

**TRANSAMERICA RETIREMENT ADVISORS, LLC**

***Managed Advice<sup>®</sup> and Today's Advice<sup>®</sup>***  
**Brochure**

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This brochure provides information about the qualifications and business practices of Transamerica Retirement Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (844) 622-2133. 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.

Transamerica Retirement Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Transamerica Retirement Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 28, 2023**

## Item 2 - Summary of Material Changes

This section of the brochure highlights changes that have been made since Transamerica Retirement Advisors, LLC's ("TRA") last annual update on March 22, 2022. This brochure has been updated as follows:

- Item 4. This item has been updated to reflect that, beginning November 16, 2022, advisors can recommend the *Managed Advice* ("MA") and *Advisor Managed Advice* ("AMA") advisory services if they determine that subscription or enrollment in the service is in the individual's best interest.
- Item 5. In addition to advisors being able to recommend the MA and AMA services, advisors who are also registered representatives of TRA's broker-dealer affiliate became able to recommend a brokerage IRA. This Item has been updated to reflect that compensation is paid to advisors for subscribing to an advisory service or opening an account, and that the compensation paid is the same for each advisory service or brokerage account. The Item was also updated to describe new conflicts of interest created by advisors having the ability to offer and recommend advisory and brokerage accounts.
- Item 10. This item was updated to enhance and add disclosures related to conflicts of interest regarding compensation received by certain affiliates.

Each year, TRA is required to update this brochure within 90 days of its fiscal year end, which is December 31, and must deliver to you the updated brochure or a summary of material changes to the brochure within 120 days of the fiscal year end.

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## Item 4 – Advisory Business

### Our Firm

Transamerica Retirement Advisors, LLC (“TRA”) is a registered investment advisory firm that, with its predecessors, has been in business since 1992. TRA is part of the AEGON family of companies, a global leader in pensions. TRA is a wholly-owned subsidiary of Transamerica Retirement Solutions LLC (“TRS”), a firm dedicated to providing services to retirement plans and their participants. TRS is an indirect wholly-owned subsidiary of AUSA Holding, LLC, and a financial service holding company whose primary emphasis is on life and health insurance, and annuity and investment products. AUSA Holding, LLC is owned by the Transamerica Corporation. Transamerica Corporation is owned by AEGON International B.V., which is owned by AEGON NV, a Netherlands corporation, and a publicly traded international insurance group (“AEGON”).

As of December 31, 2022, TRA has the following assets under management: Discretionary: \$3,663,659,470 and Non-discretionary: \$6,691,022,606. Not all these assets are associated with the *Managed Advice*<sup>®</sup>, *AMA* service, or *Today's Advice*, and the amounts do not include any assets associated with *Today's Advice*<sup>®</sup>. These figures are computed in the same fashion as in our Form ADV, Part 1A. Please refer to TRA's other Form ADV brochures for discussions of the other investment advisory services offered by TRA.

### Advisory Services

#### ***Managed Advice*<sup>®</sup>**

*Managed Advice* is an advisory service that creates asset allocation portfolios for participants in employer-sponsored retirement plans (“Plans”) and for individuals in individual retirement accounts (“IRAs”). *Managed Advice* provides participants and IRA owners with holistic recommendations including savings rate advice and retirement age advice based on personal information they provide, such as current income, desired retirement income goals, savings rate, desired retirement age, other sources of income and household assets. As part of the *Managed Advice* service, a client's account is rebalanced periodically through a series of portfolios personalized with the objective of meeting the client's desired retirement goals.

*Morningstar Services.* TRA has engaged Morningstar Investment Management, LLC (“Morningstar”) to provide advisory services in connection with *Managed Advice*. Morningstar is an SEC-registered investment adviser and a subsidiary of Morningstar, Inc., neither of which are affiliates of TRA. TRA relies exclusively on the proprietary software, systems, and investment methodology developed and maintained by Morningstar to create target allocations for individuals subscribed to the service. Morningstar may use information provided by independent third parties such as mutual fund data providers or index providers in the construction of advice for the program.

*Plan Accounts.* With respect to Plan accounts, Morningstar acts as an Independent Financial Expert (“IFE”), as provided within the Department of Labor's Advisory Opinion 2001-09A dated December 14, 2001 (commonly referred to as the “SunAmerica Opinion”). The *Managed Advice* service has been designed to satisfy applicable requirements under the Employee Retirement Income Security Act of 1974 (“ERISA”), including any applicable restrictions on the provision of investment advice, in the manner described in the SunAmerica Opinion. For *Managed Advice* in Plan accounts, TRA will act as a discretionary fiduciary under ERISA and will serve as an “investment manager” as defined in Section 3(38) of ERISA but assumes only the specific and limited fiduciary responsibility and liability attendant to Morningstar's construction of the *Managed Advice* model portfolios and will not be considered a fiduciary of the Plan for any other purpose. Additionally, Morningstar is acting as a fiduciary as defined in section 3(21)(A)(ii) of ERISA to TRA to the extent that it provides investment advice. TRA is not responsible for selecting and monitoring the investment alternatives or the Qualified Default Investment Alternative (“QDIA”) available under any Plan. A QDIA is a default investment selected by the Plan Sponsor and is used when the Plan participant has not made an investment election.

*Individual Retirement Accounts.* For IRAs, TRA has engaged Morningstar to select the investment options to be used in the account. TRA designates the universe of investment options from which Morningstar may select to use within its six portfolios (which are customized and blended into 589 sets of potential allocations), described below. Morningstar is responsible for the selection and monitoring of mutual funds and other investment options utilized in *Managed Advice* IRAs. Beyond selection of the universe of investment options, TRA is not responsible for selecting or monitoring the investment options within the IRA.

*Subscribing to Managed Advice.* Within a Plan, the Plan sponsor or other appropriate fiduciary must affirmatively elect to make the *Managed Advice* service available to participants. If the Plan has selected *Managed Advice* service as the QDIA, the *Managed Advice* service will be automatically implemented for participants who do not select investment options during account setup. Additionally, where the Plan sponsor elects to use *Managed Advice* as the QDIA, the Plan fiduciary shall have fiduciary discretion with respect to the selection and monitoring of the QDIA.

Individuals, whether as a participant in a Plan or as an IRA owner, voluntarily subscribe to the *Managed Advice* service through Transamerica's website. During the subscription process the individual will have the opportunity to provide detailed information about their personal and financial situation (and, if applicable, their spouse or partner). Once this information is provided, the individual can proceed and complete

their subscription to the *Managed Advice* service. While the portfolios will consider an individual's personal information, TRA does not purport that the portfolios will meet the objectives or needs of specific individuals or accounts.

TRA investment advisor representatives ("IARs") will meet one-on-one with clients at their request to help determine whether subscribing to the *Managed Advice* service is in the client's best interest, and to provide account and investment support to clients once they are enrolled in the service. Once enrolled, in providing support to clients, IARs may review a client's Retirement Profile information, situation, and objectives within the context of income and growth needs and expectations. IARs may also help clients by explaining the fundamentals of asset allocation, and the investments that are available to them.

#### ***Advisor Managed Advice ("AMA")***

The *AMA* service is an advisory service available in Plans and is not available in IRAs. The *AMA* service operates similarly to the *Managed Advice* service described above, including the process for Plan sponsors or participants for selecting/subscribing to the service, and Morningstar's role as the IFE and TRA's reliance on Morningstar's proprietary software, systems, and investment methodology. The *AMA* service is only available where the Plan and a third-party investment adviser engaged by the Plan ("Third-Party Adviser") has agreed to make the service available to the Plan's participants. In the *AMA* service, the Third-Party Adviser, as opposed to Morningstar, is responsible for the development, construction and management of the asset allocation portfolio models used in Morningstar's advice engine and acts as a fiduciary pursuant Section 3(38) of ERISA for such services. Morningstar continues to serve as a fiduciary pursuant to Section 3(21) of ERISA for the services it provides as the IFE. For additional information about the Third-Party Adviser, please reference its Form ADV Part 2A brochure which is available on the Plan's website. TRA's IARs will provide the same level of support to *AMA* clients as may be provided for the *Managed Advice* service, except where the Third-Party Adviser has elected to provide individualized participant services instead of TRA. You may contact TRA or your Plan's Third-Party Adviser for additional details.

#### ***Today's Advice®***

Within Plans, if the participant is not yet ready to subscribe to *Managed Advice* or the *AMA* service, as applicable, the participant may still be interested in viewing a proposed asset allocation portfolio that is based upon the data that the participant provided during the subscription process. *Today's Advice* is only available if the Plan Sponsor has elected to make it available.

If available, the participant will have the ability to view the proposed asset allocation portfolio that will include allocations among all, or a portion of, the Plan's investment options. This snapshot of the proposed asset allocation portfolio is called "*Today's Advice*." *Today's Advice* is point-in-time, non-discretionary, view-only asset allocation advice. By selecting *Today's Advice*, a participant will receive the ability to view an investment portfolio that includes allocations among all, or a portion of the plan's investment options that is based upon the participant's retirement time frame, retirement account balance, and overall financial status. When constructing the non-discretionary advice for the participant's recommended investment portfolio, *Today's Advice* will take into consideration any other investments the participant holds inside their account that are not included in the *Today's Advice* portfolio and any assets held outside the Plan account if the participant elects to provide this information.

For Plans with the *Managed Advice* service, the *Today's Advice* investment portfolio recommendation will be the product of a computer program applying portfolio management methodologies developed, maintained, and overseen by the IFE. For Plans with the *AMA* service, the *Today's Advice* investment portfolio recommendation will be the product of the Plan's Third-Party Adviser's portfolio construction methodology and the IFE's portfolio assignment methodologies.

Should the participant determine that the proposed *Today's Advice* asset allocation is appropriate, the participant can implement the proposed allocations by making self-directed transactions through the Plan's website. Unlike *AMA* or *Managed Advice*, ***Today's Advice* is non-discretionary and will not automatically implement any asset allocation, nor will it automatically rebalance a participant's portfolio.** The advice output from *Today's Advice* expires and is no longer current after the point in time in which the allocation is provided.

TRA does not have and will not exercise any fiduciary discretion with respect to the provision of *Today's Advice*. In providing any investment advice to participants with respect to *Today's Advice*, TRA will act as a fiduciary of the Plan under ERISA by reason of the provision of investment advice referred to in section 3(21)(A)(ii) of ERISA. TRA will act as a non-discretionary fiduciary under Section 3(21) of ERISA and will not be considered a fiduciary of the Plan for any other purpose. While the portfolios will consider a participant's personal factors, TRA does not purport that the portfolios will meet the desired objectives or needs of specific individuals or accounts. As noted above, *Today's Advice* is non-discretionary and therefore will not automatically implement any asset allocation viewed by the participant and can therefore not be used as the Plan's QDIA.

#### ***Investment Education Services***

TRA offers investment education services, when elected by an employer-sponsored retirement plan ("Plan"), to certain Plan participants who hold retirement accounts with TRS, a Plan recordkeeper and service provider and a TRA affiliate. These services are typically provided by Retirement Plan Consultants ("RPCs") who are registered representatives of Transamerica Investors Securities Corp. ("TISC"), an affiliated broker-dealer, and who may be IARs of TRA. These services are designed to educate participants about the Plan, Plan investment options,

the importance of saving early, the value of diversification, and general investment principles. RPCs do not provide Plan participants with advice or recommendations with respect to the selection of securities or services available in their Plan accounts. However, TRA's phone-based advisors, not the RPCs, may provide advice and recommendations that a Plan participant subscribe to an in-plan advisory service such as the *Managed Advice* or *AMA* service. As part of these educational services, TRA provides asset allocation models for use by Plans that set different allocations among asset classes and investment styles, so that together the models offer a range of portfolios with different return and risk characteristics. These general educational services are furnished to participants as part of a package of recordkeeping, administrative and technical services to the Plan sponsor through TRS. While TRA does not charge for the provision of these general educational services, the services are part of the bundled services for which TRS charges Plan recordkeeping service fees. When an RPC identifies a potential need for investment advice, or the participant requests investment advice beyond the education and guidance that an RPC can provide, the RPC refers the participant to a phone-based advisor in the Transamerica Advice Center ("TAC").

## Item 5 – Fees and Compensation

**Plan Accounts.** TRA charges an annual fee of up to 0.45% of the daily value of a participant's account assets for *Managed Advice*. Similar to *Managed Advice*, the annual fee for the *AMA* service is a percentage based on the daily value of a participant's account assets. Additionally, for the *AMA* service, the annual fee is set by the Third-Party Adviser and is presented to the Plan Sponsor/participant in the advisory agreement between the parties. The advisory fee for *Managed Advice* and *AMA* services is accrued daily based on the client's account balance and is deducted from the client's account on a monthly basis in arrears, except in certain instances noted below. The advisory fee that the client pays is presented to the client prior to subscribing to the service.

The advisory fee may be negotiable by the Plan sponsor or appropriate Plan fiduciary. The advisory fee may vary depending upon a combination of several variables, including assets under management, Plan demographics, the methodology the Plan chooses to enroll its participants into the service, and other factors. In certain cases, TRA may make the service available to participants at no cost during a free trial period. Prior to subscribing to the *Managed Advice* or *AMA* service, participants will be advised whether the service is available for a free trial period and will receive notice that the fee will begin to start prior to the expiration of the free trial period. There is currently no fee for participants who utilize *Today's Advice*. TRA may charge a fee for this service in the future upon notice to Plan sponsors and participants and consent by Plan sponsors.

TRA begins to assess the advisory fee on the date the participant subscribes to the service or upon the expiration of a free trial period. A participant may unsubscribe from the service online or by calling TRA, and the fee will no longer be accrued. If the Plan sponsor or appropriate fiduciary terminates the service or the Plan is transitioned to a new recordkeeper other than TRS, participants' *Managed Advice* service or *AMA* service will terminate, and the fee will be deducted from participant accounts on a pro-rated basis either at the end of the monthly billing cycle or, if the account balance is transferring or liquidating, upon such termination or transfer date. If a participant holds employer stock or has a portion of their account assets invested in a self-directed brokerage account within the Plan account, those balances are excluded from the calculation of the advisory fee.

**Individual Retirement Accounts.** TRA charges an annual fee of up to 0.45% of the daily value of the IRA owner's account balance. TRA begins to assess the advisory fee on the date the IRA owner subscribes to the service. The advisory fee is calculated based upon the daily value of an IRA owner's account assets, is accrued daily and, in most cases, is deducted from the IRA owner's account in arrears on a monthly basis. To terminate the *Managed Advice* service, the IRA owner must close his/her Managed Advice IRA account by transferring all assets to another IRA or by taking a complete distribution. IRA owners may transfer or close their account at any time without penalty from TRA, however, if taking a cash distribution, IRA owners should consult with their tax advisor to determine whether such a distribution will be subject to taxes and/or penalties. Immediately prior to the closure of an IRA or the distribution of all assets in the account, accrued advisory fees will be deducted from the IRA on a pro-rated basis. TRS pays the IRA custodian fee.

**Other Fees.** When subscribed to *Managed Advice*, *AMA* or *Today's Advice*, individuals bear the fees and expenses associated with the underlying funds and investments in the account. Fees and expenses for the investments are described in the respective prospectuses or other offering materials for the investments. Individuals should review the prospectuses and other offering materials carefully for information about the fees and expenses of the investment options available within the account. Additionally, participants within a Plan pay recordkeeping fee, group annuity contract expenses and/or other Plan-related fees as applicable. For additional detail on these recordkeeping fees, contract expenses and other fees, please contact your Plan sponsor.

**Morningstar Fees.** TRA pays Morningstar a fee for advisory services and software and systems used in connection with the *Managed Advice* and *AMA* services. Additionally, TRA pays Morningstar a fee to select and monitor the investment options used in Managed Advice IRAs, which include both Transamerica and non-proprietary investment options. Morningstar's fees do not depend upon, and are not affected in any way by, the investment portfolio provided in connection with *Managed Advice*, *AMA*, or *Today's Advice*.

**Advisor Compensation.** *Managed Advice*, *AMA*, and *Today's Advice* are made available to Plans through TRA's parent company, TRS, which is a retirement plan service provider and recordkeeper. Neither TRS nor TRS personnel recommend these advisory services to Plan sponsors. Rather, TRS personnel provide educational information about the services. RPCs and phone-based IARs provide education, guidance, and support to individuals regarding the *Managed Advice* or *AMA* services. TRA's phone-based IARs will also engage with individuals to determine whether subscribing to the *Managed Advice* or *AMA* service is in their best interest and may make a recommendation to subscribe to the service.

TRA IARs earn a salary and can also earn a bonus, and periodic incentive compensation. Certain TRA IARs receive incentive compensation if an individual opens an advisory account, which compensation is based on the amount invested in the account and/or the number of accounts opened by the IAR. The incentive compensation paid is the same across all advisory and brokerage accounts. Other TRA IARs receive incentive compensation based on activities performed, which may include number of participant meetings held, discussions about in-plan products/services, and the number of referrals to TAC. In addition, TRA conducts programs under which its IARs may be eligible to receive non-cash awards and other non-cash benefits. These programs, which may span from one week to several months, generally focus on IARs' activities, such as number of phone calls made/received, the amount of time spent in the phone queue, use of certain advisor tools, decreases in not in good order transactions, number of applications sent and/or number of referrals to TAC. The payment of bonus and incentive compensation does not change the fees that you pay for advisory services. Set forth below is a description of conflicts related to compensation paid to TRA and its IARs.

***TRA earns an advisory fee for the advisory services it provides.*** When an individual opens an advisory account such as *Managed Advice* or *AMA*, or opens an advisory account such as *Managed Advice* IRA or other TRA advisory program, TRA earns compensation for providing such services and thus has an incentive to encourage Plan sponsors to elect the *Managed Advice* or *AMA* service and/or to encourage a participant or potential IRA customer to subscribe to the service, open a retail advisory account, or to contribute more to their Plan or advisory account. TRA and its affiliates seek to mitigate this conflict of interest by limiting its financial professionals to providing investment education services and support to Plan sponsors about the *Managed Advice* and *AMA* services and restricting them from recommending the services to Plan sponsors.

TRA also reviews disclosures regarding the *Managed Advice* and *AMA* services to ensure that they are presented in a fair and balanced manner without recommending that the Plan sponsor, participant or individual select the service. TRA has an incentive to encourage individuals to open an advisory account or to contribute more to their advisory accounts. TRA seeks to mitigate this conflict of interest by limiting its education-focused IARs to providing customers with investment education and support regarding their investments and advisory services available within a Plan. For advisory services like *Managed Advice* and *AMA*, TRA seeks to mitigate the conflict by requiring its phone-based IARs to follow a process that helps to ensure that their recommendations are in the client's best interest and that they have met their fiduciary obligations to the client. TRA compensates IARs who have recommended the service to an individual and who have undertaken the required analysis to determine that the advisory service is in the individual's best interest. When working with a client, the TRA IAR reviews the investor's financial situation, needs, objectives and goals amongst other things before making an investment recommendation. TRA requires that the recommendation be reviewed by a supervisor before being approved.

***Certain products and services are more profitable to us and our affiliates than other products and services.*** TRA IARs are also registered representatives of an affiliated broker-dealer firm and certain IARs are insurance agents of an affiliated insurance agency. As a result, TRA IARs may be able to recommend a broker-dealer account and annuities to prospective clients in addition to investment advisory products offered through TRA. Certain of these products may generate higher revenues or compensation to us, our IARs and, possibly, TRA's affiliates, than other products. For example, within its advisory services, TRA's net advisory fees received from the TPP service, and its Third-Party Money Managers ("TPMM") advisory service are substantially similar, but they are generally higher than its net advisory fees received for the *Managed Advice* service (both in-plan and retail). However, in certain cases, the aggregate compensation received by TRA and its affiliates in connection with the *Managed Advice* service may be higher, specifically where the Plan sponsor or fiduciary has selected Transamerica-managed or sponsored, or "proprietary," investment options within the Plan/account and the third-party adviser to the Plan has selected these proprietary investment options within the service. For additional information about conflicts created by proprietary investment options in certain of TRA products, please see Conflicts of Interest in Item 10.

This differential compensation creates an incentive for TRA or its affiliates to recommend those products that are more profitable to the company. TRA seeks to mitigate this conflict by not setting product-specific sales goals for its IARs. TRA and its affiliates seek to mitigate the conflict to the IAR by structuring their incentive compensation to be the same across all advisory and brokerage accounts. Also, TRA and its affiliates provide training to their respective financial professionals regarding their fiduciary and best interest obligations, and monitor, supervise and surveil their sales activity to confirm that they have met their fiduciary or best interest obligations when making a recommendation to clients.

***TRA phone-based IARs receive direct compensation when a client opens an advisory account.*** TRA phone-based IARs may assist and recommend that an individual enroll in an in-plan advisory service or transfer or rollover their Plan account balance into a retail advisory account. Because we compensate IARs for each such transaction, there is an incentive for the IAR to recommend the

rollover transaction into a TRA advisory program or to recommend the *Managed Advice* or *AMA* service. When making a recommendation to rollover assets from a Plan account into an IRA advisory account or the subscription to the *Managed Advice* or *AMA* service, the IAR is acting in a fiduciary capacity and is required to act in the client's best interest. TRA seeks to mitigate the conflict by providing training to its IARs regarding their fiduciary obligations to the client, and by monitoring, supervising and surveilling IARs' sales activity to confirm that they have met their fiduciary or best interest obligations when making a recommendation to clients.

***TRA education-based IARs receive indirect compensation for referrals to TRA phone-based IARs.*** Where appropriate, RPCs may refer Plan participants to TRA phone-based IARs in the TAC to provide additional services not available through the RPC, which may include providing advice and recommendations about in-Plan investment options, investment options outside of a Plan or answering specific questions about the client's financial situation, needs and/or objectives. A portion of an RPC's bonus and incentive compensation is based on their referral activity. The receipt of incentive compensation for referrals creates an incentive for RPCs to make referrals. This conflict is mitigated by making the number of referrals made by an RPC only one of many factors in determining the amount of bonus and incentive compensation earned. Other factors used in determining bonus and incentive compensation include other activity-based goals (i.e., the number of group meetings held with participants and the number of individual one-on-one meetings with participants), an RPC's customer service ratings, and personal development goals. Additionally, bonus compensation is tied to corporate financial and non-financial results. TRA further seeks to mitigate the conflict by making the payment of bonus and incentive compensation independent of whether a referral results in the enrollment in a service or the opening of an advisory account. The incentive compensation paid to RPCs does not increase the fees paid by the Plan, Plan Sponsor, or participants.

## Item 6 - Performance-Based Fees

Neither TRA nor any of its advisory personnel charge performance-based fees.

## Item 7 - Types of Clients

TRA provides the *Managed Advice* service to Plan participants and IRA owners. The *AMA* and *Today's Advice* services are only available to Plan participants. There is currently no minimum balance required for these services.

## Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

TRA's decision to select Morningstar as the IFE was made based on an analysis of Morningstar's investment processes and methodologies. TRA does not guarantee the performance of the asset allocation portfolios developed by Morningstar or the Third-Party Advisor (in connection with *AMA*). On an ongoing basis, TRA conducts due diligence on Morningstar by collecting and reviewing updated documentation and verifying the results of several test cases.

TRA IARs will only provide the advice administered from the Morningstar engine. IARs can recommend the service and they can also help answer individuals' questions, such as how much to save, how to invest within the *Managed Advice* and *AMA* services, and how to adapt a strategy over time. IARs may also discuss with individuals their target retirement date, help them sign up for the *Managed Advice* or *AMA* service, help them obtain a personalized retirement readiness assessment, explain the details of the contribution rate and retirement age, and help them execute contribution updates. IARs may also explain the fundamentals of asset allocation and the investments that are available.

To accompany the discussion above regarding the methods of analysis and strategies employed by TRA in providing the *Managed Advice* and *AMA* services and *Today's Advice*, the discussion below summarizes the methods of analysis, investment strategies, and key risks applicable to the services that Morningstar provides through *Managed Advice*, *AMA*, and *Today's Advice*.

### ***Advice Strategies***

TRA gathers detailed information about an individual's personal and financial situation (and, if applicable, their spouse or partner) to help the individual reach their desired retirement income goal through identifying a personalized strategy based on asset allocation, investments, contribution rates and retirement age. The participant or IRA owner must provide certain personal financial information in order to receive advice through *Managed Advice*, *AMA*, or *Today's Advice*. TRA leverages Morningstar's engine to forecast the individual's estimated retirement income vs their retirement income goals. The Morningstar engine will provide financial modeling and forecasting and is dependent on the individual providing an accurate and complete assessment of their financial circumstances and goals to ensure the output is meaningful.

The Morningstar engine provides advice on contribution rate, asset allocation, retirement age, and retirement spending during retirement based on the individual's retirement goals using a 70% probability of success. Since each advice output is dependent on several factors,

changing a single factor may alter the individual's advice strategy in other areas. For example, by reducing retirement need, the contribution rate, retirement age, and asset allocation may be impacted.

One of the challenges of providing prudent advice to an individual is to find a balance among portfolio risk, contribution rate and retirement age. Solving for retirement with only portfolio risk in mind tends to put most individuals in a riskier option than they would prefer; conversely, solving using only the contribution rate produces a result that most individuals cannot afford. The Morningstar engine provides the advice strategy based on the individual's overall financial circumstances to help the individual meet their retirement goal. The service can solve for the combination of contribution rate, retirement age, and asset allocation to target the individual's desired retirement income goal. The output may alter retirement age and increase savings to help the individual meet their goals. Another aspect of prudent advice requires examining all assets of an individual and not just financial assets alone. Most methods of providing advice take only financial assets into account. Morningstar has developed a methodology that uses a concept called "Human Capital" to help determine an appropriate risk level for the portfolio that integrates all accounts, even though advice may only be provided for a portion of those accounts. Human Capital is defined as the total economic value of a person's set of skills and talents and includes future earnings, potential future retirement plan savings, and Social Security payments.

The Morningstar engine also provides advice that is designed to promote sustainable income at the individual's desired retirement age. To help the individual achieve this goal, the Morningstar engine may recommend an optimal retirement age, which may extend beyond an individual's desired retirement age.

When an individual is retired and taking disbursements from the retirement account, the Morningstar engine can calculate an estimate of the maximum sustainable consumption rate for the individual and their spouse or partner (if applicable), even if there is a significant difference in retirement years. This spend-down advice is focused on building a systematic withdrawal strategy where the retirement income every year is funded either by the individual's financial assets or from other income sources (such as defined benefit assets, Social Security, etc.) Spend-down will illustrate how long the individual's desired income should last in retirement. Spend-down also demonstrates how much sustainable income an individual can draw throughout their retirement years based on their wealth, their spouse's or partner's wealth, and their respective planning horizons.

Within *Managed Advice*, Morningstar recommends asset allocation and investment strategies based on the following portfolio construction methodology:

- Step 1: Selecting Asset Classes
- Step 2: Developing Expected Returns, Standard Deviations, and Correlations
- Step 3: Building Strategic Model Asset Allocations
- Step 4: Selecting Fund Specific Portfolios
- Step 5: Review Process

### **A Personalized Portfolio**

Once the Morningstar engine constructs the portfolio and determines the most appropriate equity exposure for the client, the Morningstar engine further optimizes the portfolio to address inflation risk. Individuals who are closer to retirement generally need more inflation protection than those who are younger and just starting to save. That is because the latter have access to future earnings, which generally will keep pace with inflation. Individuals closer to retirement do not have that luxury, and thus need to overweight their portfolios to sub-asset classes that are more highly correlated to inflation. This helps hedge against the shortfall risk that rises along with inflation. Without such a hedge, an individual runs the risk that their spending power will diminish over time.

The asset allocation advice process begins with six different portfolios—three that are focused on accumulation and three on decumulation, each of which has different sub-asset class weightings. The accumulation portfolios generally have higher exposure to asset classes with little correlations to inflation, which in many cases are more volatile equities (such as emerging markets). In the decumulation portfolios, Morningstar increases the target exposure to asset classes with greater correlation to inflation, when available, which provides some inflation protection.

Using the appropriate equity exposure, number of years an individual has until retirement, the service determines a personalized portfolio for the individual by blending the accumulation and decumulation portfolios. The shorter the individual's horizon to retirement, the greater the weight placed on the decumulation portfolio.

For participants enrolled in the *AMA* service, please see the Form ADV Part 2 brochure of the Plan's Third-Party Adviser regarding its portfolio construction strategy as it relates to the service.

The portfolio provided by *Managed Advice*, *AMA* and *Today's Advice* will be the product of a computer program applying portfolio management methodologies developed, maintained, and overseen by Morningstar as the IFE. Morningstar's model asset allocation portfolios (for *Managed*



*Advice*) or the Third-Party Adviser's model asset allocation portfolios (for *AMA*), as applicable, are based on generally accepted principles of modern investment theory.

Morningstar is not owned or controlled by TRA or its affiliates. Morningstar as the IFE has sole control over the development and maintenance of its model asset allocation portfolios, the computer software and systems used to provide individuals' investment portfolios, and the portfolio management methodologies used to construct and maintain its model asset allocation portfolios. TRA may not change the IFE's model portfolios or its software or systems, nor can TRA modify the investment portfolio established for an individual using the software and systems developed and maintained by Morningstar for *Managed Advice*, *AMA*, or *Today's Advice*.

### ***Risk of Loss***

All investments in securities include a risk of loss of your principal. Stock markets and bond markets fluctuate over time and clients may lose money. You should be prepared to lose money in an investment account offered through TRA. Investments are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You may lose money by investing in investment products. Each investment strategy provided by the advisory programs offered by TRA poses risks, and many factors affect each investment's or account's performance. Investments or accounts are also subject to volatility in non-U.S. markets through either direct exposure or indirect effects in the U.S. markets from events abroad. Investments or accounts that seek exposure to debt are subject to risks of prepayment or default, and model portfolios that concentrate in particular industries, or are otherwise subject to particular segments of the market, may be significantly impacted by events affecting those industries or segments of the market. In addition, the investments in your advisory account may be subject to the following specific risks:

### **Model Risk**

As noted above, the model asset allocation portfolios and Morningstar's software engine are based on generally accepted principles of modern investment theory. However, like all models, algorithms and/or calculations ("Models"), Morningstar's tools have inherent risks. Models may incorrectly forecast future behavior or produce unexpected results, including losses. The success of using Models depends on numerous factors, including the validity, accuracy and completeness of the Model's development, implementation and maintenance, the Model's assumptions, factors, algorithms and methodologies, and the accuracy and reliability of the supplied historical or other data. If incorrect data is entered into even a well-founded Model, the resulting information will be incorrect. Investments selected with the use of Models may perform differently than expected as a result of the design of the Model, inputs into the Model, or other factors. In addition, changes to a Model, although subject to compliance controls and testing, may not have the desired effect with respect to an investor's account. While this risk increases if changes to a Model are insufficiently tested prior to implementation, even extensively tested changes may not produce the desired effect over time. The advice generated from Morningstar's engine is partly dependent upon information received from clients as well as from other third parties and external sources, meaning that the service could be impacted depending on the accuracy of the information provided.

### **Cybersecurity and Technology Risk**

Morningstar's model asset allocation portfolios and software engine are dependent upon algorithms as well as other various computer and telecommunications technologies. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities of TRA on behalf of its clients could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related "system crash", fire or water damage, human errors in using or accessing relevant systems, unauthorized system access or use (e.g., "hacking"), computer viruses, or various other events or circumstances. It is not possible to provide fool-proof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunications systems or operations could have a materially adverse effect on TRA's clients, including preventing Morningstar/TRA from trading, modifying, liquidating, and/or monitoring clients' investments.

### **Risk of Investing in Mutual Funds**

To the extent your account is invested in mutual funds, your account will be subject to the performance of the mutual funds held in your account. Additionally, your account will be subject to the risk that the Funds will not meet their investment objectives and you will be exposed to the risks of the Funds in your account, which risks are based on those Funds' underlying investments. You should expect to be subject to the following risks:

- **Market Risk.** The risk that securities in a mutual fund go up or down due to factors affecting the securities markets generally or a particular industry.
- **Equity Securities Risk.** The risk that prices of equity securities held by a mutual fund are generally more volatile than the prices of fixed income securities, and that equity security prices will rise and fall in response to a number of different factors, including events that affect particular companies as well as events that affect entire financial markets or industries.
- **Interest Rate Risk.** The risk that the value of fixed income securities in a mutual fund will decline because of an increase in interest rates.
- **Credit Risk.** The risk that fixed income securities in a mutual fund will be unable to meet their financial obligations, causing a

decline in the value of the securities and, as a result, in the mutual fund itself.

- **Foreign Investment Risk.** The risk that a mutual fund's investments in securities issued by foreign issuers will be subject to fluctuations in currency exchange rates, political instability, and foreign taxes. Such risks may be more pronounced for issuers in developing or emerging market countries.

To learn more about mutual fund-specific risks, you should review the prospectuses of the mutual funds available in your account, which are available on the Transamerica website.

## Item 9 – Disciplinary Information

During the past ten years, there have been no legal or disciplinary events involving TRA or its advisory personnel that are material to TRA's advisory business.

## Item 10 – Other Financial Industry Activities and Affiliations

TRA is an indirect wholly owned subsidiary of AEGON. Various direct or indirect subsidiaries of AEGON are engaged in investment advisory, brokerage, banking, or insurance businesses. TRA may have material business arrangements with the affiliates described below and certain TRA officers may serve as officers of one or more of these affiliates.

### **Aegon USA Investment Management, LLC**

Aegon USA Investment Management, LLC ("Aegon AM US") is a wholly owned subsidiary of Aegon USA Asset Management Holding, LLC and an indirect wholly owned subsidiary of Aegon NV, a Netherlands-based financial services organization. TRA has entered into compensation arrangements to act as an introducer for Aegon AM US in connection with advisory services provided in connection with defined benefit retirement plans. Aegon AM US compensates TRA and other Transamerica affiliates as applicable out of its own resources based on a percentage of the management fee it earns from the account a solicitor has introduced. This arrangement does not increase the fees charged by Aegon AM US to any client.

### **Massachusetts Fidelity Trust Company**

Massachusetts Fidelity Trust Company ("MFTC") is an indirect, wholly owned subsidiary of AEGON, as is TRA. MFTC sponsors collective trust funds for Plans. If selected by the Plan sponsor, MFTC collective trust funds may be held by Plans and invested in by Plan participants in *Managed Advice*, *AMA*, and *Today's Advice*. This will provide additional revenue to MFTC and its affiliates.

### **TAG Resources, Inc.**

TAG Resources, Inc. ("TAG") is an indirect wholly owned subsidiary of AEGON. TAG provides administrative and fiduciary services for plan sponsors of 401(k) and profit-sharing plans with a focus on pooled plan arrangements. Additionally, within certain TAG-serviced retirement plans, the TRA *Managed Advice* service may be made available to participants and plan recordkeeping and related services are provided by TRS.

### **Transamerica Asset Management, Inc.**

Transamerica Asset Management, Inc. ("TAM") is an indirect wholly owned subsidiary of AEGON. TAM serves as an investment adviser to a family of mutual funds known as the "Transamerica Funds." Transamerica Funds may be selected by Plan sponsors for investment by Plan participants and such funds may be utilized within *Managed Advice*, *AMA*, and *Today's Advice*. Transamerica Funds may also be selected by Morningstar for investment within the *Managed Advice* IRA. Investment in the Transamerica Funds generates revenues for TAM and its affiliates.

### **Transamerica Capital Inc.**

Transamerica Capital, Inc. ("TCI") is an indirect wholly owned subsidiary of AEGON, as is TRA. TCI is a wholesaler and underwriter for various Transamerica products, including mutual funds and variable annuities. These TCI wholesaled and underwritten products may be used as retirement plan options and may be held by pension plan clients. TCI and its employees may receive compensation from the sale of such products based on the number of sales and/or assets under management.

### **Transamerica Financial Life Insurance Company/Transamerica Life Insurance Company**

Transamerica Financial Life Insurance Company ("TFLIC") and Transamerica Life Insurance Company ("TLIC") are indirect wholly owned subsidiaries of AEGON, as is TRA. Both insurers issue group annuities to be used as funding vehicles for retirement and pension plans, and individual variable and fixed annuities to individual retail investors. Group annuities may be included as investment options within the *Managed Advice* and *Advisor Managed Advice* advisory services. Certain TRA advisors who are licensed insurance agents of TRIA (defined below) may

be appointed with TLIC/TFLIC.

**Transamerica Investors Securities Corporation**

Transamerica Investors Securities Corporation (“TISC”) is a registered broker-dealer and a wholly owned subsidiary of Transamerica Retirement Solutions, LLC. TRA’s advisors are also registered representatives of TISC and may provide education and guidance in connection with securities and investment products offered in a Plan or IRA.

**Transamerica Retirement Insurance Agency, LLC**

Transamerica Retirement Insurance Agency, LLC (“TRIA”) is a 50-state registered insurance agency and wholly owned subsidiary of Transamerica Retirement Solutions, LLC. Certain TRA advisors are licensed insurance agents of TRIA, and they are authorized to sell certain life insurance and fixed and indexed annuity products. In their role as insurance agents, TRA phone-based advisors receive a portion of the commission earned by TRIA in connection with the sale of such products.

**Transamerica Retirement Solutions, LLC**

Transamerica Retirement Solutions, LLC (“TRS”) is a retirement services firm offering a range of products and services, including recordkeeping, participant education and communications, Plan design, Plan testing, general ERISA and IRS compliance, as well as investment products to fund these Plans.

***Conflicts of Interest***

***Our affiliates benefit if your account includes proprietary investment options.*** A Plan account or IRA may include proprietary investment options that are advised, managed, serviced, or sponsored by a TRA affiliate such as mutual funds, collective investment trusts (CITs) and/or stable value products. Where a proprietary investment option is in the Managed Advice or AMA service, TRA’s affiliates receive compensation for services they provide in connection with those options. For example, Transamerica Funds and CITs will typically assess fees for various services, including management/advisory services, administration/shareholder/ transfer agency services, distribution services, and trustee services, which fees are typically included in the fund/CIT’s share price. Also, where a stable value annuity contract is available in a Plan account or an IRA account, TFLIC/TLIC will earn revenue based on the difference between the interest rate credited on your investment in the contract and TFLIC/TLIC’s actual earnings on assets invested in the contract.

TRA seeks to mitigate the conflict by ensuring that neither it nor its affiliates exercise discretion or have responsibility for the selection or monitoring of the investment options available within a Managed Advice or AMA advisory accounts, whether in a Plan or IRA. Instead, the Plan sponsor or other appropriate fiduciary is responsible for selecting the investment options available in the Plan from a large selection of proprietary and non-proprietary investment options and share classes available on TRS’ platform. Additionally, within IRAs, Morningstar is responsible for the selection of available investment options from a large selection of proprietary and non-proprietary investment options and share classes. Additionally, TRA mitigates this conflict by utilizing Morningstar with respect to the Managed Advice service and Today’s Advice, and by relying on the Third-Party Adviser with respect to the AMA service for selecting 1) the investment options used in their model asset allocation portfolios, 2) investment allocations and recommendations, and 3) their methods of analysis and investment strategies. Both Morningstar and the Third-Party Adviser are independent from TRA.

With respect to Plans, TRS discloses to Plan sponsors and participants on an annual basis the revenues it and its affiliates receive from all investment options, including proprietary investment options, and discloses whether its receipt of such revenues is credited against Plan-related recordkeeping or other fees paid by the Plan, Plan Sponsor, or participants.

***Transamerica personnel receive incentive compensation for making referrals to TRA phone-based advisors.*** Where appropriate, Transamerica call center representatives may refer Plan participants to TRA phone-based advisors for investment-related and advisory services. Call center representatives receive a flat dollar amount for such referrals. The receipt of incentive compensation for referrals creates an incentive for these call center representatives to make referrals. The conflict of interest is mitigated by making the payment of incentive compensation independent of whether the referral results in the opening of an advisory account. The incentive compensation paid to call center representatives does not increase the fees paid by the Plan, Plan Sponsor, or participants.

***Transamerica personnel receive incentive compensation if a Plan sponsor elects the Managed Advice service.*** Where a Plan sponsor elects to make the Managed Advice service available within the Plan, certain Transamerica personnel, who are also TISC registered representatives and who provide Plan-related support, receive incentive compensation. Also, the incentive compensation is based on Plan assets, or the number of participants enrolled in the service, and varies based on whether the Plan selects the advisory service as a default investment alternative or maps participant assets into the advisory service, or as a voluntary service. This compensation creates an incentive for these personnel to suggest that the Plan sponsor elect the service for its Plan. We mitigate this conflict of interest by prohibiting these personnel from making recommendations of the Managed Advice and AMA service and limiting them to providing Plan sponsors with information regarding the services. Additionally, these personnel do not meet with participants, though they may conduct certain activities coordinated with the Plan sponsor, such as providing Plan marketing campaigns or conducting

focused educational meetings. The compensation paid to these personnel does not increase the fees paid by the Plan, Plan sponsor or participants.

## Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

TRA has adopted a code of ethics (the “Code”) under Rule 204A-1 under the Investment Advisers Act of 1940, which sets forth certain restrictions and standards of conduct for TRA's advisory personnel. While the Code permits such employees to invest in securities that may be held or acquired by TRA's advisory clients, it prohibits specific types of personal securities transactions that may give rise to substantial conflicts of interest. It also establishes reporting requirements through which certain employees provide information to TRA on their personal securities transactions. More generally, the Code prohibits any employees from taking inappropriate advantage of his or her position with TRA and provides that TRA may sanction employees who violate the Code. Any client or prospective client may obtain a copy of the Code (without charge) by calling (914) 627-3000 or writing to us at Transamerica Retirement Advisors, LLC, 440 Mamaroneck Avenue, Harrison, NY 10528.

TRA or its advisory personnel may invest in the same collective investment funds that are held in client accounts. As this may present a conflict of interest, TRA maintains procedures in order to ensure compliance with its fiduciary responsibilities. TRA advisory personnel shall not buy or sell collective investment funds for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. TRA advisory personnel may not prefer their own interest to that of the advisory client. TRA receives reports of all securities transactions of advisory personnel. These transactions and holdings are reviewed on a regular basis by Compliance Department personnel.

## Item 12 - Brokerage Practices

Transactions within a Plan account are executed either directly with the applicable fund family or through a broker-dealer that is a member of the National Securities Clearing Corporation (“NSCC”). Within IRA accounts, transactions and allocations are executed through Mid-Atlantic Trust Company, which is not affiliated with TRA. No commissions are payable from client accounts to broker-dealers utilized in effecting mutual fund transactions. TRA does not receive research or other soft dollar benefits from broker-dealers that place mutual fund transactions.

## Item 13 - Review of Accounts

Accounts in the *Managed Advice* and *AMA* services are systematically monitored and rebalanced on a periodic basis (approximately quarterly). Clients will receive a notification of subscription to these services at least annually. Upon receipt, they are encouraged to log onto the Transamerica website to review personal information to ensure that it is still accurate and consistent with their goals, as changes to this information could impact the service's asset allocation. Additionally, individuals in these services are periodically reminded through communications and through the Transamerica website to update their personal information to account for significant changes. Finally, individuals are welcome to contact us at any time to review and update their account.

Because *Today's Advice* provides non-discretionary advice that a participant implements on his/her own volition without TRA's knowledge, TRA does not monitor accounts that have utilized *Today's Advice*.

At least annually, Transamerica personnel review the Morningstar methodologies used by TRA to power the *Managed Advice* service and *Today's Advice* to ensure that they are consistent with best practices, current technology, and the terms of agreement between TRA and Morningstar.

## Item 14 - Client Referrals and Other Compensation

Certain TISC representatives may market the *Managed Advice* and *AMA* services to Plan sponsors, which may elect to make the services available to their participants. TISC representatives, who provide educational and plan-related support to the Plan sponsor are compensated through incentive compensation in addition to their salary for communication, education, and/or assistance to Plan sponsors. The compensation paid to the TISC representative does not increase the fees paid by the Plan, Plan sponsor or participants. In addition, Transamerica call center representatives may refer Plan participants to TRA's phone-based advisors for investment-related and advisory services. These call center representatives receive a flat dollar amount for each referral once they have made a certain number of referrals. See TRA's description of Conflicts of Interest in Item 10 above. TRA does not pay cash or other compensation to outside solicitors.

**Item 15 – Custody**

TRA will deduct any advisory fee directly from a participant's or IRA owner's account through its recordkeeping affiliate, TRS. As a result, TRA is deemed to have limited custody over funds held in client accounts and does not hold physical custody of any of these funds. For *Managed Advice* and *AMA*, funds are held with the plan trustee, which is a bank trust company, broker-dealer, or other independent qualified custodian. For *Managed Advice* IRA account assets, Mid-Atlantic Trust Company serves as the qualified custodian of the accounts, but delegates certain recordkeeping responsibilities to TRA affiliates. Participants and IRA owners will receive account statements at least quarterly from the qualified custodian. Clients should carefully review account statements for accuracy.

**Item 16 - Investment Discretion**

As described herein, TRA relies on Morningstar as an IFE for *Managed Advice*, *AMA*, and *Today's Advice*. TRA is deemed to have limited discretionary investment authority to provide *Managed Advice*, *AMA*, and *Today's Advice* in that TRA does not have discretionary authority regarding a Plan's overall investment line-up or Morningstar's overall investment line-up within the *Managed Advice* IRA, and TRA only implements (within the context of *Managed Advice* and *AMA*) the recommendations of the IFE. TRA has discretionary authority as it relates to affecting any transactions associated with composing or rebalancing a client's account in connection with the portfolio recommendations of the IFE. TRA does not have discretionary authority with the one-on-one participant advisory services or with *Today's Advice*. Upon specific request to TRA, clients have the ability to impose reasonable restrictions on the *Managed Advice* and *AMA* services.

**Item 17 - Voting Client Securities**

TRA does not accept authority to vote proxies on investment funds held in client accounts. If a security held in a Plan Account files a proxy statement, the Plan sponsor or other appropriate fiduciary, or the participant, may vote the proxy. If a mutual fund in the IRA files a proxy statement, the IRA owners invested in the fund receive and may vote the proxy.

**Item 18 - Financial Information**

We are not subject to any financial condition that is reasonably likely to impair our ability to meet our commitments to clients and we have not been the subject of a bankruptcy petition.