

## Washoe County Deferred Comp 457 and 401a Plans Bidart & Ross – Default Investment Option Recommendation

It has come to my attention that the WCDC Committee will be meeting on, August 31, 2016, to discuss the language change to add an auto enrollment feature to the 457 Plan. This change has been discussed by the Committee back in 2015 and there were several features that of this provision that were agreed to by the Committee. I have attached the proposal for adding Automatic Enrollment to the 457 Plan. This change will impact the default investment option, and I have listed my thoughts and recommendations below:

1. Currently the default option for the 457 plan is the Guaranteed Interest Account. As the Committee is aware, this investment does not provide a diversified investment strategy for participants. Although the current floor/crediting rate is at 4%, our new agreement with MassMutual will see that floor rate move down over the next four years. The floor will eventually wind down to 2.75%. The actual crediting rate may or may not be higher depending on the interest rate environment.
2. In the original proposal for adding Automatic Enrollment the committee had stated that the default investment option be changed to the Washoe County Age Based portfolios. This was based on the fact that the WCAB portfolios provide a well-diversified portfolio of funds that are risk appropriate based on age and time horizon.
3. The current Washoe County Age Based portfolios are being expanded to cover more age bands and will continue to be automatically re-balanced. The WCAB portfolio will also now automatically become less aggressive as the participant ages. I have attached the recommended allocations and the representation of the glide path.
4. The participants that are automatically enrolled will be defaulted into the age appropriate WCAB target portfolio based on the birthdate ranges below:

Washoe County Date Ranges for Custom Choice models		
<u>Option</u>	<u>Birth Dates</u>	<u>Retirement Dates</u>
Washoe County Age Based Income	1947 or before	2012 or before
Washoe County Age Based 2015	1948 to 1952	2013 to 2017
Washoe County Age Based 2020	1953 to 1957	2018 to 2022
Washoe County Age Based 2025	1958 to 1962	2023 to 2027
Washoe County Age Based 2030	1963 to 1967	2028 to 2032
Washoe County Age Based 2035	1968 to 1972	2033 to 2037
Washoe County Age Based 2040	1973 to 1977	2038 to 2042
Washoe County Age Based 2045	1978 to 1982	2043 to 2047
Washoe County Age Based 2050	1983 to 1987	2048 to 2052
Washoe County Age Based 2055	1988 to 1992	2053 to 2057
Washoe County Age Based 2060	1993 or after	2058 or after

It would be the recommendation of Bidart & Ross, Inc. that the WCDC Committee elect to change the default investment option to the WCAB Custom Choice Models.