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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

SEC  
Mort Processing  
Section  
MAR 04 2015

SEC FILE NUMBER
8-12645 46433

Washington DC  
404

**FACING PAGE**  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**GBS Retirement Services, Inc**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**Two Pierce Place**

OFFICIAL USE ONLY
_____ FIRM ID. NO. _____

**Itasca** **IL** **60143**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Elizabeth Marren** **(630) 694-5174**  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**Ernst & Young LLP**

**155 North Wacker Drive** **Chicago** **Illinois** **60606**  
(Address) (City) (State) (Zip Code)

- CHECK ONE:**
- Certified Public Accountant
  - Public Accountant
  - Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

KW  
3/17

**OATH OR AFFIRMATION**

I, **Diana F. Butts**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **GBS Retirement Services, Inc**, as of **December 31**, 20**14**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature  
**President & COO**  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

GBS Retirement Services, Inc.  
Year Ended December 31, 2014  
With Report of Independent Registered Public Accounting Firm

GBS Retirement Services, Inc.

Financial Statements and Supplementary Information

Year Ended December 31, 2014

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## Report of Independent Registered Public Accounting Firm

The Stockholder of  
GBS Retirement Services, Inc.

We have audited the accompanying statement of financial condition of GBS Retirement Services, Inc. (the Company), a wholly owned subsidiary of Gallagher Benefit Services, Inc., which is a wholly owned subsidiary of Arthur J. Gallagher & Co., as of December 31, 2014, and the related statement of income, changes in stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBS Retirement Services, Inc. at December 31, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst & Young LLP*

February 27, 2015

GBS Retirement Services, Inc.

Statement of Financial Condition

December 31, 2014

**Assets**

Cash and cash equivalents	\$ 11,681,343
Investments, at fair value	91,584
Interest receivable	94
Fees receivable	1,370,039
Commissions receivable	410,810
Deferred income tax receivable due from Arthur J. Gallagher & Co.	6,712
Fixed assets – at cost, less accumulated depreciation of \$20,069	3,827
Other assets	119,508
	<u>\$ 13,683,917</u>

**Liabilities and stockholder's equity**

Accounts payable – affiliates	\$ 8,800,950
Income taxes payable to Arthur J. Gallagher & Co.	342,753
Other liabilities	166,940
	<u>9,310,643</u>

**Stockholder's equity:**

Common stock, \$1 par value – authorized, issued, and outstanding –1000 shares (owned by Arthur J. Gallagher & Co.)	1,000
Capital in excess of par value	788,968
Retained earnings	3,583,306
	<u>4,373,274</u>
	<u>\$ 13,683,917</u>

*See accompanying notes.*

GBS Retirement Services, Inc.

Statement of Income

Year Ended December 31, 2014

<b>Revenues</b>	
Commissions	\$ 16,763,467
Fees	8,289,623
Investment income	2,198
Change in unrealized loss on investments	(226)
Realized loss on investments	(216)
	<u>25,054,846</u>
<b>Expenses</b>	
Professional fees	15,810,718
Salaries and employee benefits	760,794
Other operating expenses	3,710,543
Total expenses	<u>20,282,055</u>
Income before income taxes	4,772,791
Income tax expense:	
Current	1,962,069
Deferred	14,014
	<u>1,976,083</u>
Net income	<u><u>\$ 2,796,708</u></u>

*See accompanying notes.*

GBS Retirement Services, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2014

	<b>Common Stock</b>	<b>Capital in Excess of Par Value</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at January 1, 2014	\$ 1,000	\$ 788,968	\$ 9,807,473	\$10,597,441
Dividend to Gallagher Benefit Services, Inc	—	—	(9,030,651)	(9,030,651)
Capital contribution from Gallagher Benefit Services, Inc	—	—	9,776	9,776
Net income	—	—	2,796,708	2,796,708
Balance at December 31, 2014	<u>\$ 1,000</u>	<u>\$ 788,968</u>	<u>\$ 3,583,306</u>	<u>\$ 4,373,274</u>

*See accompanying notes.*

GBS Retirement Services, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

<b>Operating activities</b>	
Net income	\$ 2,796,708
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred income tax expense	14,014
Depreciation	2,868
Net cash flows from investments	22,583
Change in fees receivable	(424,430)
Change in commissions receivable	(218,484)
Change in amounts due to/from affiliates	5,663,294
Change in other assets	(38,004)
Change in interest receivable	16
Change in income taxes receivable from/payable to Arthur J. Gallagher & Co.	1,009,435
Change in other liabilities	(51,759)
Net cash provided by operating activities	<u>8,776,241</u>
<b>Investing activities</b>	
Purchases of fixed assets	<u>(1,208)</u>
Net cash used in investing activities	<u>(1,208)</u>
<b>Financing activities</b>	
Dividends paid to Arthur J. Gallagher & Co.	(9,030,651)
Capital Contribution from Arthur J. Gallagher & Co.	9,776
Net cash used in financing activities	<u>(9,020,875)</u>
Net decrease in cash and cash equivalents	(245,842)
Cash and cash equivalents at beginning of year	<u>11,927,185</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,681,343</u></u>

*See accompanying notes.*

# GBS Retirement Services, Inc.

## Notes to Financial Statements

December 31, 2014

### **1. Summary of Significant Accounting Policies**

#### **Nature of Operations and Basis of Presentation**

GBS Retirement Services, Inc. (the Company) was incorporated in 1993, and is a wholly owned subsidiary of Gallagher Benefit Services, Inc. (GBS), which is a wholly owned subsidiary of Arthur J. Gallagher & Co. (Gallagher). The Company is a broker, consultant, and Financial Industry Regulatory Authority registered broker-dealer. The Company specializes in providing retirement services to not-for-profit entities, corporations, and publicly traded entities. Approximately 32% of the Company's commission revenue was collectively received from four insurance carriers.

The Company has a Marketing and Services Agreement (the Agreement) with NFP Securities, Inc. (NFP). Under the terms of the Agreement, employees of Gallagher are registered representatives of NFP. These representatives have access to products, materials, and services offered by NFP. In return, the Company pays NFP a percentage of its dealer commissions, which is recorded as a reduction in commission revenues.

In the preparation of the Company's financial statements as of December 31, 2014, management evaluated all material subsequent events or transactions that occurred after the balance sheet date through February 27 2015, the date on which the financial statements were available to be issued, for potential recognition in its financial statements and/or disclosure in the notes thereto.

#### **Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known that could impact the amounts reported and disclosed herein.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2014, the Company had all of its cash and cash equivalents invested at two financial institutions.

## GBS Retirement Services, Inc.

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Investments**

Investments consisting of fixed-maturity U.S. government agency securities and U.S. government mortgage-backed securities are recorded at fair value on a recurring basis and are classified as trading. Changes in the fair value of investments are included in revenues in the statement of income. Fair value is based on the fair value hierarchy described in Note 3.

##### **Revenue Recognition**

We recognize commissions as revenue when we have obtained the data necessary to reasonably determine such amounts. Typically, we cannot reasonably determine commission revenues until we have received the cash or the related detail or other specific information. Fee revenues generated by the Company represent fees earned for consulting work and other retirement projects and are recognized as income ratably over the service period.

##### **Professional Fees**

Professional fees represent expenses incurred by GBS while providing consulting and client relationship services on behalf of the Company. The cost of these services is based on an allocation of the GBS consultants' salaries, bonus, benefits, and travel and entertainment expenses relative to time spent performing consulting services for the Company. Other reasonable expenses incurred by GBS and allocated to the Company include amortization of assets utilized in the generation of revenue earned by the Company.

##### **Income Taxes**

The Company is included in the consolidated federal income tax return of Gallagher. The Company's income tax provision is the amount that it would have incurred on a separate company tax return basis. Deferred income taxes represent the net tax effects of temporary differences between amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. All income taxes are settled through an intercompany account with Gallagher.

##### **Fidelity Bond**

The Company maintains a \$15,000,000 fidelity bond.

## GBS Retirement Services, Inc.

### Notes to Financial Statements (continued)

#### Effect of New Accounting Pronouncements

##### Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued new accounting guidance on revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of the new guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This new guidance is effective as of January 1, 2018 and early adoption is permitted as of January 1, 2017. The guidance permits two methods of transition upon adoption; full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenues and other disclosures for pre-2017 periods would be provided in the notes to the financial statements as previously reported under the current revenue standard. Management is currently reviewing the guidance, and the impact from its adoption on our financial statements cannot be determined at this time.

#### 2. Income Taxes

Significant components of the income tax expense in 2014, include the following:

Federal:	
Current	\$ 1,717,753
Deferred	11,320
	<u>\$ 1,729,073</u>
State and local:	
Current	\$ 244,316
Deferred	2,694
	<u>247,010</u>
	<u><u>\$ 1,976,083</u></u>

At December 31, 2014, the Company's net deferred income tax asset is attributable to differences in deferred compensation, unearned fees, and depreciable assets.

## GBS Retirement Services, Inc.

### Notes to Financial Statements (continued)

#### 2. Income Taxes (continued)

During 2014 there was no valuation allowance or change in the valuation allowance. The effective tax rate is greater than the combined statutory rate of 40%, due principally to permanent differences and prior year adjustments. The Company paid \$1,611,579 in income taxes to Gallagher relating to 2014.

There were no net unrecognized tax benefits that, if recognized, would affect the effective tax rate at December 31, 2014. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes. At December 31, 2014, the Company had no accrued interest and penalties related to unrecognized tax benefits.

The Company is included in the consolidated federal income tax return of Gallagher and is also included in certain combined state tax returns, which include other members of the Gallagher consolidated group. At December 31, 2014, the Gallagher consolidated group had been examined by the Internal Revenue Service (IRS) through calendar year 2010. The IRS is currently conducting a routine examination of the calendar years 2011 and 2012.

#### 3. Fair Value

The Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurement* (FASB ASC 820), defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the input to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable or the asset or liability, either directly or indirectly.

GBS Retirement Services, Inc.

Notes to Financial Statements (continued)

**3. Fair Value (continued)**

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

When available, the Company generally uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases where a quoted market price is not available, the Company will make use of acceptable practical expedients (such as matrix pricing) to estimate fair value, in which case the items are classified in Level 2.

All of the Company's investments in U.S. government agency and U.S. government mortgage-backed securities, with a fair value of \$91,584, are classified as Level 2. There were no transfers between Levels 1, 2, or 3 during the year.

**4. Related-Party Transactions**

Certain operating expenses are allocated directly by Gallagher to the Company based on employee headcount, salary, and revenue ratios. The allocated expenses are classified as salaries and employee benefits and other operating expenses on the Company's statement of income.

Expenses allocated by Gallagher to the Company in 2014, were as follows:

Business insurance premiums	\$ 124,151
Accounting and management services	667,266
Management and employee leasing fee	2,124,918
	<u>\$ 2,916,335</u>
Employee group insurance and various payroll tax-related items	<u>\$ 104,812</u>

Employee group insurance and various payroll tax-related items include expenses related to retirement plans. Although the bases of allocation of the various expenses are considered reasonable, other allocation bases could produce different results

## GBS Retirement Services, Inc.

### Notes to Financial Statements (continued)

#### **4. Related Party Transactions (continued)**

During 2014, the Company paid dividends to Gallagher totaling \$9,030,651 and received a capital contribution from Gallagher totaling \$9,776. These amounts represent the allocation of other costs and income from Gallagher netted against stock option costs, which will not be reimbursed.

#### **5. Commitments**

The Company intends to continue to make periodic distributions to Gallagher while maintaining net capital in excess of its required amount.

#### **6. Net Capital Requirements**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum amount of net capital as defined under such provisions. The net capital rules may effectively restrict the payment of cash dividends. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2014, the Company has net capital (as defined under Rule 15c3-1) of \$2,426,007 and a net capital requirement of \$620,710 producing an aggregate indebtedness to a net capital ratio of 3.84 to 1.

## Supplementary Information

GBS Retirement Services, Inc.

Schedule I – Computation of Net Capital and Aggregate  
Indebtedness Under Rule 15c3-1

December 31, 2014

<b>Net capital</b>	
Stockholder's equity	\$ 4,373,274
Less non-allowable assets	1,910,990
Less haircuts on securities	36,277
Net capital	<u>\$ 2,426,007</u>
Required net capital (the greater of 6 2/3% of aggregate indebtedness or \$5,000)	<u>\$ 620,710</u>
Excess net capital	<u>\$ 1,805,297</u>
<b>Aggregate indebtedness</b>	
Accounts payable and other liabilities	<u>\$ 9,310,643</u>
Ratio of aggregate indebtedness to net capital	3.84
Non-allowable assets:	
Interest receivable	\$ 94
Fees receivable	1,370,039
Commissions receivable	410,810
Deferred income tax receivable due from Arthur J. Gallagher & Co.	6,712
Net fixed assets	3,827
Other Assets	119,508
	<u>\$ 1,910,990</u>
Haircuts on trading and investment securities:	
Exempted securities	\$ 3,638
Other securities	32,639
	<u>\$ 36,277</u>
<b><i>Reconciliation with the Company's computation of net capital as of December 31, 2014</i></b>	
Net Capital as reported in the Company's Part IIA (unaudited) FOCUS report filed January 23, 2015	\$ 3,257,484
Adjustments	
Adjustment related to updated tax provision	270,900
Adjustment to expense allocation	(1,116,391)
Adjustment to non-allowable asset amount	14,014
Net capital as reported above and in the Company's Part IIA (unaudited) amended FOCUS report, filed on February 27, 2015	<u>\$ 2,426,007</u>

**GBS Retirement Services, Inc.**

**Schedule II - Computation for Determination of  
Reserve Requirements under Rule 17a-5(d)**

December 31, 2014

The Company is exempt from the computation of reserve requirements under paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934.

GBS Retirement Services, Inc.

Schedule III - Information Relating to  
Possession or Control of Securities under Rule 17a-5(d)

December 31, 2014

The Company is exempt from the possession or control requirements under paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934.



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## Report of Independent Registered Public Accounting Firm

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) GBS Retirement Services, Inc. (the Company) identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: (1) (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the most recent fiscal year ended December 31, 2014 without exception. Management is responsible for compliance with the exemption provision and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

This report is intended solely for the information and use of those charged with governance, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5 under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and other recipients specified by Rule 17a-5(d)(6) and is not intended to be and should not be used by anyone other than these specified parties.

February 27, 2015



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## Report of Independent Registered Public Accounting Firm

The Stockholder of  
GBS Retirement Services, Inc.

We have audited the accompanying statement of financial condition of GBS Retirement Services, Inc. (the Company), a wholly owned subsidiary of Gallagher Benefit Services, Inc., which is a wholly owned subsidiary of Arthur J. Gallagher & Co., as of December 31, 2014, and the related statement of income, changes in stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBS Retirement Services, Inc. at December 31, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

February 27, 2015



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## **Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures**

The Stockholder of  
GBS Retirement Services, Inc.

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of GBS Retirement Services, Inc., the Securities Investor Protection Corporation (SIPC), the Securities and Exchange Commission and the Financial Industry Regulatory Authority, in accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934. We performed the procedures solely to assist the specified parties in evaluating GBS Retirement Services, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2014. GBS Retirement Services, Inc.'s management is responsible for GBS Retirement Services, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. Compared and agreed the listed assessment payments in Form SIPC-7 (line 2G) with respective cash disbursement record entries, specifically bank statements from the GBS Retirement Services, Inc. bank account and journal entry postings that represent the cash disbursement and expense recognition.
2. Compared and agreed the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2014 with the amounts reported in Form SIPC-7 for the year ended December 31, 2014.
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers. EY noted no adjustments were reported in Form SIPC-7.
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2014. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

February 27, 2015



Arthur J. Gallagher & Co.

Diana F. Butts, JD, CEBS  
Vice President, Compliance & Corporate Counsel

## The Exemption Report for GBS Retirement Services, Inc.

**GBS Retirement Services, Inc.** (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4).

To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k)(1).
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

GBS Retirement Services, Inc.

I, Diana F. Butts, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

DocuSigned by:  
By: Diana F Butts  
28E78FC1F72642E...

Title: President & COO

I, Beth Marren O'Reilly, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: Beth Marren O'Reilly

Title: FINOP

**Date of report: February 23, 2015**

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