

MEMORANDUM

Date: May 2025
To: State of Delaware Office of the State Treasurer (OST)
From: CAPTRUST
Re: Deferred Compensation Plans: Review of Outside Providers

I. Background

The State of Delaware has contracted with Voya to be the deferred compensation program recordkeeper. Under this contract, if the OST wishes to make available to members either a self-directed brokerage account or a managed account service, the OST agrees to use whichever provider(s) Voya selects for these services for the length of the contract period.

Voya partners with The Charles Schwab Corporation, Inc. ("Schwab"), and Morningstar Investment Management ("Morningstar") to provide for self-directed brokerage account (SDBA) services and managed account advisory services, respectively. The description below provides details regarding the ongoing reviews with respect to these providers.

II. Considerations

As referenced above, the SDBA is currently offered through Schwab. Voya monitors Schwab's call center's service statistics on a monthly basis, as compared with the service level agreement, and certifies them with Voya Institutional Trust Company. Although Voya's Product Management team does not conduct physical due diligence visits, Voya speaks with Schwab's relationship team daily. They have regularly scheduled meetings to address areas of concern. Voya holds weekly meetings on any current issues and monthly meetings for more global concerns and/or strategic product initiatives. Additionally, Voya's day-to-day support team in Technical Services speaks with Schwab daily and reviews transfer files and daily reports. Voya also completes a third-party risk and security review annually with Schwab.

CAPTRUST tracks the fees associated with the brokerage account services of many of the industry recordkeepers. While the OST does not have the option to use the SDBA services of a different provider, CAPTRUST's analysis helps assess how the Voya SDBA fees compare with others in the marketplace.

From a recent analysis of these fees, CAPTRUST observed that Voya's annual fee for the SDBA falls in the middle of the range of fees charged for such accounts. The transactions and other account associated fees are similarly situated in the middle, or at the lower end, of the fee spectrum.

Separate from these fees related to the account itself, some users of the Schwab SDBA may be working with an advisor who helps them make their investment decisions. Schwab can pay the fees for these advisors from the individual user's SDBA assets. If the advisor is affiliated with the Schwab Advisor Center, Schwab can make a direct payment from the SDBA assets for their fees.

For Morningstar, Voya maintains an oversight review process for the managed account offering, *Retirement Manager*. Voya has engaged in formal RFP processes historically but has not

recently repeated that competitive bidding process. Voya Retirement Advisors (VRA) performs periodic benchmarking of the advisory services programs – member experience, functionality, ability to integrate with and support the core retirement plan offering, methodology, pricing, and overall effectiveness in improving member outcomes, against other programs available in the marketplace. VRA has recurring meetings with Morningstar to ensure that the services are communicated, integrated and efficiently delivered as part of the overall plan services. Voya considers alternatives and is continually reviewing and assessing the current advisory services solutions, as well as those available in the marketplace.

In addition, Voya maintains an open dialogue with many of the top advisory services providers in order to understand the evolution of their services and ensure Voya's offerings remain competitive. Voya works with its advisory services partners to achieve that goal and will make available other provider offerings to the extent that it determines there is an alternate solution with differentiated and superior services and outcomes.

CAPTRUST conducts periodic comparisons of the fees associated with the managed account services of various recordkeepers. In a recent analysis, Voya's fees fell above the average among the managed account providers for users with lower account balances. As a user's assets grow, the associated fees decline relative to other providers. With higher account balances, the Voya managed account fees fall in the middle of the other marketplace providers.

III. Conclusion

Voya's ongoing evaluations of its outside providers help confirm that the plan members have access to competitive offerings related to managed accounts and self-directed brokerage accounts. The associated fees do not appear unreasonable for the services provided. While there is not significant usage of these services by the program members, it is prudent to confirm that the providers offered are of a quality to merit incorporation of the services into the program. Both Schwab and Morningstar remain leading providers in the market for their respective services.