traffic come from non-desktop devices. As part of this enhancement, we introduced the opportunity for web visitors to toggle text size depending on personal preference, as the need for larger font had previously been requested by customers through our customer service department.

In the near term, we anticipate developing brochures and materials specifically for this audience, as currently we utilize the same information for all customers, regardless of age. Our marketing efforts focus heavily on community outreach – including event attendance, presentations, and other awareness building campaigns. As this percentage of the population continues to expand, we will exert more of an effort to attend events focused on those in this demographic.

As our programs have grown, we have needed to add additional resources to our customer service department to handle inquiries from customers regarding their accounts, with a heavier amount of these calls coming from the grandparent population.

Information Requested

8. Please describe the primary steps that should be taken at the federal, state, or local levels to meet the future demands of older Virginians and to make services delivery more effective and efficient.

Not Applicable to Virginia529 College Savings Plan

Information Requested

9. Identify the extent to which your agency provides “customer-oriented” publications and websites that are designed to be “senior-friendly.” If the information you currently provide is not readily accessible to older Virginians, please identify any steps your agency is taking to improve their access to this information.

As previously mentioned, we are developing program brochures and information specifically targeted to grandparent audiences. The website has already been modified to be friendlier to older audiences through device optimization and by offering text in larger font size. Virginia529 College Savings Plan programs can be overwhelming at first to customers, particularly grandparents, so we have introduced brief, introductory videos designed to walk customers through the different options, all the way through the application process.

Information Requested

10. Describe any other services or programs that your agency plans to implement in the future to address the impact of the aging of Virginia's population.

Not Applicable to Virginia529 College Savings Plan

Information Requested

11. Please indicate if your agency is experiencing an increase in employees retiring later and describe any actions your agency is taking or plans to take to accommodate its aging workforce with innovative practices.

Retirement has represented only 4% of turnover at Virginia529 College Savings Plan in the last 10 years. Of that group, only one had reached normal retirement age; the others retired with 30 years of state service but were significantly under normal retirement age. We have not seen any indication of employees delaying retirement due to the generous state benefits offered. Looking forward, 9% of our current employee population will be eligible to retire in the next 5 years although we do not anticipate that all will retire as many of those will not yet be close to normal retirement age. We are open to flexible working arrangements for employees who would like to work less but not necessarily retire but have not yet had that request made to us. Further, we provide a number of training and accommodations from a technology standpoint to help our older workers remain productive in our office.