

# Firm Brochure Summary of Material Changes

## Morningstar Associates, LLC

### Retirement Plan Services for Individuals

22 West Washington Street  
Chicago, IL 60602  
312.696.6000

[www.corporate.morningstar.com](http://www.corporate.morningstar.com)

March 26, 2015

We are required to provide you annually with a summary of material changes to our qualifications or business practices that have occurred since our last annual update. The following is a summary of the material changes to the Form ADV Part 2A and Part 2B for Morningstar Associates, LLC ("Morningstar Associates") since our last annual update, dated March 26, 2014.

#### Updates to the ADV Part 2A:

As of December 31, 2014, our assets under management shown in the "Advisory Business" section (rounded to the nearest \$100,000) are as follows:

- Retirement Services to Individuals (Managed Accounts): \$6,553,500,000
- Discretionary Investment Management Services to Institutions: \$8,255,500,000
- Discretionary Plan Sponsor Advice: \$415,300,000

During 2014, our parent company Morningstar, Inc., acquired all outstanding ownership interests in HelloWallet, LLC, and also acquired full ownership of ByAllAccounts. In addition, senior management was restructured to include more global oversight of the investment advisory subsidiaries. Therefore, the sixth and seventh paragraphs of the "Other Financial Industry Activities and Affiliates" were deleted and replaced with the following two paragraphs:

In some instances, we may use the employees or resources of Morningstar or its affiliates to provide certain support services in conjunction with our advisory services. In addition, Morningstar or its affiliates may also use our employees and resources to provide certain support services in conjunction with the services offered by Morningstar or its affiliates. These affiliates may include Ibbotson Associates, Inc. ("Ibbotson"), a registered investment adviser, Morningstar Investment Services, Inc., a dually registered investment adviser and limited broker-dealer, HelloWallet, LLC, an employee financial wellness program, and ByAllAccounts, an account and data aggregation service. All these entities are wholly owned subsidiaries of Morningstar. If an additional fee for such products or services by Morningstar or its affiliates is required, it will be set forth in the client advisory agreement. In these situations, clients may pay a fee directly to Morningstar or each such affiliate for its products or services, or as part of a joint fee schedule which encompasses all services.

In addition to the U.S.-based affiliates described above, Morningstar is a direct or indirect owner of a number of other investment advisory entities located in other countries. In some cases, members of our senior management may have some management responsibilities to these other affiliated entities. We do not believe that these management responsibilities create any material conflicts of interests for our clients. A current list of all of our investment advisory affiliates can be found in our Form ADV Part 1, which can be obtained at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as described on Page 2 of this Brochure.

#### Updates to the ADV Part 2B

Cindy Galiano has assumed the position of director of product management and is no longer a member of the Investment Team for Retirement Services. Terence Geenty resigned to pursue other opportunities. Bryan Platz and John Shelbourne joined the team. Their biographical information is as follows:

#### Bryan Platz, CFA

Email: [bryan.platz@morningstar.com](mailto:bryan.platz@morningstar.com)

*Educational Background and Business Experience:* Bryan is an investment consultant. He joined Morningstar Associates, LLC as an investment consultant in 2013, and previously was a client solutions consultant with Morningstar, Inc. from 2006 to 2011. From 2011 to 2013, Bryan was an investment consultant for Mesirow Financial. Born in 1977, Bryan has a BS from Miami University. Bryan is also a CFA\* charterholder.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### John Shelbourne

Email: [john.shelbourne@morningstar.com](mailto:john.shelbourne@morningstar.com)

*Educational Background and Business Experience:* John is a senior investment analyst. He joined Morningstar, Inc. in 2006 and has served as a data analyst, product manager, and senior client relationship manager before joining Ibbotson Associates, Inc. in 2014. John is responsible for constructing and rebalancing the managed accounts portfolios. Born in 1980, John has a bachelor's degree from Purdue University. John is also a CFA\* charterholder.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

Thomas Idzorek stepped down as president of Morningstar's Investment Management group in February 2015 to take on a role as head of investment methodology and economic research for Morningstar. Daniel Needham, global chief investment officer for Morningstar's Investment Management group, succeeds Mr. Idzorek as president.

Therefore, the first two sentences of the Supervision section are deleted and replaced to read as follows:

Scott Wentsel, chief investment officer of the Americas for Morningstar's Investment Management group, provides guidance on the type of strategies we offer and the nature of the due diligence we conduct. He oversees, either directly or indirectly, the investment team, including setting the strategic direction and goals of the team. He is supervised by Daniel Needham, president and global chief investment officer of the Investment Management group.

We have made other edits to our Form ADV Part 2A and Part 2B where necessary to correct grammar or punctuation, to provide clarification or further information, for consistency in terminology or content, or to improve the readability of the brochure. We do not deem these edits to be material in nature. You may obtain a current copy of our brochure at any time as described below.

Our brochures provide information about our qualifications and business practices to help you determine whether to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at 312.696.6000.

The information in our brochures has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Morningstar Associates is a registered investment adviser and wholly owned subsidiary of Morningstar, Inc. Registration does not imply a certain level of skill or training.

Additional information about Morningstar Associates is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select Investment Adviser Search in the main menu, then perform a Firm Search to locate the record for Morningstar Associates, LLC, CRD No. 108031. All current versions of our brochures are available in the Part 2 Brochures section of this record. You may also request a copy of our current brochure free of charge by contacting our Compliance Department at 312.696.6000, or by email to [compliance@morningstar.com](mailto:compliance@morningstar.com). In your request, please indicate the name of the company (Morningstar Associates) and the service brochure (Retirement Plan Services for Individuals) you are requesting.

# Form ADV Part 2A: Firm Brochure

Morningstar Associates, LLC

## Retirement Plan Services for Individuals

March 26, 2015

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# Form ADV Part 2A: Firm Brochure

## Retirement Plan Services for Individuals

### Morningstar Associates, LLC

22 West Washington Street  
Chicago, IL 60602  
312.696.6000

[www.corporate.morningstar.com](http://www.corporate.morningstar.com)

March 26, 2015

This brochure provides information about the qualifications and business practices of Morningstar Associates, LLC to help you determine whether to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at 312.696.6000.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Morningstar Associates, LLC is a registered investment adviser and wholly owned subsidiary of Morningstar, Inc. Registration does not imply a certain level of skill or training.

Additional information about Morningstar Associates, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select Investment Adviser Search in the main menu, then perform a Firm Search to locate the record for Morningstar Associates, LLC, CRD No. 108031. All current versions of our brochures are available in the Part 2 Brochures section of this record.

You may also request a copy of our current brochure free of charge by contacting our Compliance Department at 312.696.6000, or by email to [complianceemail@morningstar.com](mailto:complianceemail@morningstar.com). In your request, please indicate the name of the company (Morningstar Associates) and the service brochure(s) (Retirement Plan Services, Plan Sponsor Services, and/or Institutional Investment Consulting) you are requesting.

#### Advisory Business

Morningstar Associates, LLC ("Morningstar Associates") is part of Morningstar's Investment Management group, which is the marketing name for the investment advisory businesses of Morningstar, Inc. ("Morningstar"), a publicly traded company (Nasdaq Ticker: MORN). Morningstar Associates is a wholly owned subsidiary of Morningstar. Because we are required to inform you of any individual who holds more than 25% of our company, please be advised that Joseph Mansueto, CEO of Morningstar, individually holds more than 50% of Morningstar's outstanding shares of stock, and is therefore an indirect owner of more than 50% of Morningstar Associates.

Morningstar Associates has been registered with the SEC since 1999. In addition, we have filed the appropriate notices to conduct business in all 50 states, the District of Columbia, and Puerto Rico. We offer a suite of investment advisory services to individuals, plan sponsors, and institutional clients. This brochure focuses on the products and services we provide to individuals for their retirement plans or retirement accounts. You may obtain a copy of our brochure describing our plan sponsor or institutional client services by following the instructions above.

**Managed Accounts ("Managed by Morningstar").** Under Managed by Morningstar, we are responsible for managing your retirement account. You may enroll in the Managed by Morningstar service by various methods, such as through an Internet application, by completing a paper enrollment form, or by telephone. We provide you with an investment strategy based on your personal and financial situation. This investment strategy may include a retirement income goal, a recommended savings level and retirement age to help reach that goal, and recommended asset allocation targets. We then select investment options appropriate for your strategy using the investment options that are available within your plan, as defined by your plan provider or plan sponsor. We send transaction instructions to your plan provider or plan administrator to implement our recommended retirement strategy in your plan account. You may terminate the Managed by Morningstar service at any time without penalty.

**Fund Restrictions.** If you choose, you may ask us to exclude specific investment options from our recommendations. However, if your requested

restrictions prevent us from building an adequately diversified portfolio, you will need to remove some restrictions or you may be prevented from using the Managed by Morningstar service.

**In-Retirement.** Some plan providers may also extend the Managed by Morningstar service to plan participants who are approaching retirement or are in retirement. If your plan provider offers this service and if you meet the retirement criteria established by your plan provider, your investment strategy may include a suggested amount that you can withdraw while striving to maintain income throughout retirement. It may also include information about allocating a portion of your account balance for the purchase of an annuity or other guaranteed income product.

**Company Stock Strategy.** If your defined contribution plan includes your company's stock as an investment option, and if you have a portion of your retirement account allocated to your company's stock upon enrolling in the Managed by Morningstar service, we will recommend that you do not make additional investments in the company stock. Unless your company stock holdings are restricted due to a plan provision or a restriction imposed by your plan sponsor, we will gradually decrease your allocation over time down to zero, using the strategy outlined in your advisory agreement. You have the option to retain all or a portion of the company stock.

**Brokerage Account.** Some plans may allow participants to maintain a brokerage account within the plan. If your plan allows this option, you will be responsible for managing and monitoring those assets. We do not manage brokerage account assets; however, if you provide us with detailed information on the holdings within the brokerage account, our methodology will consider these holdings in developing an appropriate investment strategy for your retirement plan account assets. If you do not provide detailed information, our methodology will assume that the balance in the brokerage account is 52% stocks and 48% fixed income.

**Account Review.** The holdings in your plan account are typically reviewed on a quarterly basis. If necessary, we will send transaction instructions to your plan provider or plan administrator to rebalance or reallocate your account. However, please note that your plan provider or plan administrator may not be able to process rebalancing transactions if any investment option in your plan account has any restriction (e.g., equity wash restriction) at the time the rebalancing transaction instruction is received by the plan provider or plan administrator. In addition, rebalancing transaction instructions may be rejected if any data validation error exists on your account. In these instances, we will work with your plan provider or plan administrator to resolve any issues and to rebalance your account as quickly as possible. However, in some cases, your account may not be rebalanced until the next quarterly review period when all restrictions have been lifted and/or data validation errors have been corrected.

**Account Reports.** Periodically, you will receive progress reports reflecting your progress toward your retirement goals and other information regarding your investments. Typically, these reports are available electronically through our Internet application on a quarterly basis, and are mailed in paper form to your address on record on an annual basis.

**Advice/Guidance ("Managed by You").** Under Managed by You, we provide information designed to help you make your own investment choices regarding your retirement account assets. You may obtain the Managed by You service by various methods, such as through an Internet application or by telephone. We provide you with an investment strategy based on your personal and financial situation. This investment strategy may include a retirement income goal, a recommended savings level and retirement age to help reach that goal, and asset allocation suggestions. With the Advice service, we also recommend investments appropriate for you using the investment options available within your plan, as defined by your plan provider or plan sponsor. (We do not provide specific fund recommendations with the Guidance service. Your plan sponsor or plan provider selects which Managed by You service—Advice or Guidance—is available to you.) The Managed by You service is a point-in-time recommendation, and our advisory relationship with you ends once we provide you with our recommendations. You may return to the Managed by You service to receive new recommendations at any time.

**Fund Restrictions.** If you choose, you may ask us to exclude specific investment options from our recommendations. However, if your requested restrictions prevent us from building an adequately diversified

portfolio, you will need to remove some restrictions or you may be prevented from using the Managed by You service.

**In-Retirement.** Some plan providers may also extend the Managed by You service to plan participants who are approaching retirement or are in retirement. If your plan provider offers this service and if you meet the retirement criteria established by your plan provider, your investment strategy may include a suggested amount that you can withdraw while striving to maintain income throughout retirement. It may also include information about allocating a portion of your account balance for the purchase of an annuity or other guaranteed income product.

**Company Stock Strategy.** If your defined contribution plan includes your company's stock as an investment option, and if you have a portion of your retirement account allocated to your company's stock, we will recommend that you do not make additional investments in the company stock, and that you gradually decrease your allocation over time down to zero, unless you are restricted from doing so due to a plan provision or restriction imposed by your plan sponsor. You have the option to retain all or a portion of the company stock.

**Brokerage Account.** Some plans may allow participants to maintain a brokerage account within the plan. If your plan allows this option, you will be responsible for managing and monitoring those assets. We do not provide recommendations on brokerage account assets; however, if you provide us with detailed information on the holdings within the brokerage account, our methodology will consider these holdings in developing an appropriate investment strategy for your retirement plan account assets. If you do not provide detailed information, our methodology will assume that the balance in the brokerage account is 52% stocks and 48% fixed income.

**Account Review.** Under Managed by You, we do not monitor, review or update our recommendations or projections on an ongoing basis. In addition, the Managed by You service does not monitor or review the actual investment decisions that you make.

**Personalized Strategy Report.** On an annual basis, plan participants eligible for Managed Accounts ("Managed by Morningstar") but who are not currently using the service may receive a Personalized Strategy Report. Using data provided by your plan sponsor or plan administrator, we outline a retirement strategy that may be appropriate for you. If your plan sponsor or plan administrator provides your salary and contribution rate information to us, your Personalized Strategy Report may also include an analysis of your retirement income outlook. If you wish to use the Managed by Morningstar service, this report provides you with instructions on how to begin the service.

**Types of Investments.** We provide advice based on the investment options available in your plan, as defined by your plan provider or plan sponsor. These investment options may include open-end mutual funds (including money market funds and stable value funds), variable annuities, and/or exchange-traded funds.

**Regulatory Assets Under Management.** As of December 31, 2014, our assets under management (rounded to the nearest \$100,000) were as follows:

Retirement Services to Individuals (Managed Accounts): \$6,553,500,000

Discretionary Investment Management Services to Institutions: \$8,255,500,000

Discretionary Plan Sponsor Services: \$415,300,000

### Fees and Compensation

We negotiate our fees with your plan provider or plan sponsor. In some cases, your fees may be paid by your plan sponsor or plan provider. Typically, our fees are charged in arrears. Your specific fee schedule and the method of paying those fees are described in your advisory agreement. You should refer to the advisory agreement for specific fee information, and consult with your plan sponsor if you have questions. You may terminate your advisory relationship with us at any time without penalty.

**Managed Accounts ("Managed by Morningstar").** If you elect our Managed Accounts service ("Managed by Morningstar"), your account will be charged a fee based on the assets in your retirement account that we manage. Your plan provider will debit our fee from your plan account and remit that fee to us. This fee is expressed in "basis points." A basis point is equivalent to 0.01%; 100 basis points is equivalent to 1%. Our fee is generally less than 100 basis points of your account. For example, if your account balance is around \$50,000, your annual fee would be less than \$500. In some cases, your plan provider may charge an annual administrative user fee. Please check with your plan sponsor or plan provider for specific fee information for your plan.

**Advice/Guidance ("Managed by You").** We do not charge you a fee to use our Advice/Guidance service ("Managed by You"). However, in some cases, your plan provider may charge an annual administrative user fee. Please check with your plan sponsor or plan provider for specific fee information for your plan.

**Other Fees.** Our fees are separate from fees and expenses charged by the investment options or fees that may be charged by a third party, such as your plan provider or recordkeeper. The investment options' fees and expenses are described in the prospectus or equivalent. These fees will generally include a management fee, other investment expenses, and possibly a distribution fee (e.g. 12b-1). In some cases, an investment option may also charge an initial or deferred sales charge. Neither Morningstar Associates nor any of our employees receive transaction-based compensation for the investment recommendations we make.

### Performance-Based Fees and Side-by-Side Management

We do not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets in your account). Therefore, we do not manage any performance-based fee accounts side-by-side with non-performance based fee accounts.

### Types of Clients

In addition to the retirement plan services for individuals described in this brochure, we also provide investment advisory services to institutional clients such as banking institutions, investment companies, pension or profit sharing plans, trusts, endowments, foundations, or other business entities. If you would like a copy of our brochures describing these services, please follow the instructions on Page 2.

Managed by Morningstar and Managed by You services are only available to individuals with retirement accounts, such as an account within a defined contribution plan or an IRA. We do not require a minimum account balance to use our services, and we generally do not impose any other conditions on your use of our Managed by Morningstar or Managed by You service.

### Methods of Analysis, Investment Strategies, and Risk of Loss

**Development of Investment Advice.** Our Global Investment Policy Committee and its working sub-committees are responsible for oversight of the investment methodologies across all products and services. Members of the Committee may include officers, chief investment officers, managing directors, or managers of Morningstar Associates or its affiliates. The sub-committees focus on specific investment areas such as capital market assumptions and methodologies used for asset allocation, manager selection, portfolio construction, and advice.

An investment team provides the investment advice used in the products and services referenced in this brochure. Information on the key members of this investment team is included in Part 2B attached hereto.

**Analysis Methods.** In providing our advisory services, we review available quantitative data to analyze and screen the investment options within a plan. For Managed by Morningstar, we also apply qualitative analysis by our investment professionals, such as evaluations of investment managers, portfolios and individual investments. The primary sources of information we use are the extensive databases and methodologies of Morningstar, and interviews with investment managers. Other sources include financial publications, annual reports, prospectuses, press releases, and filings with the SEC. We combine this information with other factors—including actuarial data, stock market exposure, probability analysis, and mean-variance optimization—into a proprietary software program to analyze a complex set of market data and variables. The result is an advanced model that can provide investment recommendations and a projection of different outcomes. Using this model, we develop an investment strategy tailored to your investment goals, as described below.

**Investment Strategy.** If you are accumulating for retirement savings, our investment strategy is generally based on information such as your retirement account balance, expected retirement age, contribution rate and other preferences you may have. If you have already retired, and if your plan provider offers the In-Retirement services described above, our strategy is based on information such as your current account balance, additional cash flows and life expectancy. This retirement strategy may include some or all of the following:

**Retirement Income Goal (accumulation phase).** We define your retirement income goal as the projected amount of money that you will need during retirement to live comfortably throughout retirement. We calculate this amount based on your current income, adjusted to reflect



the estimated dollar value at your retirement age. Typically, we use an amount equal to 100% of your take-home pay (although some plan providers may request a different rate, e.g., 80% of your gross pay), and then project the value of that amount at your retirement age to determine your retirement income goal. You have the option to change this projected retirement income amount.

*Income Outlook (accumulation phase).* We define the income outlook as a projection of the annual income that you may receive during retirement. We base this on an annualized view of the investment wealth you accumulate, combined with social security benefits and any pension or other income you might receive.

*Total Retirement Income (in-retirement phase).* If your plan provider offers the In-Retirement services described above, we define your total retirement income as the projected amount of money, typically at some level of probability, that you can expect to receive on an annual basis in order to maintain income throughout retirement.

**IMPORTANT:** When we determine the income projections described above, these projections are based on hypothetical performance data and do not represent actual or guaranteed results. Your projections may vary over time with each additional use of our service.

*Risk Strategy.* We determine a risk strategy for you based on several factors, such as your current age and time until retirement, gender, salary, total current wealth, deferral rate, and retirement goals. If you have retired or are approaching retirement, and if you have the opportunity to purchase an annuity, the risk strategy also considers your longevity and liquidity needs. Your risk level corresponds to an asset mix, or the combination of stocks, bonds and cash, that will serve as the basis for our recommendations of specific funds appropriate for you.

*Risk of Loss.* You should remember that all investments involve risk and will not always be profitable. We do not guarantee that our recommendations will result in achieving your retirement income goal. We cannot guarantee that negative returns can or will be avoided in any of our recommendations. An investment's future performance may differ substantially from its historical performance and as a result, may incur a loss. Past performance is no guarantee of future results.

Our investment strategy is intended to provide you with an investment portfolio that is diversified across various asset classes and appropriate based on your facts and circumstances. Asset allocation and diversification are investment strategies which spread assets across various investment types for long-term investing. However, as with all investment strategies, these strategies do not ensure a profit and do not guarantee against losses.

*Estimated Tax.* We estimate your federal, state income, and capital gains taxes based on marginal tax rate calculations (the marginal tax rate is the rate you pay on the taxable income that falls into the highest bracket you reach). These calculations are used when we conduct our income simulations. Tax data is updated annually based on United States Internal Revenue Code (IRC) and similar state tax data. We use income data for you, as well as your spouse/partner, to estimate federal and state tax exposure. Your tax exposure is appropriately reduced for pre-tax deferrals, tax-deferred capital gains, and yield and distribution of Roth proceeds. Based on the information we know about you, we provide an estimate of your tax exposure, but may not include all tax considerations. Please consult a tax adviser for a complete understanding of your tax situation.

### Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would influence your decision to hire or retain us as your investment adviser. We do not have any material legal or disciplinary events to report.

### Other Financial Industry Activities and Affiliations

This section provides information on other business activities we may conduct in addition to the services described above. In addition, it describes any potential conflicts of interest we may have, and how we mitigate those potential conflicts.

Our parent company, Morningstar, offers various products and services to the public. Some of its clients are service providers (e.g., portfolio managers, advisers, or distributors affiliated with a mutual fund or other investment option, collectively "Service Providers"). We may have a contractual relationship to provide consulting or advisory services to these same Service Providers. In some cases, we may recommend the products of these Service Providers to our advisory clients. To mitigate any actual or potential conflicts of interest, we do not consider Morningstar's relationship with these Service Providers when making investment option recommendations. We are not paid to recommend

one investment option over another, including products of Service Providers with which Morningstar has a relationship.

Morningstar provides information to the public about various investment products, including open-end mutual funds and ETFs. In some cases, this information includes written analyses of these investment products. Although we may use certain products, services, or databases of Morningstar, we do not participate in or have any input in the written analyses that Morningstar provides its subscribers. Our investment recommendations are based on our separate and independent research and analysis of the available investment products.

In some situations, we may recommend an investment product that holds a position in publicly-traded shares of Morningstar. Such an investment in Morningstar is solely the decision of the investment product's portfolio manager. We have no input into a portfolio manager's investment decision nor do we require that the investment products we recommend own shares of Morningstar. An investment product's position in Morningstar has no direct bearing on our investment selection process.

In certain situations, we may recommend an ETF that tracks an index created and maintained by Morningstar, and the ETF sponsor has entered into a licensing agreement with Morningstar to use such index. To mitigate any conflicts of interest arising from our selection of such ETFs, we may use solely quantitative criteria established by our advisory client to make such selection, or, in the alternative, Morningstar's compensation from the ETF sponsor will not be based on nor will it include assets that are a result of our recommendation to our advisory client to invest in those ETFs. In addition, Morningstar does not and will not have any input into our investment decisions, including what ETFs will be recommended for our recommended portfolios.

In some instances, we may use the employees or resources of Morningstar or its affiliates to provide certain support services in conjunction with our advisory services. In addition, Morningstar or its affiliates may also use our employees and resources to provide certain support services in conjunction with the services offered by Morningstar or its affiliates. These affiliates may include Ibbotson Associates, Inc. ("Ibbotson"), a registered investment adviser, Morningstar Investment Services, Inc., a dually registered investment adviser and limited broker-dealer, HelloWallet, LLC, an employee financial wellness program, and ByAllAccounts, an account and data aggregation service. All of these entities are wholly owned subsidiaries of Morningstar. If an additional fee for such services by affiliates is required, it will be set forth in the client advisory agreement. In these situations, clients may pay a fee directly to each such affiliate for its services, or as part of a joint fee schedule which encompasses all services.

In addition to the U.S.-based affiliates described above, Morningstar is a direct or indirect owner of a number of other investment advisory entities located in other countries. In some cases, members of our senior management may have some management responsibilities to these other affiliated entities. We do not believe that these management responsibilities create any material conflicts of interests for our clients. A current list of all of our investment advisory affiliates can be found in our Form ADV Part 1, which can be obtained at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as described on Page 2 of this Brochure.

We may make our clients aware of various products and services offered by Morningstar or its affiliates. We do not receive compensation from our affiliates in presenting these potential opportunities.

In certain circumstances, we may use the middle-office and back-office capabilities of our affiliate Morningstar Investment Services. When we do, we compensate Morningstar Investment Services for use of those services. In addition, Morningstar Investment Services may provide sales support by educating investment adviser representatives about programs for which Morningstar Associates and Morningstar Investment Services act as investment strategists. For this sales support, the third-party investment adviser will pay a specific agreed upon fee to Morningstar Associates and Morningstar Investment Services.

The universe of investment options from which we make our investment selections is typically defined by the institutional client for which we are providing services or by the plan provider client through which our retirement plan services are delivered. In some cases, this universe of investment options may include proprietary investment options of the institutional client or plan provider client. To mitigate the conflict of interest presented by this

situation, we subject all investment options to the same quantitative and qualitative investment selection methodology, based on several factors, including performance, risk, and expenses, and the proprietary nature of the investment options does not influence our selection.

We may provide consulting or advisory services to institutional clients that offer investment products, such as mutual funds, variable annuities, or model portfolios. Because of our role in these investment products, recommending these products to other advisory clients may present a conflict of interest. To mitigate this potential conflict of interest, we exclude these investment products from the universe of investment options from which we make our recommendations.

### **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

*Code of Ethics.* We have adopted a Code of Ethics that strives to uphold the highest standards of moral and ethical conduct, including placing our clients' interest ahead of our own. All access persons are subject to this Code of Ethics. "access persons" includes our officers and employees, and any officer or employee of our affiliates who makes or participates in investment recommendations to clients; or who has the ability to access a client's nonpublic information, including a client's security holdings or investment recommendations a client has received or will receive. Our Code of Ethics addresses such topics as our fiduciary duty, our professional responsibilities, protecting our clients' non-public personal information, our gifts and entertainment policies, and the personal trading practices of all access persons. A copy of our Code of Ethics is available to existing and prospective clients by sending a written request to our Compliance Department at the address or email address shown on Page 2 of this brochure.

*Participation or Interest in Client Transactions.* Our access persons may maintain personal investment accounts, and may purchase or sell investments in those accounts that are the same as or different from the investments we recommend to clients. Because we primarily recommend mutual funds and ETFs, our access persons' personal investing activities should not conflict with our advisory activities or the timing of our recommendations. In addition, our Code of Ethics is designed to ensure that access persons' personal trading activities will not interfere with our clients' interests, while allowing our access persons to invest in their own accounts.

We do not engage in principal transactions (transactions where we, acting in our own account or in an affiliated account, buy a security from or sell a security to a client's account). In addition, we do not engage in agency cross transactions (transactions where we or our affiliate executes a transaction while acting as a broker for both our client and the other party in the transaction).

*Personal Trading.* Our Code of Ethics also includes policies designed to prevent access persons from trading on the basis of material non-public information. Access persons in possession of material non-public information may not trade in securities which are the subject of such information, and may not tip such information to others. In certain instances, we employ information blocking devices such as restricted lists to prevent illegal insider trading. Our Compliance Department monitors the trading activities of all access persons in their personal accounts on an ongoing basis.

### **Brokerage Practices**

Where we exercise investment discretion, we will generate trade instructions for each individual account that requires rebalancing and forward those instructions to the appropriate institution as designated by the plan provider. As a result, we do not have the ability to make decisions regarding which broker is used to execute the transactions. We do not participate in any soft dollar practices.

### **Review of Accounts**

*Managed Accounts ("Managed by Morningstar").* Managed Accounts are typically rebalanced or reallocated on a quarterly basis as necessary, and receive quantitative and/or qualitative reviews performed by our investment team on an annual or as-needed basis. You should notify us of changes in your personal and financial information, investment objectives, and investment restrictions so that we can make the necessary adjustments to your investment strategy. Periodically, you will receive a progress report with information about your account, either in an electronic format (e.g., by email or through Internet account access) or by U.S. mail to your address of record. This progress report may include such things as your progress toward your retirement goal, investment performance information, and an analysis of your portfolio.

*Advice/Guidance ("Managed by You").* We do not provide ongoing account reviews as part of the Managed by You service. You should review your retirement plan and asset allocation recommendations on a regular basis. You

may use the Managed by You service at any time to update your personal information and review your retirement plan strategy, which may have changed as the result of the updated information. In addition, we do not prepare periodic reports as part of the Managed by You service. You may use the Managed by You service to review your retirement accounts as frequently as you wish.

### **Client Referrals and Other Compensation**

In certain situations, we may make cash payments to unaffiliated third parties for recommending the use of our advisory services to their clients. Such cash payments are paid pursuant to a written agreement between us and the third-party solicitor. The third-party solicitor will provide each prospective client with a copy of this brochure and a disclosure document that sets forth the terms of the arrangement (including the nature of the relationship and the fees to be paid). Clients referred by third-party solicitors may in some cases pay a higher fee than clients who contract with us directly. Solicited clients should refer to the disclosure document for information on the effect of the fees paid to third-party solicitors.

### **Custody**

We do not serve as a custodian of client assets. (However, in cases where we have the ability to debit fees directly from client accounts, we may be deemed to have custody of client assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, even if we do not act as a custodian.) Your plan provider or its designee is responsible for selecting the custodian for your plan assets. You should receive statements from the qualified custodian that holds your assets at least quarterly. You should carefully review such statements and compare them to the progress reports we provide to you. Our progress reports may vary from custodial statements because of differences in accounting procedures (e.g., trade-date versus settlement-date accounting) or reporting dates. If you note any discrepancies on your account statements, please promptly contact your plan administrator.

### **Investment Discretion**

When you accept the advisory agreement for our Managed Accounts service ("Managed by Morningstar"), you assign to us full discretion to manage the investments of your retirement account on your behalf and to monitor it on an ongoing basis. Based on information provided by you, we provide you with an individualized asset allocation strategy and select investment options appropriate for that strategy based on the options available in your account. As described above, you have the right to impose reasonable restrictions on your retirement account. We will exercise our discretion in managing your account consistent with your individualized strategy and within the account restrictions, if any.

If you elect our Advice/Guidance services ("Managed by You"), you retain the investment discretion and control of your account. We provide you with information designed to help you make investment choices regarding your retirement account assets, but you are responsible for managing the investments in your account. We do not monitor, review or update our recommendations or projections on an ongoing basis.

### **Voting Client Securities**

You are responsible for receiving and voting proxies for all investments held in your account. We do not have the authority to and will not vote proxies.

### **Financial Information**

We are required to provide you with certain financial information or disclosures about our financial condition. We do not have any financial commitment that impairs our ability to meet our contractual and fiduciary commitments to clients, and we have not been the subject of any bankruptcy proceeding.

# Form ADV Part 2B: Brochure Supplement

## Morningstar Associates, LLC

### Investment Team for Retirement Plan Services

22 West Washington Street  
Chicago, IL 60602  
312.696.6000

[www.corporate.morningstar.com](http://www.corporate.morningstar.com)

March 26, 2015

This brochure supplement provides information about the investment team for Morningstar Associates' Retirement Plan Services as a supplement to our Firm Brochure. This supplement provides information on the members of the investment team with the most significant responsibility for day-to-day investment advice for Retirement Plan Services and is not a complete list of all the members of the investment advisory team.

Please note that the individuals listed below are responsible for determining the investment methodology and policy portfolios that are used in our services, but they do not provide investment advice to plan participants who may use these services. The members of the investment team are unable to answer specific questions regarding your account. Please contact your plan sponsor or plan provider for assistance with any questions regarding your account or your plan.

Please contact the Compliance Department at 312.696.6000 or [complianceemail@morningstar.com](mailto:complianceemail@morningstar.com) if you did not receive a copy of our Firm Brochure, if you have questions about the content of this supplement, or if you would like information about other members of our investment team. In your request, please indicate the name of the company (Morningstar Associates) and the type of service (Retirement Plan Services).

Morningstar Associates is part of Morningstar's Investment Management group, which is the marketing name for the investment advisory businesses of Morningstar, Inc.

#### Jeremy Stempien

Email: [jeremy.stempien@morningstar.com](mailto:jeremy.stempien@morningstar.com)

*Educational Background and Business Experience:* Jeremy is the Director of Investments. He joined Ibbotson Associates, Inc. in 2005 and has served as senior analyst, portfolio construction team manager, and senior investment consultant. Born in 1976, Jeremy has a BS from St. Louis University and an MBA from the University of Notre Dame.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### John Shelbourne

Email: [john.shelbourne@morningstar.com](mailto:john.shelbourne@morningstar.com)

*Educational Background and Business Experience:* John is a senior investment analyst. He joined Morningstar, Inc. in 2006 and has served as a data analyst, product manager, and senior client relationship manager before joining Ibbotson Associates, Inc. in 2014. John is responsible for constructing and rebalancing the managed accounts portfolios. Born in 1980, John has a bachelor's degree from Purdue University. John is also a CFA\* charterholder.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### Heather Young

Email: [heather.young@morningstar.com](mailto:heather.young@morningstar.com)

*Educational Background and Business Experience:* Heather is the Portfolio Construction Team Manager. She joined Ibbotson Associates, Inc. in 1998 as a senior analyst. Heather is responsible for constructing and rebalancing the managed accounts portfolios. Born in 1975, Heather has a bachelor's degree from Indiana University.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### Bryan Platz, CFA

Email: [bryan.platz@morningstar.com](mailto:bryan.platz@morningstar.com)

*Educational Background and Business Experience:* Bryan is an investment consultant. He joined Morningstar Associates, LLC as an investment consultant in 2013, and previously was a client solutions consultant with Morningstar, Inc. from 2006 to 2011. From 2011 to 2013, Bryan was an investment consultant for Mesirow Financial. Born in 1977, Bryan has a BS from Miami University. Bryan is also a CFA\* charterholder.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### David Falkof, CFA

Email: [david.falkof@morningstar.com](mailto:david.falkof@morningstar.com)

*Educational Background and Business Experience:* David is an investment consultant. He joined Morningstar, Inc. as a fund analyst in 2009, before joining Morningstar Associates, LLC in 2013. He performs asset allocation modeling, portfolio construction, fund classification, and manager due diligence. Born in 1987, David has a bachelor's degree in economics from Bowdoin College. David is also a CFA\* charterholder.

*Disciplinary Information:* None.

*Other Business Activities:* None.

*Additional Compensation:* None.

#### Investment Team Supervision

Scott Wentsel, chief investment officer of the Americas for Morningstar's Investment Management group, provides guidance on the type of strategies we offer and the nature of the due diligence we conduct. He oversees, either directly or indirectly, the investment team, including setting the strategic direction and goals of the team. He is supervised by Daniel Needham, president and global chief investment officer of the Investment Management group. The activities of the investment team are guided by the Global Investment Policy Committee. The Global Investment Policy Committee and its working sub-committees are responsible for oversight of the investment methodologies. The sub-committees focus on specific investment areas such as capital market assumptions, asset allocation, manager selection, portfolio construction, advice methodologies, fundamental dynamic asset allocation and quantitative tactical asset allocation. Please refer to the "Methods of Analysis, Investment Strategies and Risk of Loss" section of our Firm Brochure for a description of the Global Investment Policy Committee.

*\*The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute. To become a CFA charterholder, candidates must pass three six-hour exams, possess a bachelor's degree, and have 48 months of qualified, professional work experience. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. The CFA is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance.*