

**MEMORANDUM**

DATE: February 2019  
TO: State of Delaware Office of the State Treasurer (OST)  
FROM: Cammack Retirement Group  
RE: Considerations regarding Managed Account Service Provider and Self-Directed Brokerage Account Service Provider

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The deferred compensation plans offered by the State of Delaware currently use Voya as their recordkeeper. In tandem with the recordkeeping services that Voya offers, there is a separate managed account service provider (Morningstar) and self-directed brokerage account provider (TD Ameritrade).

During the 2015 Request for Proposal process conducted by the State of Delaware, these services were vetted alongside the rest of the RFP respondents' recordkeeping capabilities. Each vendor was asked a series of questions regarding their managed account solutions and their self-directed brokerage account services, and their responses were considered during the evaluation process. While the merits of these providers alone did not determine the overall selection of the Plans' recordkeeper, the providers' reputation, cost, and feasibility were considered.

- In providing details regarding the managed account solution, the respondents were also asked to clarify the fiduciary status.
- In providing details regarding the self-directed brokerage account solution, respondents were also asked to clarify their ability to limit investments based upon the plan type.

Within Voya's response and additional due diligence, it was determined that Morningstar and TD Ameritrade would be able to meet the needs of the participants who would voluntarily elect to use these services. Separate agreements were required between the State and Morningstar and TD Ameritrade (respectively) to contract for these services.

As part of its continued due diligence, in September 2018, the Plans Management Board updated the IPS to include a section regarding the monitoring of these service providers:

*B. Monitoring of Managed Account and Brokerage Service Providers*

*In reviewing the Program's optional managed account services for core Tier 2 investments and Tier 3 brokerage account services, the Investment Committee shall consider criteria including, but not, limited to the following:*

- *the experience of the service provider;*
- *the responsiveness of the service provider's call center and the consistency of the advice that is provided to participants;*
- *the contractual terms upon which the services are offered to participants; and*
- *the reasonableness of the managed account services and investment advisor fees.*

*In addition, with respect to the Program's optional managed account services for core Tier 2 investments, the Investment Committee shall consider:*

- *the service provider's asset allocation philosophy and managed account construction methodology; and*
- *net-of-fee results for the managed account participants compared to other asset allocation alternatives.*



*Neither the Board nor the Investment Committee shall have any duty to select, monitor or evaluate the individual investment options available through the brokerage window.*

*Except as set forth in this Section V.B., the selection, monitoring, replacement, and removal of outside Plan-related vendors shall be governed by a vendor management policy to be established by the Board.*

Based on the experience the Plans and their participants have had since September 2016, it appears that both Morningstar and TD Ameritrade can be retained as ongoing service providers alongside Voya through this one-year extension. As was done during the 2015 RFP, it is expected that these services will be re-evaluated with the upcoming recordkeeper RFP.