
Fidelity expands 401k managed account business

By Editorial Staff *Thu, May 18, 2017*

Fidelity announced this week that it will offer fiduciary managed account services to retirement plans that Fidelity is not the recordkeeper for—and where it will compete with managed account providers like Financial Engines and Morningstar.

Independent retirement plan advisors and non-Fidelity recordkeepers can now access Fidelity's Portfolio Advisory Service at Work (PAS-W), a managed account offering that provides investment management of workplace retirement accounts, Fidelity Institutional (FI) announced this week.

Investment management for PAS-W is offered through Strategic Advisers, Inc. (SAI), a registered investment adviser and an FI company. SAI acts as an ERISA 3(38) investment manager and accepts fiduciary responsibility for making investment decisions on behalf of participants.

A Fidelity spokesperson told RIJ that the move represents a stronger push to compete with other managed account providers like Morningstar and Financial Engines. The choice of managed account provider in a plan can determine where a client's assets will end up during retirement.

The first independent recordkeepers to use the PAS-W offering—Sentinel Benefits, Alliance Benefit Group of Michigan, and Alliance Benefit Group-Rocky Mountain—have a solution that integrates into the FIS Relius Administration platform.

At least one independent fiduciary sees Fidelity's expansion as not merely competition for other plan-level managed account services but also a potential conflict of interest if one Fidelity unit is in the position of recommending its own products and services.

"Fidelity is placing itself in a position of conflict since it cannot monitor itself and its advice," Philip Chao, a fiduciary consultant at Chao & Co. in Vienna, Va., told *RIJ*. Concerns about Fidelity's methods of establishing fiduciary status for its participant-level advisors were expressed in this recent [article](#) in *Investment News*.

Regarding the newly-announced offering of SAI services to non-Fidelity recordkeepers and plan advisors, a Fidelity spokesperson told *RIJ* today, "There is no conflict of interest because SAI (Fidelity's registered investment advisor) acts in an ERISA 3(38) capacity taking fiduciary responsibility for all participant investment decisions for participants enrolled in the service. The [non-Fidelity plan] advisor acts as a 3(21) picking the funds in the fund line-up. So SAI creates portfolios using whatever funds the advisor picks."

"Managed accounts are becoming increasingly popular among plan sponsors, plan participants, and the advisors who work with them, due to an increased focus on fiduciary responsibility, financial wellness and retirement readiness," FI said in its release this week.

"Fidelity research has found that there's been a significant increase in the number of advisory firms moving from accommodating retirement plan requests to growing their retirement plan businesses," the

release said. “As this growth accelerates, so, too, does the need for solutions to help advisors manage that growth in an efficient and scalable way, while providing personalized solutions and better outcomes for plan participants. PAS-W can make this simpler by providing retirement advisors and recordkeepers with a managed account service that seamlessly integrates into their offering.”

“Many firms are focused on scale and looking to grow their retirement business efficiently while ensuring plan participants have the customization they need,” said Michael R. Durbin, head of Fidelity Institutional Product, in a statement. “We see PAS-W as a way to drive efficiency and outcomes at every level: for participants, plan sponsors, retirement advisors and recordkeepers.”

“Our goal with expanding access to PAS-W to retirement advisors and all recordkeepers is to provide them with a more personalized and customized investment management solution; one that goes beyond the cookie cutter solutions available today and helps them grow and scale their businesses,” added Sangeeta Moorjani, head of Fidelity’s Workplace Managed Accounts business.

“An increasing number of employers and employees are recognizing that a managed account is a great option for people who may not have the experience or confidence to manage their own retirement savings, especially during times of market uncertainty.”

With the increasing demand for fiduciary services in the marketplace, Fidelity’s PAS-W offering provides advisors with another solution to support their retirement plan business. This offering expands Fidelity’s already robust offering that includes providing advisors with comprehensive retirement plan solutions via a network of independent recordkeeping firms.

In addition, through third-party relationships, Fidelity provides access to solutions designed to help advisors effectively manage their retirement plan business and deliver fiduciary services to both plan sponsors and participants.

Fidelity said it has delivered asset allocation strategies to plan participants for more than 25 years, and 97% of employees who join PAS-W stay invested and maintain their accounts.

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