Washington Saves Retirement Savings Program

August 18, 2026

Target Date Fund Education

Agenda

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The power of target-date funds is they do the hard work of adjusting and rebalancing so investors can focus on saving.

Key Takeaways for Washington Saves

- A target date suite is a family of individual target date funds (TDFs), each named for different projected retirement year (e.g., 2030, 2035, 2040, 2045 etc.), that share a common investment approach and glidepath philosophy.
- TDFs are the dominant default investment in defined contribution plans because they provide a diversified, professionally managed solution for participants who do not make an active investment choice.

Simplicity

- One fund provides a complete retirement portfolio in a single investment choice
- Participants simply select the fund closest to their expected retirement age

Diversification

- TDFs invest across multiple asset classes
- Reducing reliance on any single investment

Professionally Managed

- Investment professionals oversee asset allocation, manager selection and portfolio construction

Automatic Rebalancing

- The portfolio is regularly adjusted to maintain the intended mix of investments
- Helping investors to stay consistent during market changes

Age-Appropriate Risk Management

- The fund gradually becomes more conservative as retirement approaches
- Helping to align risk with an investor’s time horizon

Encourages Better Investor Outcomes

- By automating investment decisions, TDFs help participants stay invested and avoid common mistakes such as market timing

How TDFs Work

Asset Allocation Over Time

A TDF is built on the idea that investment needs change over time. Early on, the fund takes on more market risk through equities. As retirement gets closer, it shifts towards more stable investments.

- Most TDFs follow a pre-set glidepath that shifts portfolio over time.
- The glidepath is executed through scheduled rebalancing and plan allocation changes.

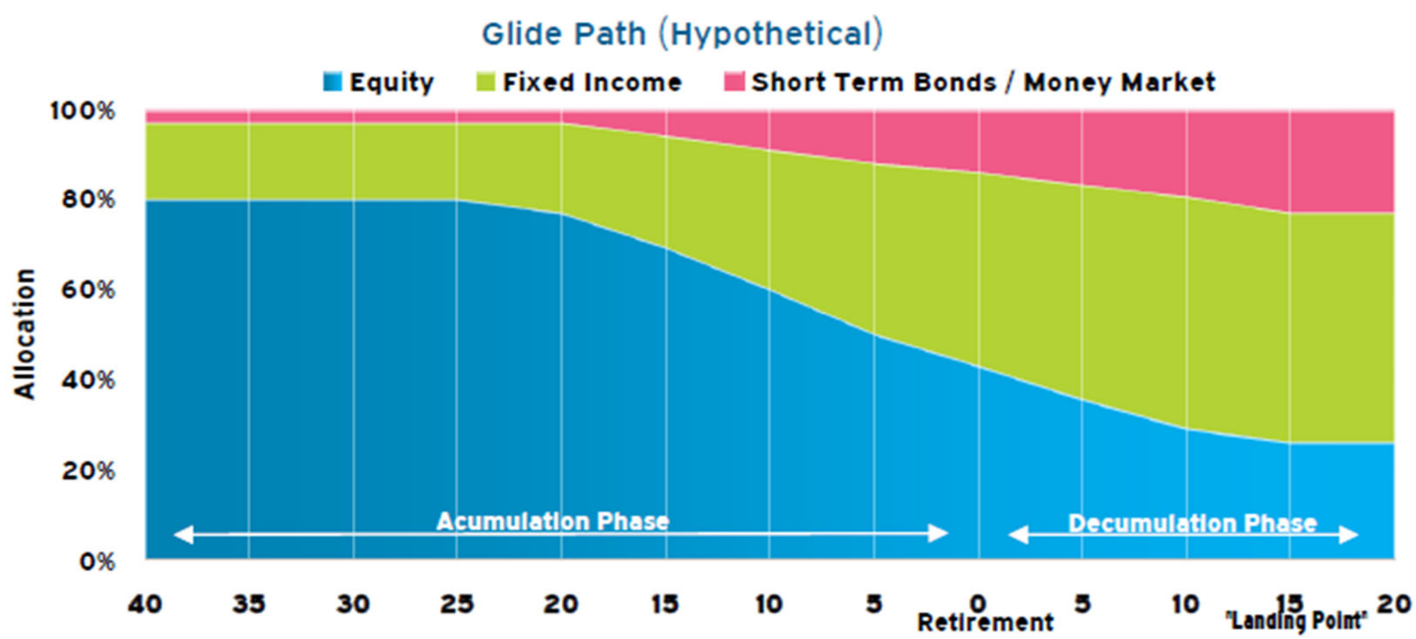
Typical Progression

Early Stage	30+ years out Higher exposure to stocks
Mid Stage	10-20 years out A balanced mix of stocks and bonds
Late Stage	0-10 years out Higher exposure to bonds and cash

What is a Glidepath?

→ A glidepath of a TDF represents the changes to its asset allocation over time.

- The TDF glidepath shows how the asset allocation mix evolves over time (until, through, and past retirement age.)
  - A typical glidepath gradually shifts to lower risk portfolios as it reaches and moves past the retirement date.
- The hypothetical glide path shown below illustrates the composition of a sample TDF for each target date year.
  - The "Landing Point" refers to the most conservative asset allocation point of the TDF.
  - The "Accumulating Phase" assumes greater equity exposure in the TDF (growth-oriented).
  - The "Decumulation Phase" assumes greater fixed income exposure in the TDF (wealth preservation).



TDFs | "To" vs "Through" Glidepaths

To Glidepath

- Stop at the target retirement year
- Reaches its most conservative equity allocation at retirement
- Risk levels stay the same after retirement begins after retirement age

- **Benefits**
  - Lower market risk at retirement
  - Greater focus on capital preservation
  - Easier for risk-adverse participants to tolerate
- **Concerns**
  - Lower expected long-term returns
  - Greater inflation risk
  - Higher risk of outliving assets

Through Glidepath

- Keeps adjusting past the target retirement year
- Risk level keeps going down for 10 to 15 more years
- Greater long-term growth potential

- **Benefits**
  - Higher growth potential during retirement
  - Better addresses longevity and inflation risks
  - Recognizes retirement can last decades
- **Concerns**
  - Greater volatility near and after retirement
  - Larger potential losses during market declines
  - Higher volatility may test investor discipline

TDFs | "To" vs "Through" Glidepaths

	To Retirement	Through Retirement
Objective	→ Reach the most conservative allocation at retirement	→ Continue reducing risk through retirement
Equity Exposure at Retirement	→ Lower	→ Higher
Growth Potential	→ Less growth potential at retirement	→ Greater long-term growth potential
Downside Protection	→ Better protection near retirement	→ More exposure to market volatility
Longevity Risk	→ Higher risk of outliving assets	→ Better positioned to support longer retirements
Best Fit	→ Investors expected to withdraw assets at retirement or seeking stability	→ Investors expected to remain invested for decades after retirement
Benefits	→ Lower market risk at retirement → Greater focus on capital preservation → Easier to tolerate for the risk-adverse	→ Higher growth potential during retirement → Better addresses longevity and inflation risks → Recognizes retirement can last decades
Concerns	→ Lower expected long-term returns → Greater inflation risk → Higher risk of outliving assets	→ Greater volatility near and after retirement → Larger potential losses during market declines → Higher volatility may test investor discipline
Examples	→ BlackRock	→ American Funds → State Street → Vanguard

→ Industry View: Most state Auto-IRAs use through-retirement glidepaths

How Do Glide Paths Balance Risk and Growth?

→ For Auto-IRA programs, the largest concern is often under-saving- rather than over-investing. Participants are typically contributing modest amounts and may not actively manage their accounts.

→ A target date fund seeks to balance:

- Growth needed to build assets
- Risk management as retirement approaches
- Simplicity for participants who do not make investment decisions

→ We believe TDFs generally provide an appropriate balance of growth and risk management for long-term investors because:

- Most participants remain invested for decades after retirement.
- Through-retirement glidepaths maintain meaningful equity exposure to support growth and combat inflation.
- Major providers still hold substantial equity allocations at retirement.

How Much Equity is Enough?

Can participants reach retirement goals without meaningful equity exposure?

Why equity is important?

- → Retirement may last 20-30 years
- → Inflation reduces purchasing power
- → Savings must continue to grow even after retirement

Why not hold 100% equities?

- → Large losses become harder to recover from near retirement
- → Participants may react emotionally during market declines

→ Most TDF managers conclude that participants need substantial equity exposure throughout much of their careers.

- To accumulate sufficient retirement assets, while gradually reducing risk as retirement approaches

The Risk Needed to Reach Retirement

Every TDF provider is trying to balance 3 risks:

1. **Market Risk**
   - → Too much equity can lead to large short-term losses
2. **Inflation Risk**
   - → Too little equity can lead to insufficient long-term growth
3. **Longevity Risk**
   - → Retirees may outlive their savings

The primary difference among TDF providers is how they balance these three risks.

All TDFs share a common foundation: diversification and gradual reduction of risk.

TDF Glidepaths Have Become More Growth-Oriented

→ **TDF providers have extended glidepaths and increased equity exposure.**

- Glidepaths now extend 20 years into retirement, versus 10 years in 2010.
- Average equity allocations for the younger participants have risen to ~92%, up from ~ 85% a decade ago.

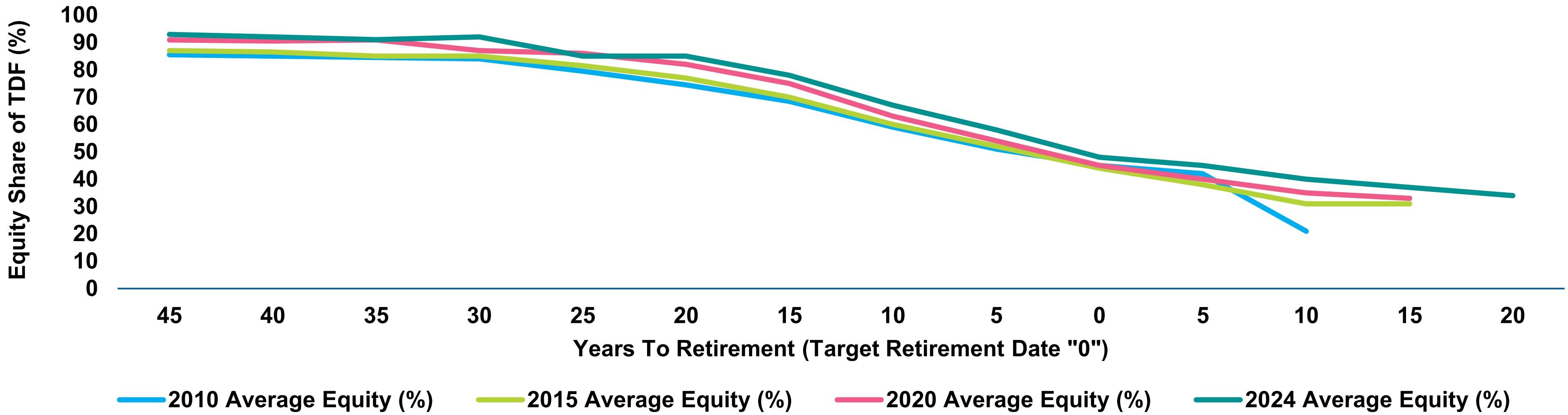
→ **Most TDFs use a fund-of-funds structure.**

- Underlying investments can change over time.
- Changes may include underlying managers, benchmarks, or asset classes.

→ **Stages of the glidepath and how providers differ.**

- Mid Stage: The pace and timing of reducing equity varies across providers.
- Pre-Retirement: Differences become more pronounced
- At Retirement: Equity allocations can vary significantly.

Average Equity as a % of TDF, in Years To Retirement[1]



[1] Source: Morningstar, "Target Date Fund Landscape," April 2025.

"The measure of a default option is not perfection, but broad suitability.

Target Date Funds | The Preferred Default Investment

→ Background

- In 2006, the Pension Protection Act (PPA) was signed into law in the US.
- The PPA led the US Department of Labor to create Qualified Default Option (QDIA) regulations for participant-directed retirement plans. While auto-IRAs are NOT subject to ERISA, it is still a useful framework from which to consider utility.
- TDFs were designated as an approved default investment under the DOL's QDIA framework for ERIS retirement plans.
- The framework recognized that many participants are automatically enrolled and do not make active investment decisions.
- As a result, TDFs became the dominant default investment in 401(k) plans and established a model that has been widely adopted state Auto-IRA programs.

→ What the Data[1] Tells Us

- Participation rates increase due to strong default options and automatic features (86% vs. 65%)
- Target date funds are the dominant default investment (98% of QDIAs).
- Participants readily adopt target date funds (84% usage when offered).
- Automatic enrollment significantly boosts participation (94% vs. 64%).
- Automatic escalation is used by more than 70% of plans.
- Higher default savings rates are becoming the norm (62% at 4%+).

→ The PPA and subsequent QDIA regulations helped make target date funds the default investment standard by aligning professional investment management with participant behavior.

→ A default option is intended to be a prudent choice for most participants, not the perfect solution for every individual.

[1] How America Saves 2026. Vanguard.

Active vs Passive Decision within Target Date Funds

→ Meketa typically recommends that clients use passive TDFs for their participants.

- Our preference is based on a few factors:
  - Offering a single low-cost passive option as the default option for ease of implementation for the average participant.
  - Meketa prefers to be passive in certain parts of the market (e.g., large cap US equity). With active TDFs, the entire line up is implemented actively.
  - Several active TDFs rely exclusively on their own proprietary investment strategies. However, it is unlikely that any single fund manager would represent the optimal choice across all asset classes included in a target date strategy.

→ Overall, passive TDFs offer a simple, cost-effective default for most participants.

Why TDFs Work for Washington Saves Participants

- Diversified from day one
- No Investment expertise required
- Automatically adjusts risk over time

- Avoids common mistakes such as:
  - Holding all cash
  - Taking too much risk
  - Forgetting to rebalance

- Most Washington Saves participants are not professional investors and may not want to build and maintain a portfolio on their own.
  - TDFs offer a professionally managed, diversified solution designed specifically for long-term retirement saving.

Commonly Utilized State Auto-IRA TDF Providers

State Street

- OregonSaves
- CalSavers
- Colorado SecureSavings[1]
- MERIT[1]
- Delaware Earns[1]
- VT Saves[1]
- NEST[1]
- Minnesota Secure Choice[1]

BlackRock

- Illinois Secure Choice
- MarylandSaves
- RetirePathVA
- NY Secure Choice

Other

- MyCTSavings[2] - White Label
- RetirementReadyNJ - Vanguard
- RISavers[2] - BNY Mellon Advisors

- Most Programs rely on institutional target-date solutions from leading asset managers.
- Active Auto-IRA plans generally default participants into age-appropriate target date options following the initial capital preservation period.

[1] Member of Partnership for a Dignified Retirement Plan, Colorado is the lead state.
[2] Member of Partnership with multistate Alliance for Retirement Security, Connecticut is the lead state.

Target Date Landscape (Morningstar)

The Largest Target Date Asset Managers as of December 31, 2025[1]

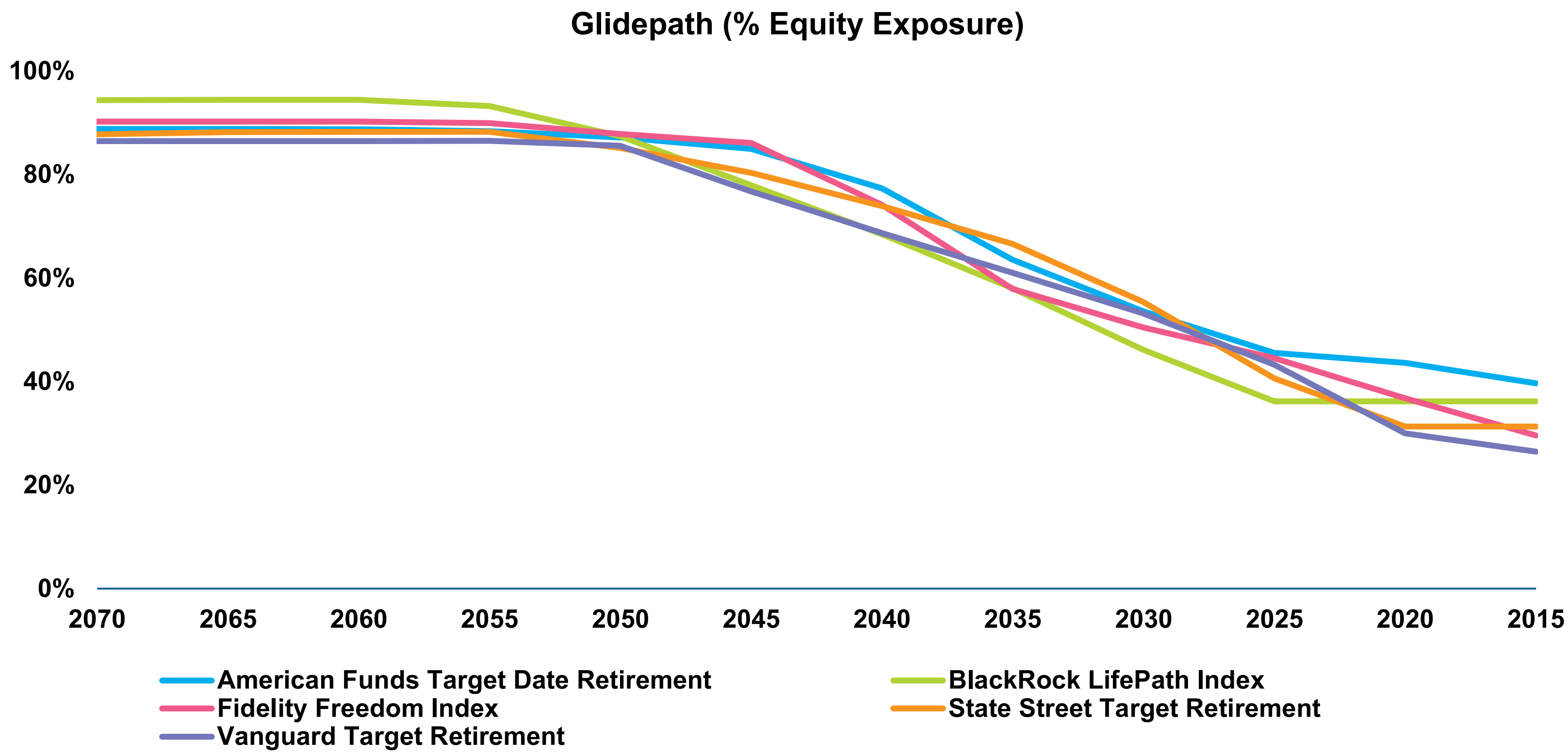
	Total AUM	Market Share
Vanguard	$1.8T	37%
Fidelity	$681B	14%
T. Rowe Price	$535	11%
BlackRock	$438	9%
Capital Group/American Funds	$426	9%
Other TDF Providers	$924	19%

Top Three Series by Annual Net Inflows as of December 31, 2025[1]

	Passive/Active	Net Flow
Vanguard Target Retirement	Passive	$35.9B
Capital Group/American Funds	Passive	$24.0B
Fidelity	Active	$20.2B

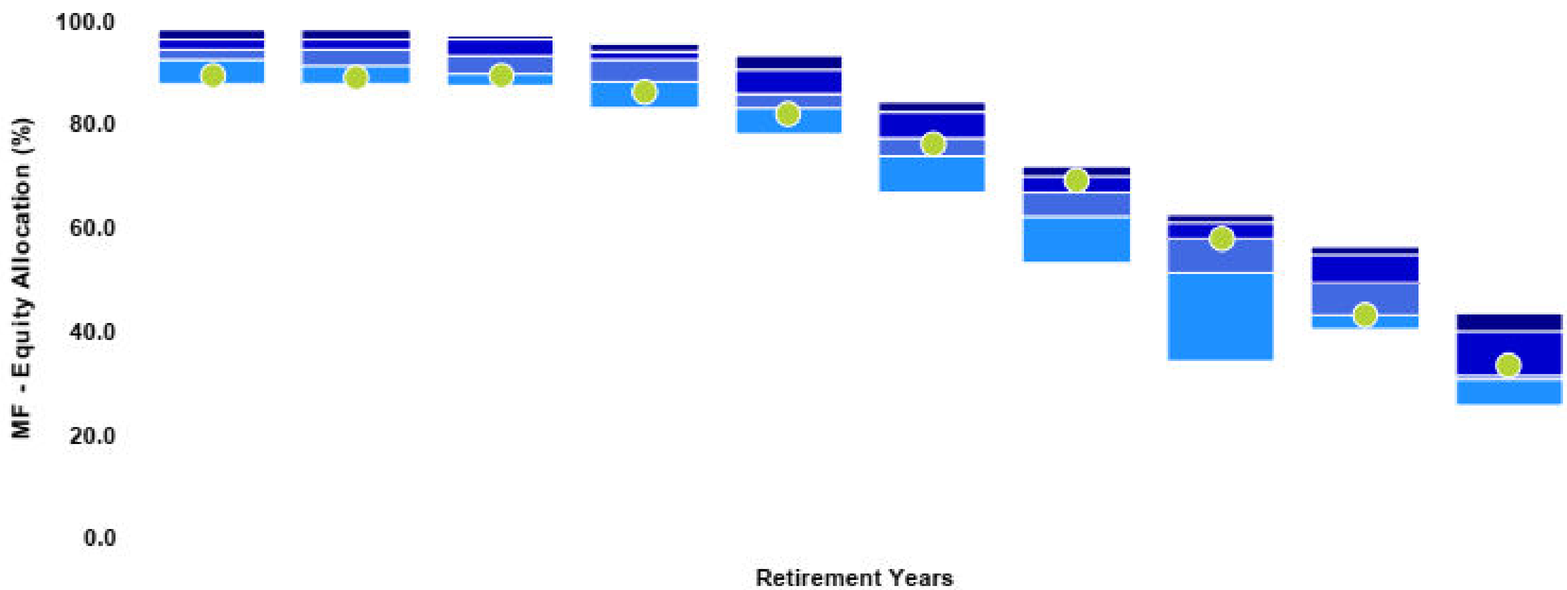
[1] Morningstar Target Date Landscape, Morningstar Direct. Data as of 12/31/2025.

Target Date Peer Comparison: Glide Path



→ The most deviation across all glidepaths is during the years near retirement, and through retirement. This is understandable given each manager has a different approach to glidepath construction, specifically the 'to' and 'through' approach.

TDF Retirement Year Allocation Comparison | May 2026



	2065	2060	2055	2050	2045	2040	2035	2030	2025	Income
State Street Target Retirement K	89.4 (93)	89.3 (92)	89.4 (81)	86.5 (87)	82.1 (78)	76.1 (65)	69.1 (33)	58.1 (45)	43.1 (75)	33.6 (46)
5th Percentile	98.4	98.4	97.5	95.5	93.3	84.5	71.9	62.7	56.4	43.6
1st Quartile	96.7	96.7	96.4	94.1	90.5	82.6	70.2	61.0	54.7	40.2
Median	94.6	94.6	93.5	92.6	86.0	77.3	66.8	57.8	49.3	31.4
3rd Quartile	92.6	91.3	89.9	88.3	83.1	73.9	62.4	51.3	43.1	30.7
95th Percentile	87.8	88.0	87.4	83.1	78.0	67.1	53.5	34.1	40.5	25.8
Population	139	145	146	146	146	146	146	148	91	125

Target Date Peer Comparison: Asset Classes As of June 30, 2026[1]

(+) Denotes Allocation (-) Denotes No Allocation	Vanguard	BlackRock	State Street	American Funds	Fidelity
Standard Allocations					
US Equity	+	+	+	+	+
International Developed Equity	+	+	+	+	+
Emerging Markets Equity	-	+	+	+	+
Core Fixed Income	+	+	+	+	+
Short Duration Core Fixed Income	+	-	+	+	-
Inflation-Linked Fixed Income - TIPS	+	+	+	+	+
Cash/Short-Term Treasuries	-	+	+	-	+
Dedicated Satellite Allocations					
Long-Term Treasuries	-	+	-	-	+
High Yield	-	+	+	+	-
Bank Loans	-	+	-	-	-
REIT Equity	-	+	+	-	-
Commodity Futures	-	-	+	-	-
Implementation	**Passive**	**Passive**	**Passive**	**Active**	**Passive**
'To' or 'Through' Glidepath	**Through**	**To**	**Through**	**Through**	**Through**
Landing Point	**Age 72**	**Age 65**	**Age 70**	**Age 95**	**Age 85**
Mutual Fund Fee	**0.08%**	**0.09%**	**0.09%**	**0.28%-0.39%[2]**	**0.08%**

[1] Source: Managers provided data. Share classes used for fees are as follows: Vanguard Target Retirement Fund, BlackRock LifePath Index K, State Street Target Retirement K, American Funds Target Date Retirement R6, and Fidelity Freedom Index Institutional Premium.

[2] American Funds TDF expense ratios vary by vintage, ranging from 0.28% for the 2010 fund and 0.39% for the 2070 fund.

Comparative Performance
As of June 30, 2026 - 2025/Income Funds[1]

	Annualized Net Returns (%)														
	1-Yr	3-Yr	5-Yr	10-Yr	Common[2]	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Vanguard Target Retirement	13.6	12.1	5.8	8.2	7.3	14.6	9.4	15.6	-15.6	9.8	13.3	19.6	5.2	15.9	7.5
Vanguard Rank	*39*	*20*	*19*	*22*	*21*	*24*	*14*	*11*	*55*	*77*	*53*	*40*	*32*	*34*	*41*
American Funds Target Date	11.6	11.7	6.10	8.2	7.5	14.5	9.3	11.9	-12.7	11.4	13.7	17.9	-3.5	15.3	7.4
Fidelity Freedom Index	14.3	11.8	5.5	8.0	7.1	14.9	8.5	14.0	-16.6	9.6	13.6	19.7	-4.5	15.2	7.5
BlackRock LifePath Index	11.6	10.0	4.2	6.1	5.7	12.5	7.2	11.5	-15.2	6.9	12.2	15.9	-3.5	10.8	5.8
State Street Target Retirement	12.9	11.4	5.5	8.2	7.4	13.2	8.9	13.7	-15.3	10.8	14.8	20.6	-5.4	16.5	8.0
Dow Jones Target 2025	*8.7*	*7.7*	*2.4*	*4.8*	*4.6*	*8.5*	*6.0*	*8.9*	*-14.5*	*3.9*	*9.6*	*14.4*	*-3.2*	*12.0*	*6.4*
S&P Target Date 2025	*13.5*	*11.4*	*6.0*	*7.8*	*7.1*	*14.0*	*8.4*	*13.0*	*13.1*	*10.7*	*11.2*	*18.4*	*-5.0*	*14.6*	*7.8*
Morningstar Conservative 2025	*9.4*	*8.4*	*2.6*	*5.4*	*5.1*	*11.4*	*5.3*	*9.8*	*17.7*	*6.6*	*13.5*	*16.3*	*-3.5*	*11.5*	*7.0*
Morningstar Peer Median	*12.9*	*11.2*	*5.2*	*7.8*	*7.0*	*13.2*	*8.5*	*13.3*	*15.5*	*10.3*	*13.3*	*19.4*	*5.6*	*15.2*	*7.4*

[1] Source: Morningstar Direct. Share classes used are American Funds Target Date Retirement R6, Vanguard Target Retirement Fund, Fidelity Freedom Index Institutional Premium, BlackRock LifePath Index K, and State Street Target Retirement K.
[2] Common period starts July 2015.
[3] Analysis uses 2025 vintage for all funds except BlackRock, which uses the Income fund.

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