

An Introduction to

# BenefitWorks Inc

336 Cumberland St

Lebanon, PA 17042

(717) 273-8441

[www.benefitworks.com](http://www.benefitworks.com)

This brochure provides information about the qualifications and business practices of BenefitWorks, Inc. If you have any questions about the contents of this brochure, please contact us at (717) 273-8441 or [info@benefitworks.com](mailto:info@benefitworks.com). The information in this brochure has not been approved by the Securities and Exchange Commission or any state securities authority. Registration does not imply a certain level of skill or training. Additional information about BenefitWorks is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Welcome to BenefitWorks, Inc. This Brochure is designed to tell you about our company – who we are, what we do, and what makes us tick. The SEC refers to this as an ADV Part 2 brochure.

The “tag line” on our company’s letterhead and on our business cards reads, “...In everyone’s best interest.” We take that seriously and try to look at our every recommendation through our client’s eyes. As registered investment advisors we have a legal and ethical responsibility to conduct our business in the best interest of you, our client. This brochure is revised every year, and you may receive a copy every year, keeping you abreast of any material changes in our business practices, policies or personnel.

Being an informed investor means being informed about your advisor!

BenefitWorks operates in four business segments. As employee benefit consultants we serve our clients by recommending and administering employee health care and income replacement plans for disabled or deceased employees, and other areas of human resource policy. We are retirement plan administrators serving in such areas as plan design, IRS compliance, communications, and maintaining participant investment accounts. We provide investment advice to the trustees of qualified retirement plans, recommending and monitoring participant investment choices; we provide investment education and advice to the plan participants as well. And fourth, we serve as investment advisors to individuals and to trusts. This brochure is concerned primarily with the last two segments, investment advice to retirement plan trustees and investment advice to individuals.

## **Material Changes**

We continue to make changes to our website. Changes during the past year were not sweeping although one major change occurred regarding personnel, Matt Lebo is no longer with BenefitWorks. We urge you to use our website for both information and investor education. The website was designed to be more users friendly and provide more information to specific management groups, individual investors, retirement plan participants, retirement plan sponsors and prospective clients. There are sections for CEO/CFOs, human resources, and retirement plan participants. BenefitWorks decided to put an emphasis on education so there is a large section with frequently asked questions and a quiz to help determine a person’s risk tolerance.

## **Advisory Business**

BenefitWorks started as Trefsgar and Co. Inc in April 1984 as a third party administration firm, and has since evolved into a full service third party administration and investment advisory firm. The principal owners of BenefitWorks are Robert J. Heerd and Brooks N. Trefsgar. BenefitWorks helps plan trustees choose investment options that properly balance risk with return for plan participants, while also considering investment management expenses. Utilizing independent analytical and investment advisory firms that can provide maximum objectivity, BenefitWorks makes available model portfolios

from Standard and Poor's, Morningstar, American Association of Individual investors, as well as no-load mutual funds and individual publicly traded securities. Investment management costs are scrutinized closely since fiduciary responsibility obligates retirement plan sponsors and advisors to maintain low costs.

BenefitWorks also serves individuals, using a similar array of investment products or opportunities, based on the client's financial plan, risk taking characteristics, and ethical or religious preferences. As registered investment advisors, BenefitWorks tailors our advisory services to the needs of our individual clients. Clients are encouraged to discuss any restrictions they would like to impose on investing in certain securities or any other type of investment product.

As of December 31, 2011, BenefitWorks is the advisor for \$71,163,488.

## **Fees**

BenefitWorks is compensated for services provided in different formats depending upon the type of client.

For qualified retirement plans, advisory expenses are billed quarterly and are a function of assets under management. Our standard schedule is:

Assets less than \$1.5 mil	.00125
Assets \$1.5 mil to \$3 mil	.0010625
Assets \$3 mil to \$10 mil	.000875
Assets over \$10 MIL	.00075

Individual clients are billed similarly. Our standard schedule is:

First \$250,000 of assets:	.0025
Next \$250,000 of assets:	.00225
Next \$500,000 of assets:	.0020
Over \$1,000,000 of assets:	.001875

For extraordinary service requirements, a non-standard schedule may be negotiated.

For both individual and qualified retirement plans, fees are payable in arrears after each calendar quarter and the client has the option of whether they want fees deducted from their assets or to receive a bill. BenefitWorks ("BW") will only deduct fees directly from a client's account if:

- a. BW possesses written authorization from the client to deduct advisory fees from an account held by a qualified custodian;
- b. BW sends the qualified custodian written notice of the amount of the fee to be deducted from the client's account and

- c. BW sends the client a written invoice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.

Depending upon the custodian and type of investment the client chooses, there may be some fees charged by the custodian for either custodian fees or transaction fees. Please refer to the “Brokerage Practices” section on Page 7 for more information.

If for some reason this brochure was received by the client less than 48 hours prior to signing an investment advisory contract with Benefitworks, the client has five business days to terminate the contract without penalty.

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

BenefitWorks does not base its fees on the performance of the assets managed. The firm does not accept commissions or other fees for the sale of investment products.

### **Types of Clients**

BenefitWorks provides an advisory service to both individuals and businesses. Our role with businesses is as retirement plan administrators, registered investment advisors and benefit consultants. In addition, BenefitWorks also provides advisory and investment services to trusts and charitable organizations. Minimum account size is \$50,000 although exceptions are occasionally made.

### **Methods of Analysis, Investment Strategies, and Risks of Loss**

A variety of analytical tools are used to manage and determine the investment options that are available to clients. BenefitWorks created qualified retirement portfolios from model portfolios by well-known investment analysts Standard and Poor’s, Morningstar, and the American Association of Individual Investors. Using model portfolios allows Benefitworks to apply a consistent investment strategy for each individual portfolio. These model portfolios are evaluated quarterly and the performance is measured against established benchmarks.

BenefitWorks also provides an ethical growth portfolio, which reflects the ethical standards of the central Pennsylvania communities. This is a discretionary portfolio consisting of the common stocks of twenty-five issuers. Holdings approximate the sector weighting of the S&P500 Index. The portfolio uses Standard and Poor’s fundamental data to analyze the holdings.

In addition to these funds, BenefitWorks offers thousands of mutual funds and exchange traded funds. Mutual funds are evaluated quarterly using Morningstar's analytical screening tools. Brooks R. Trefsgar conducts these reviews and recommended changes are made to plan trustees/individuals.

Retirement plan sponsors receive monthly statements from BenefitWorks describing all transactions that have occurred during the month. They also receive a statement from the custodian of their assets describing all transactions between their deposit account and the investment portfolios. Individual clients receive monthly statements from the custodian / clearing house where their trading occurs.

Assessing an investor's propensity for assuming risk is an important consideration when recommending securities. Therefore BenefitWorks advises both clients and prospects of the direct correlation between risk and reward and provides a questionnaire to help investors identify their comfort level for risk-taking. Clients are reminded that when investing in securities there is always a possibility of loss, and past performance of any security or model portfolio is no assurance of similar future performance.

### **Disciplinary Information**

There are not currently, and have not during the past ten years, been any legal or disciplinary events material to a client's (or prospective client's) evaluation of the integrity of BenefitWorks or its managerial personnel.

### **Other Financial Activities and Affiliations**

Brooks N Trefsgar, President of BenefitWorks and 42.5% shareholder, is also 100% shareholder of Trefsgar Associates, Inc., a company that sells individual life, health, and disability policies. There is potential for a conflict of interest because Brooks Trefsgar would receive a customary commission for selling the insurance policy to a client that was recommended to a client.

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

BenefitWorks code of ethics was derived from our core values. Honesty, fairness, respect and transparency will characterize relationships with our clients and among our associates. "Doing unto others as you would have them do unto you" requires the highest ethical standards. We will treat clients, co-workers and competitors with courtesy and respect. The code provides the guidelines that are followed to ensure that BenefitWorks achieves this core value. A copy of the entire Code of Ethics is available upon request.

Holding true to our core values commits BenefitWorks to the highest standard of expected service. Unbiased investment recommendations enable us to sit on the same side of the desk as our clients. Advisors are careful to describe the benefits and risks of investment choices exercising complete objectivity. Since BenefitWorks makes available the Ethical Growth portfolio and model portfolios that provide management revenue to BenefitWorks, special care is given to fully disclose those incurred expenses. All other investment options are discussed in detail.

Full disclosure and open architecture are very important to the business and BenefitWorks makes it a priority to explain to the client all their investment options in order to help them make an informed decision.

### **Brokerage Practices**

Selection of custodians: BenefitWorks uses several custodians / trading platforms to handle transactions for clients. Vanguard, TD Ameritrade, Fidelity, and Charles Schwab were chosen because of (a) the wide variety of investment options they offer, (b) the very low cost of securities transactions, and (c) their service to institutional investors. Some of these Custodians/trading platforms provide research and market commentaries which are considered “soft dollar” benefits.

Client directed custodians: A client may direct our firm to use another custodian or brokerage firm. We cannot assure favorable execution of transactions, and cost for the client may be greater.

Trade Aggregation: Benefit Works will, when possible, aggregate trades to obtain lower brokerage costs for clients. Such a practice does not involve the commingling of client’s securities or funds.

### **Selection of Other Advisers**

BenefitWorks will help a client with the selection of another investment adviser (“IA”) as part of their Investment Advisory business. The fee for this service is based on a percentage of assets under management which is determined on an individual basis and is paid directly by the client. BenefitWorks does not receive any fees from the other investment adviser. Prior to introducing Pennsylvania clients to another investment adviser (“IA”), BenefitWorks will be responsible for determining the following:

- a. Whether the IA is registered with this Commission under Section 301 of the Pennsylvania Securities Act of 1972 (“1972 Act”);
- b. Whether the IA is relying on an exclusion from the definition of investment adviser under Section 102(j) of the 1972 Act;
- c. Whether the IA is relying on an exemption from registration under Section 302(d) of the 1972 Act; or

- d. If the IA is registered with the Securities and Exchange Commission, and whether it has filed a Notification Filing with this Commission under Commission Regulation 303.015(a).

### **Review of Accounts**

Client accounts are reviewed quarterly by Brooks R Trefsgar and Robert Heerdt to evaluate performance and maintenance of previously stated investment parameters. Mutual fund performance is evaluated using Morningstar software. If a mutual fund receives a low rating during the review, the advisers meet with the plan trustees and discuss alternative options. The portfolios managed by BenefitWorks are also evaluated quarterly and measured against established indices and mutual funds with similar investment strategies.

### **Payment for Client Referral**

BenefitWorks currently uses a marketing firm called Acceleration Retirement to make calls to potential qualified retirement plan business. Acceleration Retirement charges a flat fee regardless of how many referrals the company makes in a particular time frame.

### **Custody**

BenefitWorks does not maintain custody of client's funds nor of securities. Clients should closely review the account statements they receive from their custodian on a monthly basis.

### **Investment Discretion**

There is only one portfolio where BenefitWorks uses discretionary authority to make investment decisions. This is the Ethical Growth portfolio that is managed by Robert Heerdt. He uses fundamental data and ratings from Standard and Poor's to determine the holdings of the portfolio and makes changes on a quarterly basis. Deviations from the investment objective and the investment strategy are not permitted without disclosure to affected clients. In each of the other portfolios BenefitWorks manages, changes are only made to the portfolios when instructed by the analytical services that established the model portfolio.



**Voting Client Securities**

BenefitWorks does not hold client securities. Notice of meetings, proxy voting instructions, and shareholder reports are sent, by mail or electronically, by the custodian of the security to the client owning the security.

**Financial Information**

BenefitWorks does not require the prepayment of any fees for advisory services. The Advisory Contracts with our clients permit clients to terminate the agreement at any time. At this time there is not any financial condition that is reasonably likely to impair our firms ability to meet contractual commitments to our clients.

## Supplementary Information

### BenefitWorks, Inc.

This Supplement to our ADV Part 2, is designated as ADV Part 2 b, and is intended to provide our clients and prospective clients with information regarding those BenefitWorks employees who serve as Registered Investment Advisors.

The following employees are referenced:

Brooks N. Trefsgar

Robert J. Heerdt

Brooks R. Trefsgar

Brooks N. Trefsgar

Education	Lebanon Valley College, Annville, PA. BA
Employment	Executive officer of BenefitWorks, 5+ years
Other business	Principal of Trefsgar & co., independent insurance agency activity specializing in personal insurance. There is potential for a conflict of interest due to the firm recommending an insurance policy sold by Trefsgar & Co. which would pay him a commission.
Compensation	Salaried employee
Supervision	Investment recommendations are subject to review by Robert J. Heerdt, investment officer, and Brooks R. Trefsgar, Compliance officer.

Robert J. Heerdt

Education	Calvin College, Grand Rapids. MI, BA
Employment	Investment officer of BenefitWorks, 5+ years
Other business	None
Compensation	Salaried employee
Supervision	Investment recommendations are subject to review by Brooks R. Trefsgar, Compliance officer.

Brooks R. Trefsgar

Education	University of Richmond, Richmond, VA. BA
Employment	Auditor, RLD Associates, 1 year Consulting Associate, Synegy, Inc. 1 year Compliance officer of BenefitWorks, 3 years
Other business	None
Compensation	Salaried employee
Supervision	Investment recommendations are subject to review by Robert J. Heerdt, investment officer.

None of the Registered Investment Advisors at BenefitWorks have ever been found liable in an arbitration claim, found liable in a civil proceeding, or been the subject of a bankruptcy petition. Clients are welcome to contact Robert J. Heerdt, investment officer, and Brooks R. Trefsgar, compliance officer, with any questions or concerns regarding investment advice given by any employee of the firm.