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Hefren-Tillotson, Inc.

Part 2A of Form ADV: *Firm Brochure*

12/29/2014

This brochure provides information about the qualifications and business practices of Hefren-Tillotson, Inc. If you have any questions about the contents of this brochure, please contact us at 412-434-0990 or hefren@hefren.com. 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.

Hefren-Tillotson, Inc. is a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information to assist you in determining whether to hire or retain an Adviser.

Additional information about Hefren-Tillotson, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 053.

Item 2 Material Changes (Form ADV, Part 2A)

Summary of Material Changes to Form ADV Part 2A: Firm Brochure

This item will discuss only material changes that are made to the firm's Brochure and provide a summary of those changes. The communication of these changes to clients will be in compliance with SEC rules and determined by the nature of the material changes.

There have been no material changes since Hefren-Tillotson's last annual update of Form ADV Part 2A on 12/9/13.

A new brochure will be provided to clients as needed based on changes and/or new information at any time without charge. Also a copy of our current Part 2A of Form ADV will be provided upon request and without charge. Please forward your written request to: Donald Belt, Hefren-Tillotson, Inc., 308 Seventh Avenue, Pittsburgh, PA 15222, or to the email address Donald.Belt@hefren.com, or by calling 412-434-0990.

Additional information about Hefren-Tillotson, Inc. is also available on the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about persons affiliated with Hefren-Tillotson, Inc. who are registered, or are required to be registered, as investment advisor representatives of Hefren-Tillotson, Inc.

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Hefren-Tillotson History

Since 1948, the professionals at Hefren-Tillotson have been driven by a shared ideal: to earn our clients' trust by providing them with comprehensive, unbiased advice surrounding all aspects of their financial situation. Today, the firm is one of the oldest and largest full-service wealth management firms headquartered in Western Pennsylvania with roughly \$9.6 billion in client assets and 197 employees. Hefren-Tillotson, Inc. (HT) is licensed both as a securities broker-dealer and as an investment adviser.

In his early days at the firm, and more than 35 years ahead of the competition, Mr. Willard J. Tillotson, Jr. developed the Hefren-Tillotson MASTERPLAN approach, a comprehensive, written review of an individual's financial goals and objectives. While Mr. Tillotson's career was highlighted by numerous accomplishments, one of his greatest successes was the foresight to recognize that for clients to reach their long-term financial goals, coordination of their entire financial situation was necessary. As a result of Mr. Tillotson's vision, Financial Advisors at Hefren-Tillotson were using the MASTERPLAN approach to help clients gain clarity on their financial objectives and apply successful wealth management strategies long before others in the industry. MASTERPLAN remains at the core of our services for individual investors today. Our Investment Advisory Services are a natural extension of the MASTERPLAN process, facilitating ongoing wealth management through periodic reviews, objective and unbiased advice, a program of regular communication, and professional portfolio management.

A family tradition at Hefren-Tillotson gives our professionals an uncommon perspective to serving our clients and has helped forge the unique culture that differentiates the firm today. Our mission is *"To Become and Remain our Clients' Most Trusted Advisor"*. A high moral and ethical character is a critical component to the Hefren-Tillotson philosophy and approach. The company has four stated values that form the foundation of its unique culture: Deep respect for the individual; Integrity in thought and action; Teamwork supported by a family-oriented culture; and a Relentless commitment to excellence.

We take pride in growing our business in a way that supports the well-being of our employees and our community. Hefren-Tillotson was named the 2014 Top Workplace by the Pittsburgh Post-Gazette. Hefren-Tillotson was an inductee to the 2012 United Way Hall of Fame. In 2011 & 2012, Hefren-Tillotson was named the Best Place to Work in Pittsburgh by the Pittsburgh Business Times, which followed two 2010 awards that named Hefren-Tillotson one of the Best Places to Work in Pennsylvania by the Central Penn Business Journal and in Pittsburgh by *Pittsburgh Magazine*. Also in 2010 Hefren-Tillotson received the Outstanding Philanthropic Organization Award by the Western PA Chapter of the Association of Fundraising. Hefren-Tillotson was also named the Western Pennsylvania Family Business of the Year (2000) by the Katz Graduate School of Business at the University of Pittsburgh; the #1 Place to Work in PA (2001). We also actively support the communities in which we live and encourage employees to be involved.

Assets under Management

Hefren-Tillotson's range of Investment Advisory services give Clients a choice of management options and fee structures, as well as a consistent, disciplined, and objective approach to wealth management. The following details the amount of client assets under management in each of Hefren-Tillotson's account types:

Client Assets (as of 10/31/14)

		Client Assets (\$ billions)*
Investment Advisory: (Non-Discretionary)		
	Hefren-Tillotson Portfolio Review Account	\$1.81 B
	Hefren-Tillotson Asset Management Account	\$0.31 B
	Hefren-Tillotson Retirement Plan Review**	\$0.05 B
I	Investment Advisory: (Discretionary):	
	Hefren-Tillotson Advisory Account	\$3.51 B
	Hefren-Tillotson Managed Account Program	\$0.01 B
	Total Investment Advisory Assets	\$5.69 B
Broker-Dealer: (Non-Discretionary):		
	Hefren-Tillotson Traditional Brokerage Account	\$3.01 B
	Hefren-Tillotson Direct Business Held Away Account**	\$0.90 B
	Total Broker-Dealer Assets	\$3.91 B
	Total (Investment Advisory/Broker-Dealer Combined) Assets	\$9.60 B

* Client Assets as of 10/31/14

** These categories were listed for the first time in our Part 2A of Form ADV dated 1/8/13.

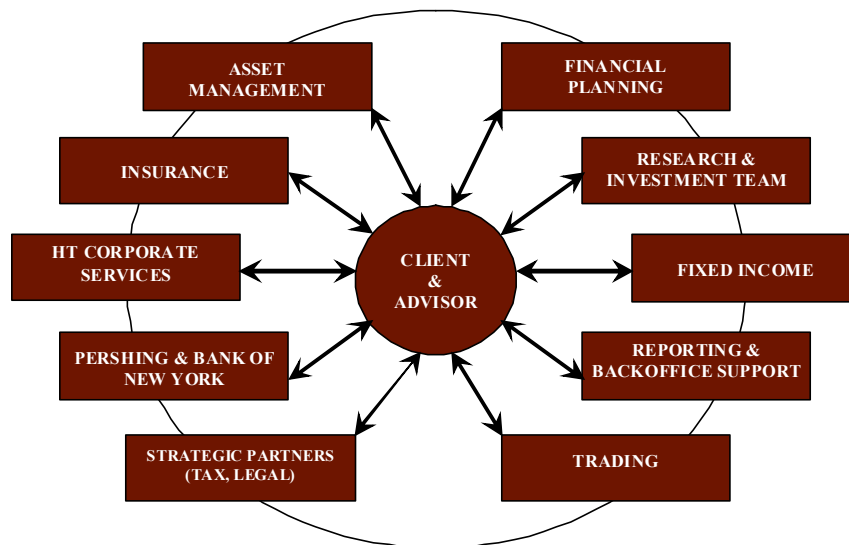
MASTERPLAN

The recommendation of any program is based upon discussions between the Client and a Hefren-Tillotson registered representative/investment advisor (Financial Advisor) through our MASTERPLAN process. These discussions frequently consist of two or more meetings, beginning with a fact-finding session where the Client and Financial Advisor discuss issues relating to investments, taxes, estate planning, retirement planning, insurance, and any other matters relating to the Clients personal financial situation. Following this initial meeting, the Financial Advisor typically prepares written recommendations, often with the assistance of the Hefren-Tillotson team of professionals. The written plan details our recommendations based upon the information provided and understanding of the client's goals and objectives, providing both an analysis of the current situation and a long-term plan.

It is through the MASTERPLAN process that Hefren-Tillotson tailors investment recommendations to each client. By understanding cash flow needs, liquidity needs, financial goals, return expectations, risk tolerance, and current assets, Hefren-Tillotson Financial Advisors determine an appropriate asset mix, using the firm's asset allocation models as starting points. Once an appropriate asset mix is determined, our team evaluates existing holdings and recommends individual securities or investment managers to fulfill the desired asset allocation. As a privately held firm, Hefren-Tillotson's independence allows us to objectively review and manage Client investments without the conflicts of interest or restrictions involved in using proprietary products.

The recommendations prepared during the MASTERPLAN process, which include the suggested brokerage or Investment Advisory program, are presented to the client, who then chooses whether to become a client of Hefren-Tillotson.

A key component to our MASTERPLAN process is a team approach that leverages the combined expertise within Hefren-Tillotson. Through the MASTERPLAN process and on an ongoing basis, the Financial Advisor is the central figure in the coordination of the client's financial program, accessing areas of expertise within Hefren-Tillotson and outside as needed.



Portfolio Management Team/Investment Committee

One of the key internal resources available to Clients and Advisors is Hefren-Tillotson's Portfolio Management Team. This centralized team which consists of six professionals who determine the allocation and manager selection within Hefren-Tillotson's model portfolios. They meet on a monthly basis formally to determine the composition of discretionary Advisory accounts, and the asset allocation models that serve as a starting point for developing a personalized and disciplined investment plan for clients. Individual members of the team have discussions daily on portfolio and research-related items and interim meetings are held as needed.

The team structure brings with it continuity in management, knowledgeable and unbiased advice, and is backed by leading independent research sources. The Portfolio Management Team averages over 30 years of investment experience and has an average tenure at Hefren-Tillotson of 23 years.

The Investment Committee is comprised of Kimberly T. Fleming, Chairman and Chief Executive Officer; James G. Meredith, Executive Vice President; Donald M. Belt, Chief Investment Officer; Brian Koble, Director of Research; Kurt E. Carlson, First Vice President; and Timothy S. Davis, Director of Fixed Income. Biographical information on each member of the Investment Committee is available in the brochure supplement. Principal owners of Hefren-Tillotson include Kim Tillotson Fleming, Craig A. Tillotson, James G Meredith, and R. Drew Kistler.

Hefren-Tillotson's Investment Advisory Programs

Our Investment Advisory programs include the following:

I. Hefren-Tillotson Portfolio Review Account

The Hefren-Tillotson Portfolio Review is a non-discretionary program combining a traditional brokerage account with our Investment Advisory services. The program facilitates ongoing consultation and reviews through a program of communication that includes the following:

- Periodic meetings with the Financial Advisor applying Hefren-Tillotson's MASTERPLAN approach;

- Quarterly investment reviews that include a portfolio performance report and quarterly market report;
- Periodic portfolio analysis and recommendations by members of the Investment Committee;
- Quarterly Inside the Markets conference calls informing Clients of developments in the investment markets and economy, as well as, our investment strategies;
- Bi-weekly Market Updates intended to inform Clients of changing market conditions, as well as investment opportunities and risks we see in the global financial markets;
- Tax reporting that includes a year-end realized gains and losses report and a Tax Management Strategies report; and
- Complete custodial services that include internet account access, account statements, and trade confirmations.

II. Hefren-Tillotson Asset Management Account

The Hefren-Tillotson Asset Management program is a non-discretionary, fee-based service. The program facilitates ongoing consultation and reviews through the same program of communication provided under Portfolio Review, but with the following key benefits:

- Clients have access to a substantial list of available securities without the limitations or costs often associated with sales charges. Portfolio changes can be made usually with minimal or no cost which may provide improved portfolio management flexibility over a commission-based structure. Portfolios may be comprised of any combination of equities, fixed income securities, load mutual funds (transfers only), load (waived) mutual funds and no-load or Institutional class mutual funds.
- Optional cash management account with debit card and check writing privileges; and
- Waiver of IRA, custodial and inactive account fees.

III. Hefren-Tillotson Advisory Account

Hefren-Tillotson provides discretionary portfolio management through its Advisory account program. Accounts in the Advisory program are managed on a discretionary basis by Hefren-Tillotson's Investment Committee. Portfolios are managed according to five Model portfolios containing investments deemed appropriate for the respective investment objectives. Client accounts may differ from the Models in asset mix and portfolio holdings for several reasons. These reasons may include unrealized capital gains, restrictions and guidelines set forth by the Client in the Investment Policy worksheet, or through discussions with the Financial Advisor. Retail and Institutional accounts may be comprised of any combination of security types, but most frequently will include non-load or institutional class mutual funds, exchange traded funds, and individual bonds.

The program facilitates ongoing consultation and reviews through the same program of communication provided under Portfolio Review and Asset Management programs, but with the following key benefits:

- Centralized Investment Committee making decisions on a discretionary basis;
- Advisory Program Strategy Updates to inform Clients of manager or asset allocation shifts within Advisory accounts; and

- Written Investment Policy statement that provides guidelines for the Investment Committee on how the account is to be managed.

IV. Hefren-Tillotson Managed Account Program (Wrap Fee Program)

The Hefren-Tillotson Managed Account is a discretionary, fee-based (wrap fee) program designed to provide high net worth individuals and institutions access to multiple investment managers through individually managed separate accounts. Clients receive initial and ongoing consultation from their Advisor at Hefren-Tillotson with regard to the determination of investment objectives and selection of portfolio managers. An Investor Objectives Profile is completed to assist in the analysis of the client's investment objectives and risk/return preferences, leading to a determination of asset allocation and investment styles. The separate account managers invest primarily in individual domestic stocks or American Depository Receipts (ADRs), which are foreign companies listed on U.S. exchanges. These portfolios are ideally suited for individuals or institutions seeking individual stock exposure and ownership, professional management, and some control as to the timing and amounts of realized gains and losses. If a client selects this program, we receive a portion of the fee charged.

The program facilitates ongoing consultation and reviews through the same program of communication provided under Portfolio Review, Asset Management, and Advisory programs, but with the following key benefits:

- Professional third-party investment managers;
- A separate account structure investing primarily in individual common stocks; and
- Independent and objective manager selection and monitoring by Hefren-Tillotson's Investment Committee.

V. Hefren-Tillotson Retirement Plan Review Program

The Hefren-Tillotson Retirement Plan Review program is intended to provide initial and ongoing consultation on an individual's retirement plan assets and the encompassing goals and objectives. A dramatic shift from defined benefit to defined contribution plans has pushed the burden of retirement plan management from employers to employees. While retirement plan assets frequently account for the majority of an individual's savings, these assets often receive the least amount of professional advice. The following provides an overview of the services provided:

- Preliminary review and analysis of an individual's plan options with security selection and asset allocation aligned with retirement goals;
- Quarterly reports detailing the personal investment policy statement, recommended portfolio, and performance of plan options;
- Retirement Planning Insights newsletter addressing retirement and investment-related topics and strategies;
- Recommendations if plan options change;
- Asset allocation recommendations aligned with Hefren-Tillotson model portfolios; and
- Quarterly Market Report, Inside the Markets Conference Calls, and bi-weekly Market Updates.

VI. Hefren-Tillotson MASTERPLAN Financial Review

Hefren-Tillotson's MASTERPLAN Financial Review is designed for individuals primarily interested only in financial planning advice.

As described above, a MASTERPLAN Financial Review encompasses major aspects of a client's financial situation, emphasizing income and estate tax planning, insurance, and investment and retirement planning. The process may also assist clients in coordinating the implementation of any recommendations made, including referrals to other practicing professionals whose services may be required.

During the MASTERPLAN Financial Review process, the client is asked to provide Hefren-Tillotson with relevant financial information and documentation including tax returns, a description of assets and liabilities, wills and trusts, business agreements, investments and personal and family obligations. The client is also asked to indicate levels of risk tolerance and to work with the registered representative/investment advisor in establishing short and long-term goals. Upon completion of the MASTERPLAN Financial Review, the client and the registered representative/investment advisor meet again and the client is provided with written recommendations compatible with the objectives established and an implementation schedule.

The client has sole responsibility and may implement any or all recommendations made in the MASTERPLAN Financial Review, but is under no obligation to use Hefren-Tillotson for the implementation of the recommendations.

HT CORPORATE SERVICES

Hefren-Tillotson also offers services through HT Corporate Services (HTCS).

I. Fiduciary Review of 401k and Profit Sharing Plans

HTCS offers independent third party reviews of current investment options to improve investment performance and help plan sponsors meet their fiduciary duty under ERISA. The fiduciary review includes a review of the plan documents, review and/or creation of the Investment Policy Statement, review of plan options by evaluating the investment selection process, the basis for asset mix, plan expenses, performance criteria and on-going management procedures and written recommendations based on the standards designed by The Center for Fiduciary Studies.

II. Management of 401k and Profit Sharing Plans

HTCS manages company retirement plans using a model 401k plan that is monitored and updated on a regular basis. This service provides a "401k Fundamentals" seminar for all employees to explain general retirement principles, discuss changes in the plan and provide model asset allocation portfolios to assist employees in allocating their 401k contributions. An Annual Fiduciary Review is provided to satisfy the plan sponsors on-going duty to monitor the plan's investment options. Management reports detailing participation trends are provided to help plan sponsors manage, plan and tailor education. Unlimited access to the HTCS website is available for all plan participants.

III. MASTERPLAN Services for Executives

HTCS offers comprehensive financial planning services for key personnel as part of an overall executive fringe benefit package. This financial planning service includes one-on-one fact-finding sessions to discuss goals and objectives, the preparation of a customized MASTERPLAN detailing recommendations in the area of estate planning, investments, retirement planning, college funding and income taxes.

IV. Employee Education Seminars

HTCS offers a fee-based employee education seminar to provide employees with the necessary education and support to attain their financial goals. Seminars are customized to the specific needs of the client company, such as Cash Flow and Debt Management, Basic Estate Planning and The Basics of Investing. Also, a comprehensive six hour MASTERPLAN workshop is available to offer employees practical financial planning information, a workshop manual for future reference and three months of complimentary access to the HTCS website.

V. Corporate 529 College Savings Plans

HTCS assists in establishing company sponsored college savings plans to help employees plan for their children's college funding needs.

VI. Insurance Consulting Services

HTCS provides an analysis of existing corporate insurance policies to improve coverage, limit costs and better meet corporate risk management goals.

VII. Personal Retirement Plan Review

HTCS Personal Retirement Plan Review allows employers to offer assistance to their employees in managing their retirement plan assets. Employees receive initial and ongoing consultation with respect to their retirement plan assets. The program includes an annual review and analysis of plan options, recommendations on plan option changes and asset allocation recommendations aligned with Hefren-Tillotson model portfolios. Employees also receive several supplemental services to assist them in reaching their financial planning goals.

Item 5 Fees and Compensation

Since Hefren-Tillotson is dually registered as a Broker Dealer and Investment Adviser, clients have flexibility in how they pay for our professional services – commissions, fees, or a combination of both. For services under our Investment Advisory programs, clients compensate Hefren-Tillotson primarily through an advisory fee, whereas Traditional Brokerage accounts compensate Hefren-Tillotson through commissions. The Portfolio Review program is a blend of both structures. We often find that clients may use a combination of different types of accounts depending upon their portfolio structure, needs, and financial goals.

Our advisory fee is an annual fee, calculated, billed and payable quarterly in advance based on the market value of the account(s), including cash and its equivalents, at the following rates:

Investment Advisory Fee Schedule

Portfolio Review	Asset Management	Advisory	Managed Account Program
0.25% on Assets under Management plus Brokerage Commissions	1.0% on the first \$500,000 plus 0.75% on the next \$1,500,000 plus 0.50% on the next \$8,000,000 Negotiable over \$10,000,000	1.25% on the first \$500,000 plus 0.75% on the next \$1,500,000 plus 0.50% on the next \$8,000,000 Negotiable over \$10,000,000	1.50% on the first \$2,000,000 plus 1.25% on the next \$8,000,000 Negotiable over \$10,000,000

Clients have the option of prorating the management fees across accounts, debiting single accounts, or paying by check. For accounts that are established after the calendar quarter begins, fees will be prorated based upon the value at the end of the month the assets are received. Investment Advisory agreements may be terminated by either party at any time without penalty. Upon termination, the client will receive a pro rata refund for that portion of the prepaid management fee that has not been earned.

The fee schedule above for the Managed Account Program is based upon an Investment Manager fee of 0.50%. An individual portfolio manager may demand a management fee higher than the standard 0.50%, the difference of which would be added to the schedule above. Additionally, common stock and exchange traded funds positions are subject to a \$7.95 flat fee on buy and sell transactions within the Asset Management and Advisory programs. For clients investing in pooled investment vehicles, such as mutual funds, ETFs, closed-end funds, additional investment expenses will be assumed, which are unique to each fund (commonly referred to as expense ratios). These additional expenses, which may range between 0.10% - 1.30% on average, are charged by the underlying fund for their management expertise.

For the Retirement Plan Review Program, Hefren-Tillotson's pricing is 0.35% of assets under management with a minimum annual fee of \$500.

Fees charged for the MASTERPLAN Financial Review will be dependent upon the time and complexity of the plan. Fees are paid 50% in advance, 50% upon completion and delivery of the financial plan. Either party may cancel the MASTERPLAN Financial Review Client Agreement with a full refund by providing written notice to the other party within five business days of signing the Investment Advisory Agreement.

Fees are charged hourly as follows:

Professionals:	\$250/hour
Paraprofessionals:	\$100/hour
Clerical:	\$50/hour

Fees for the MASTERPLAN Financial Review may be negotiable or waived for certain clients under certain circumstances.

Hefren-Tillotson uses Pershing LLC as executing broker and clearing agent. In the event the client chooses a different brokerage and/or custodial provider, custodial fees and brokerage commissions will be as negotiated by the client and may be higher than that which could have been obtained by Hefren-Tillotson. Commissions and other administrative fees (including 12b-1 and distribution fees) may be generated by various transactions and received as compensation by the firm. (Please refer to Item 12 Brokerage Practices, page 22)

Financial Advisors at Hefren-Tillotson are compensated on a percentage of commission or fee-based revenue and this constitutes the majority of the firm's revenue. Financial Advisors will typically recommend commission-based products within a Portfolio Review account in order to be compensated for the services provided, in addition to the 0.25% management fee. There is an inherent conflict of interest in commission-based revenues. The firm seeks to minimize this conflict of interest through a client-centric culture and supervision by Hefren-Tillotson's compliance department. Periodic reviews by Hefren-Tillotson's research staff also provide a means to review the suitability of portfolio holdings and asset allocation.

One of the advantages of the Asset Management and Advisory programs is that they eliminate the conflicts associated with commissions. Under these programs, the Advisor is compensated not by making a transaction, but based upon assets under management. As a result, the Financial Advisor is incentivized to (1) grow the Client's investment assets through good investment decisions and (2) keep the accounts by establishing a lasting relationship through exceptional service and sound advice.

Within Asset Management and Advisory accounts, no-load, load-waived, or institutional class mutual funds are typically used. While the firm may receive compensation through 12B-1 fees on select funds, the Financial Advisor is not compensated on this revenue, which helps eliminate conflicts of interest. Furthermore, the Investment Committee, which makes fund selection decisions within discretionary accounts, will choose the lowest-priced share class available, which in turn increases the net return over time. Since Hefren-Tillotson does not offer proprietary products, Clients have the option to purchase investments through other Financial Advisors not affiliated with Hefren-Tillotson.

II. Fees - HT Corporate Services

- ☐ Fiduciary Review of 401k and Profit Sharing Plans
 - 0.10% on the first \$10,000,000; over \$10,000,000 negotiable
 - Minimum fee of \$5000; fee waived if HTCS manages plan (except for plans under \$1.5 million)
 - Annual review for non-401k clients at one-half of fee schedule
- ☐ Management of 401k and Profit Sharing Plans
 - R-2 Shares - 75 Basis Point Trail
 - R-3 Shares - 50 Basis Point Trail
- ☐ MASTERPLAN Services for Executives
 - \$2500 per MASTERPLAN
 - Fees may be negotiable and in some cases waived if HTCS is managing the company's retirement plan
- ☐ Employee Education Seminar
 - \$500 per teaching hour
 - \$250 per customization hour
 - Hourly charges are subject to change
- ☐ Corporate 529 College Savings Plans
 - Fees based on traditional 529 plan fee structure
- ☐ Insurance Consulting Services
 - Fees based on insurance product fee structure
- ☐ Personal Retirement Plan Review
 - Annual billing for the upcoming year; early cancellation of service is not prorated
 - Retirement Plan Analysis Recommendations - Program pricing is 0.35% of assets under management with a minimum annual fee of \$500.
 - Corporate Benefits / Retirement Planning / MASTERPLAN - professional \$250 per hour; support \$ 50 per hour
 - Hourly charges are subject to change

Side-by-Side Comparison of Hefren-Tillotson's Investment Advisory Services*

TRADITIONAL BROKERAGE	PORTFOLIO REVIEW	ASSET MANAGEMENT	ADVISORY	HT MANAGED ACCOUNT PROGRAM
The Hefren-Tillotson Traditional Brokerage account offers non-discretionary, commission-based services in conjunction with initial and ongoing consultation with your Personal Financial Advisor.	Hefren-Tillotson Portfolio Review program combines the flexibility of the traditional brokerage account with our extensive financial planning and reporting services.	Hefren-Tillotson Asset Management is a non-discretionary, fee-based program ideal for clients currently taking an active role in investment decisions and seeking flexibility in the selection of investments and ongoing management of the account.	Hefren-Tillotson Advisory account is a discretionary, fee-based program with a centralized portfolio management team making investment decisions within established guidelines.	The HT Managed Account Program is a discretionary, fee-based program designed to provide individuals and institutions access to multiple investment managers through individually managed separate accounts.
No Minimum Asset Size	\$100,000 Asset Minimum	\$250,000 Asset Minimum	\$250,000 Asset Minimum	\$100,000 Asset Minimum
Traditional Brokerage Account Services: 1. Initial and Ongoing Consultation 2. Internet Account Access 3. Complete custodial services including periodic statements, trade confirmations, and dividend and interest reinvestment.	Traditional Brokerage Account Services plus: 4. MASTERPLAN and Updates 5. Quarterly Investment Reviews 6. Quarterly Market Report 7. Quarterly "Inside the Markets" Conference Call 8. Bi-weekly Market Updates 9. Periodic Portfolio Analysis by Hefren-Tillotson's Asset Management group 10. Year-end Tax/Investment Reporting	Portfolio Review Services plus: 11. Management Fees versus Commissions 12. Increased management flexibility through an extensive list of available Load-waived, No-load and Institutional funds 13. Exclusion from IRA and Inactive charges 14. Optional Cash Management Account – ProCash Plus with check writing and debit card services	Asset Management Account Services plus: 15. Written Investment Policy Statement setting guidelines for the management of your portfolio 16. Centralized Portfolio Management Team making investment decisions within the established guidelines	Advisory Account Services plus: 17. Third Party Investment Managers 18. Separate Account Management of individual stocks and bonds
Commissions	Commissions + Annual Advisory Fee of 0.25% of Account Assets	<u>Fee Schedule:</u> 1.00% on the first \$500,000 plus 0.75% on the next \$1,500,000 plus 0.50% on the next \$8,000,000 Fees are negotiable on assets in excess of \$10,000,000 <i>Small Transaction Fees may be Incurred</i>	<u>Fee Schedule:</u> 1.25% on the first \$500,000 plus 0.75% on the next \$1,500,000 plus 0.50% on the next \$8,000,000 Fees are negotiable on assets in excess of \$10,000,000 <i>Small Transaction Fees may be Incurred</i>	<u>Fee Schedule:</u> 1.50% on the first \$2,000,000 1.25% on the next \$8,000,000 Fees are negotiable on assets in excess of \$10,000,000

* This comparison grid does not include HT Corporate Services

Item 6 Performance-Based Fees and Side-By-Side Management

Neither Hefren-Tillotson, Inc. nor its Financial Advisors accept or offers performance based fees.

Item 7 Types of Clients

Hefren-Tillotson, Inc. provides advisory services to the following types of clients:

Hefren-Tillotson provides a full-range of investment management services for Pension Funds, Non-Profit Organizations, Endowments, Foundations and Individuals.

The firm has established asset minimums for the various Investment Advisory programs. Such minimums are applied to a family of accounts rather than to individual accounts. Waivers of the account minimums must be approved by an authorized person and may be made in situations deemed appropriate. The following outlines the asset minimums for each program:

Minimum Asset Size (Family of Accounts)

Portfolio Review	Asset Management	Advisory	Managed Account Program
\$100,000	\$250,000	\$250,000	\$100,000

Institutional Clients

Being founded in 1948 and with over \$9.6 billion in assets under management, Hefren-Tillotson brings to our Institutional Clients extensive investment management experience and knowledge of fiduciary responsibilities. Similar to the approach taken with MASTERPLAN, we believe that investment success for our Institutional clients can be achieved only when there is a commitment to a long-term plan. We begin our relationship with you by either establishing or reviewing the current investment policy statement. In doing so, an assessment of the current financial situation helps Trustees gain consensus on goals and guidelines for the ongoing management of assets.

Through the Center for Fiduciary Studies at the University of Pittsburgh, Hefren-Tillotson receives ongoing training in the area of fiduciary responsibility. Several team members have earned the Accredited Investment Fiduciary Auditor (AIFA ®) designation from the Center for Fiduciary Studies and have successfully completed training to conduct fiduciary reviews for our Institutional Clients and maintain a prudent investment process.

The performance results of our Institutional Balanced Composite have consistently remained competitive relative to benchmarks and peers. Our performance results are prepared in compliance with the Global Investment Performance Standards (GIPS®).

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

Methods of Analysis, Investment Strategies, Philosophy & Approach

Hefren-Tillotson employs a conservative, long-term approach in the management of client assets. We seek to establish and maintain a portfolio with long-term strategic ranges for each asset class and market sector according to the individual needs and objectives of the client. In doing so, we build portfolios using four model portfolios. Once clear objectives and a proper asset allocation are established, we then select individual securities and/or world-class money managers whose areas of expertise complement the client's needs and the portfolio's asset mix. Finally, we continually monitor and manage the portfolio by making allocation shifts, replacing managers, or rebalancing toward defined targets.

We summarize our approach as follows:

- Conservative, long-term investment philosophy
- Focus on asset allocation and sector weightings
- Objective selection of investment managers with specific expertise
- Proactive management and monitoring
- Emphasis on risk management to provide protection in down markets
- Consistent and disciplined team approach based on in-depth research

Asset Allocation

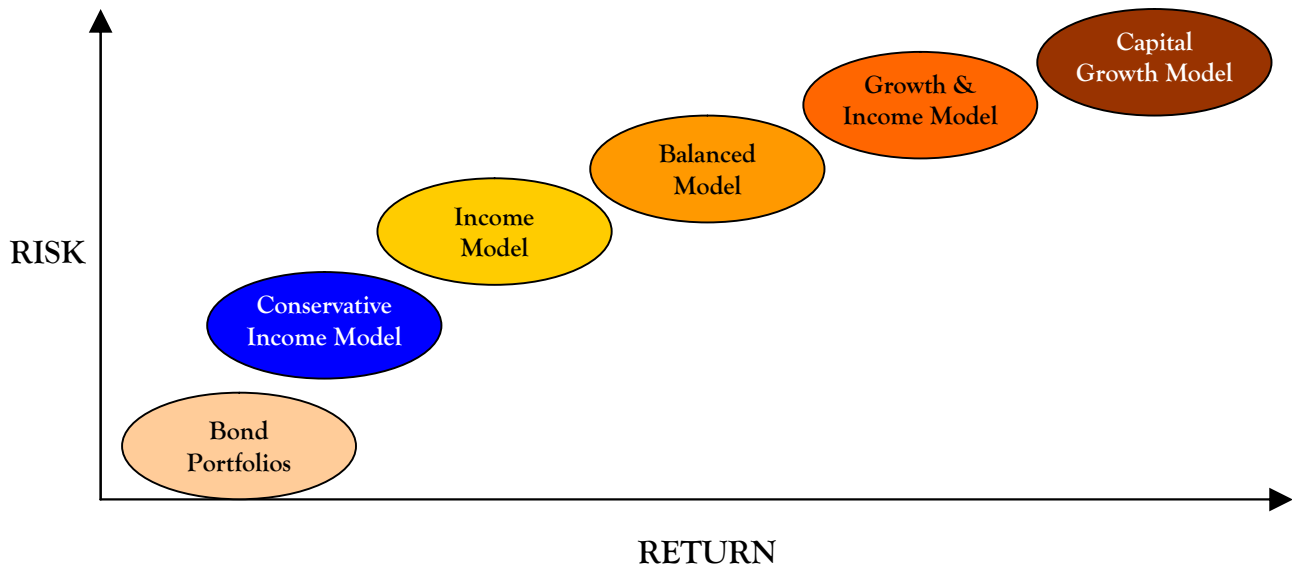
The following tables illustrate the four asset allocation models upon which Hefren-Tillotson portfolios are frequently established, their risk profiles, time horizons, and general portfolio objectives.

	Income	Balanced	Growth & Income	Capital Growth
Priority of Objectives:	Preservation of Principal	Moderate Current Income	Long-term Growth of Capital	Long-term Growth of Capital
	Current Income	Long-term Growth of Capital	Nominal Current Income	
	Conservative Long-term Growth of Capital	Preservation of Principal		
Relative Return	Low	Moderate	Moderate/High	High
Est. 1 Year Potential Loss	Up to 20%	Up to 25%	Up to 35%	Up to 40%
Risk Tolerance	Aversion to Losses	Able to Endure Moderate Volatility	Able to Tolerate Losses and Volatility	Risk-taker; Tolerance for High Volatility
Time Horizon	Shorter-term Horizon	Intermediate-term Horizon	Long-term Horizon	Long-term Horizon
Withdrawal Rate – Suggested Limit	3 – 5%	2 – 6%	2% or Less	No Withdrawals

A fifth model, Conservative Income, is used in discretionary accounts. The primary objectives of the Conservative Income portfolio are capital preservation and liquidity, current income, and long-term inflation protection. The portfolio can be used alone as a conservative approach to investing or serve as a compliment to Hefren-Tillotson's four core asset allocation models – Income, Balanced, Growth & Income, and Capital Growth. The portfolio facilitates an approach of establishing 'asset buckets', which tailor a combination of discretionary accounts to meet personal financial needs and objectives involving liquidity, income, and long-term growth and inflation protection.

The following illustrates conceptually the risk/return relationships of Hefren-Tillotson Model Portfolios:

Risk/Return Spectrum of Hefren-Tillotson Model Portfolios



Tax-Managed Portfolios

Hefren-Tillotson has tax-managed model portfolios with four investment objectives – Income, Balanced, Growth & Income, and Capital Growth. The portfolios are designed for non-qualified accounts of individuals, families, or trusts exposed to higher marginal tax rates where limiting income and eventual estate taxation are primary financial objectives. These portfolios are offered on a discretionary basis under Hefren-Tillotson's Investment Advisory program and recommended for clients with over \$100,000 (Growth & Income & Capital Growth) or \$250,000 (Income & Balanced) to invest in a strategy.

The models have 5 primary goals:

1. **Competitive After-tax Returns:** The portfolios seek to generate competitive returns in order to achieve the ultimate purpose of reaching each client's longer-term personal financial goals and objectives.
2. **Sensitivity to Taxable Gains and Income:** Our strategies utilize a combination of tax-efficient vehicles, lower turnover strategy, and tax management to control for taxable income and realized capital gains. While there may be times when realized gains are generated (tactical changes, rebalancing etc.), efforts will be taken to offset gains where possible. At the security level, portfolios are comprised of municipal bonds or bond funds, tax-managed mutual funds, and exchange traded funds. Multiple tax management strategies are employed to control realized gains, including tax-loss harvesting, managing holding periods, deferring the realization of gains, wider threshold rebalancing, and careful planning for distributions.
3. **Prudent Diversification:** Our portfolios are designed to provide global, multi-asset class diversification with different risk/return characteristics to meet the needs of each client.
4. **Low-cost Portfolio Structure:** Given an increased emphasis on index-oriented strategies, the portfolios have an unusually low expense ratio, currently estimated at 0.2% versus an industry average of 1.3%.
5. **Active Management:** The portfolios will consist predominately (at least 80%) of core holdings selected to be long-term holdings. However, the team has the flexibility to use a "tactical budget" consisting of up to 20% of portfolio assets to exploit perceived market opportunities or risks. Select active managers are used to compliment index-oriented strategies with the goal of delivering long-term alpha.

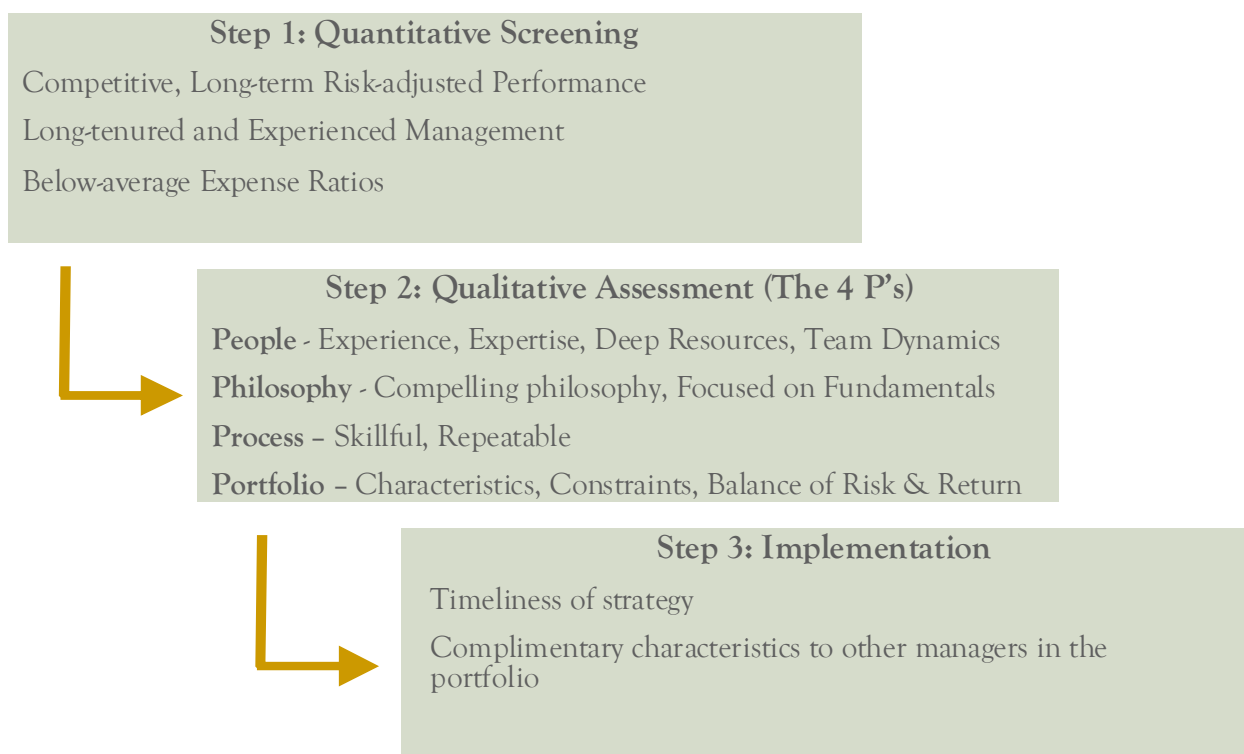
Despite a lower-turnover, tax-sensitive approach, our models will incorporate positioning that we believe will benefit from long-term secular trends in the global financial markets. Asset allocation and risk/return characteristics of the tax-managed portfolios resemble traditional Hefren-Tillotson model portfolios identified above.

Manager Selection

The use of mutual funds and other pooled investment vehicles play an important role in the execution of our investment strategies. In our view, mutual funds provide efficient access to many of the world's top money managers, allow for exposure to broad or niche areas of the financial markets, offer liquidity, and provide diversification to mitigate security-specific risks.

Our manager selection and monitoring process consists of a combination of Quantitative and Qualitative analysis and screening. Research is performed through statistical database screening, industry publications, prospectuses, manager literature, conference calls with portfolio managers, and due diligence visits. We utilize Morningstar's industry-leading database primarily for the evaluation of investment manager statistics. Managers are monitored on a daily basis for performance and changes in management, strategy, or style. Investment manager performance is reviewed formally by the Investment Committee during monthly meetings. It is during the monthly meetings that decisions to hire, fire, or maintain managers are determined collectively by the team. We have the flexibility to make timely manager decisions in atypical situations, such as an unexpected manager departure.

Our manager selection process and criteria can be summarized through the following illustration:



Generally, our due diligence process and selection criteria results in common manager characteristics, including

1. Consistent, long-term track records.
2. Money management is their primary business.
3. Attention to risk provides good performance in down markets.
4. Experienced professionals with an emphasis on in-depth research.
5. Expertise in specific areas of the markets

Ongoing Management & Monitoring

Within the ranges specified under each model outlined above, our team may recommend or change portfolio exposure to a specific sector or style based upon perceived, value-driven risk/reward characteristics. These Tactical decisions, which are ultimately meant to improve long-term potential returns, are based upon intermediate and longer-term trends likely to unfold over the course of 1-3 years or longer. Three general factors are considered in determining a tactical allocation shift, including (1) **Valuations** - Relative and absolute valuations; (2) **Fundamentals** - The fundamental analysis of economic or market-related conditions; and (3) **Technicals** - Technical analysis of fundamental or market trends.

Tactical allocation shifts are usually measured, typically representing 3-5% of a client's investment assets. Prior to implementation, our team will establish a sell criteria, which if violated, would result in a reversal of the allocation shift. This can serve as an effective risk management measure. Following implementation, our Investment Committee monitors the performance of tactical shifts on an ongoing basis. In the implementation of any portfolio changes, the Client can impose restriction on investments, requesting that they not be sold.

Risk of Loss

Clients should recognize and acknowledge risk of loss often must be assumed in order to achieve long-term investment objectives. Hefren-Tillotson does not offer any warranty that the strategies utilized will produce desired results or avoid loss.

Investing money into the financial markets carries with it numerous risks. The primary risk involved in the Hefren-Tillotson approach is market risk. Included in this risk is the possibility of loss stemming from market declines in various asset classes, rising interest rates, rising credit spreads, and currency changes among other influences. While the portfolios are well-balanced and diversified, there is no guarantee that market forces will not overwhelm diversification efforts, subjecting clients to Correlation Risk. Additionally, Hefren-Tillotson's attempts to exploit risks or opportunities in the market through tactical shifts may not be successful or effective.

Recognizing that assuming some type of risk is unavoidable, Hefren-Tillotson applies numerous risk management steps to mitigate the probability and magnitude of losses. Such risk management steps include proper asset and sector allocation, proactive tactical shifts to exploit opportunities or avoid risks, in-depth and independent research, comprehensive financial planning, client education, and regular portfolio monitoring and client reviews.

Finally, a program of regular communication with our clients plays a critical role in maintaining a prudent and successful long-term investment program. Without continual two-way communication, investment programs can become inappropriate for the client's financial situation and the possibility of behavioral mistake can increase. The following table outlines primary investment risks and efforts we apply to mitigate losses:

Risk	Disclosure Statement	Mitigation
Risk of Loss - General	Investing in securities involves risk of loss that clients should be prepared to bear.	Diversification, asset allocation, tactical shifts
Credit Risk	Credit risk, also called default risk, is the risk associated primarily with fixed income securities. This risk set quantifies the likelihood of non-repayment of principal and/or interest as scheduled by the bond issuer.	Diversification, individual bond purchases are primarily Investment Grade, mutual funds or other pooled investment vehicles are used for access to market segments where credit risk is higher (i.e. Corporate Bonds)
Principal Risk	Risk that an investment strategy single investment results in the loss of, or failure to preserve, the principal amount invested.	Diversification, Portfolio Construction
Income Risk	Risk that an investment strategy designed to generate a sufficient income stream fails to produce adequate income, resulting in the inability to sustain a desired lifestyle and/or the need to sell other assets to generate desired income.	Portfolio construction, financial planning to avoid withdrawal rates over 5%
Interest Rate Risk	Risk that changes in interest rates will adversely affect the value of an investor's portfolio. For example, when interest rates rise, bond prices fall. When interest rates fall, bond prices generally rise while reinvestment rates (the rates at which maturing bonds and interest payments are reinvested) fall.	Portfolio Construction, diversification across fixed income sectors, tactical shifts, economic and interest rate forecasting
Currency Risk	Currency risk is evident due to the free floating mechanism present in global foreign exchange markets. With a few notable exceptions, the value of most global currencies freely float against one another. U.S. companies and portfolios with non-dollar exposure directly assume foreign exchange risk.	Diversification, currency forecasting and monitoring, tactical shifts to avoid adverse currency movements
Market Fluctuation	Financial markets and the value of investments fluctuate substantially over time, which may lead to losses in the value of client portfolios, especially in the short run.	Financial planning to align the investment plan to the client's time horizon
Inflation Risk	Risk that increases in the prices of goods and services, and therefore the cost of living, reduce consumer purchasing power.	Asset allocation and portfolio construction that incorporate assets correlated with inflation
Asset Class Correlation Risk	During times of market turmoil, correlations between asset classes may break down, which may result in higher than expected losses for diversified portfolios.	Asset class and sector monitoring, combining investments with lower historical correlations
Company Management Risk	Risk that the business plan of a publicly held company is poorly conceived or poorly executed by senior management, or that the company fraudulently misleads the investment community as to its financial condition, either historically or prospectively.	Analyst independent research and relationship building, diversification
Security Selection Risk	Risk that an investment strategy or program losses money, or fails to achieve projected investment returns, even if asset class selection decisions are good. A well diversified portfolio across a variety of asset classes may still lose money or fail to achieve expected rates of return due to the selection of poorly performing securities within one or more asset classes represented in the portfolio.	Independent research, constant monitoring, regular due diligence conference calls or trips to talk with management
Geopolitical Risk	Possibility of instability or unrest in one or more regions of the world which affect investment markets and portfolio securities. Terrorist attacks, war, and pandemics are just examples of events, whether actual or anticipated, that impact investor attitudes toward the market in general and result in system-wide fluctuations in asset prices. This risk can relate to liquidity risk.	Asset allocation
Derivatives	Derivatives, which primarily include futures and options, may be more volatile than direct investments in the underlying securities, involve additional costs, and may involve a small initial investment relative to the risk assumed. In addition, the value of a future or option may not correlate perfectly to the underlying security, index, or securities markets in general. Use of derivatives can magnify losses.	Limited use of instruments with leverage

Item 9 Disciplinary Information

Hefren-Tillotson has served the investment needs of our clients since 1948, and has been registered as an investment adviser with the Securities and Exchange Commission (“SEC”) since 1997. In this period of time, our registered investment adviser has never been subject to a disciplinary or regulatory action by the SEC. Likewise our broker-dealer affiliate has never been subject to an enforcement or disciplinary action by the SEC. However, over the course of our 66-year history, our broker-dealer affiliate has been subject to regulatory actions initiated by certain Self Regulatory Organizations (SROs) and a state regulatory authority. None of these regulatory actions were initiated in the past ten years. Nonetheless, because our advisory clients use our broker-dealer services, we are making this disclosure. If you have any questions regarding these matters, we invite you to contact us. Alternatively, you may follow this link and search the FINRA website for information about Hefren-Tillotson and our employees: <http://www.finra.org/BrokerCheck>

Item 10 Other Financial Industry Activities and Affiliations

In addition to being a registered investment adviser Hefren-Tillotson is also licensed as a fully-disclosed securities broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of FINRA. Most individuals associated with Hefren-Tillotson are licensed as registered representatives with many also licensed as insurance agents. Consequently, in our capacity as a securities broker-dealer under separate licensing and registration agreements, Hefren-Tillotson sells securities and insurance products on a commission basis to clients.

Hefren-Tillotson uses Pershing LLC as an executing broker and clearing agent. Clients in need of brokerage and custodial services may have Hefren-Tillotson and Pershing recommended to them. Commissions and other administrative fees (including 12b-1 and distribution fees) may be generated by various transactions and received as compensation by Hefren-Tillotson.

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

High moral and ethical character is a critical component to the Hefren-Tillotson approach and philosophy. We believe it is a key differentiating factor of Hefren-Tillotson in an industry and business world littered with inappropriate and fraudulent behavior. The company has four stated values that form the foundation of its unique culture:

- Deep respect for the individual
- Integrity in thought and action
- Teamwork supported by a family-oriented culture
- Relentless commitment to excellence

The company has also established a Code of Ethics to which employees of Hefren-Tillotson are held:

- Act with integrity, competence, dignity and in an ethical manner when dealing with the public, clients, prospects, employers, and employees;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and their profession;
- Strive to maintain and improve their competence and the competence of others in the profession; and
- Use reasonable care and exercise independent professional judgment.

Hefren-Tillotson and individuals associated with Hefren-Tillotson frequently buy or sell securities or may have an interest or position in securities identical to or different than those recommended to customers for their personal accounts. Because our employees have a high level of conviction in our recommendations to clients, we frequently employ the same recommendations in our own accounts. Sometimes, these situations may represent a conflict of interest, but Hefren-Tillotson has established rules/restrictions to ensure its fiduciary responsibilities.

Members of the Research Department are prohibited from trading in a security which is the subject of a Research Report while such Report is in preparation, unless the Report is an update Report with no change in recommendation. Members of the Research Department and Portfolio Management Team are prohibited from trading in a security following the dissemination of an initial recommendation to the Portfolio Management Team. Dissemination of a research idea can occur through an internal report or weekly research notes. A security is restricted until two business days following the initial purchase of the security for an institutional or individual account, or until the security is disqualified as a potential investment opportunity by the portfolio management team during a formal review.

A Research Analyst or Portfolio Management Team member is prohibited from initially recommending the purchase of a security in which a member of the Research Department holds a position in the security that was purchased during the prior sixty (60) calendar days. Shares owned in excess of sixty (60) days are deemed historic holdings and would not result in such prohibition.

No person associated with Hefren-Tillotson may buy or sell securities for two business days following the addition or removal of a security from the HT Focus List or if a security (equity or ETF) is added to or removed from Hefren-Tillotson Investment Advisory accounts. Hefren-Tillotson's Trading Department monitors trades of associated persons to see if the same security traded in their account has also been traded in any of the associated person's client accounts on the same day. If so, the Trading Department will review the execution prices of the trade(s) for the associated person and the associated person's clients and give the best execution price(s) to the associated person's client(s).

These steps are applied to allow Hefren-Tillotson employees to invest alongside our clients, but assure that clients are not disadvantaged in any way by the actions or personal trading of Hefren-Tillotson employees.

Item 12 Brokerage Practices

Broker Selection

As an investment advisory Client, you have a choice when selecting a broker-dealer to execute your trades and custody the cash and securities held in your advisory account. We recommend that you use Hefren-Tillotson's broker-dealer services, primarily so you may benefit from one point of contact for all your financial service needs.

Hefren-Tillotson has been registered with the Financial Industry Regulatory Authority (FINRA) and the U.S. Securities and Exchange Commission (SEC) for more than 60 years. During this period, our firm has successfully refined a comprehensive compliance program as required by these regulatory authorities. By working with our registered broker-dealer, your trades will be executed, cleared (securities exchanged for cash) and held in custody (safe keeping) at Pershing LLC. Pershing is the largest clearing firm in the country and is a highly respected custodian through its affiliation with BNY Mellon, a U.S. bank with a legacy transcending over

225+ years. Please refer to Item #15 for more information about Hefren-Tillotson's custodial relationship with Pershing.

Our licensed registered representatives earn commissions for executing trades for some of the firm's investment adviser Clients, specifically within the Portfolio Review Account. Client commissions generated within all other investment advisory products and programs are retained by the firm. These conditions represent a permissible conflict of interest as long as we disclose these arrangements to you. Our firm is dedicated to the highest ethical standards in discharging our fiduciary duty as an investment adviser. Client interests are always placed first and foremost, which is evident in how we train and supervise our employees, seek to obtain best qualitative trade execution, and negotiate competitive transaction costs on behalf of our Clients.

Soft Dollars

Soft dollars represent [payments](#) by investment advisers to [brokerage](#) firms for their research [services](#). Soft dollars take the form of [commission](#) rather than [cash](#) payments. Hefren-Tillotson is not bound by any formal or informal arrangements or commitments to use research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis. Instead, most of our market and security research is generated by our internal team of experienced research analysts who benefit from extensive market tenure and personal knowledge of our Clients. We also utilize research reports generally available in the marketplace however we do not pay for this research with Client commission dollars.

Directed Brokerage

As noted above, investment advisory Clients are not required to use Hefren-Tillotson's brokerage services, however most of our advisory Clients choose to do so. If a Client directs Hefren-Tillotson to use a broker-dealer other than our own to execute some or all account transactions, the Client must understand that it is his or her responsibility to negotiate the terms and conditions of such services. Under these circumstances, Hefren-Tillotson has no authority to negotiate prices and commissions or obtain volume discounts on behalf of the Client. This "directed brokerage" arrangement may impair our ability to obtain the best qualitative trade execution for you. In fact, in some cases you may pay higher transaction prices and commissions than those paid by Clients who use Hefren-Tillotson brokerage services. Nonetheless, we work closely with our Clients to help select a brokerage partner to meet your unique investment needs.

Trade Aggregation

Hefren-Tillotson performs investment advisory services for various Clients based on the unique investment objectives and risk profile of each Client. Because Client investment needs vary, we may advise and take action for one Client in a manner similar to or different from how we advise or take action for another Client. When possible and advantageous to Clients, we aggregate or combine transactions for multiple Clients to achieve more timely and cost effective trade execution. When transactions are aggregated in this manner, execution costs are shared equally by all accounts involved on a pro-rated basis, while all Clients receive the average price for aggregated securities purchased or sold.

There may be times when Hefren-Tillotson uses trade rotation procedures, particularly when we are making changes across a wide range of Client portfolios at the same time. In these situations, we execute trades using a randomized order system to ensure that no single

portfolio or groups of portfolios are favored over others, and therefore all Clients are treated fairly.

Special Product Considerations

Portfolio Review Account: Brokerage practices for the Hefren-Tillotson Portfolio Review vary to some degree from other Client advisory accounts where we retain full discretion in all aspects of trade execution. Because the Portfolio Review is a non-discretionary program, we are not permitted to initiate a purchase or sale without the prior written or verbal approval of the Client. This approval process may preclude us from aggregating Portfolio Review transactions.

Asset Management Account: Brokerage practices for the Hefren-Tillotson Asset Management Account, like the Portfolio Review, also vary somewhat from other Client advisory accounts where we retain full discretion. The Asset Management Account is a non-discretionary program and therefore we are not permitted to initiate a purchase or sale without the prior written or verbal approval of the Client. This approval process may preclude us from aggregating Asset Management Account transactions.

Managed Account Program: Based on a Client's specific investment objectives, we may also recommend participation in the Hefren-Tillotson Managed Account Program offered through Pershing. This program offers custom portfolios managed by outside asset management firms, whereby brokerage services, commissions and custody charges are bundled under a single fee arrangement ("wrap fee"). In this Program, trade execution decisions are made by the outside management firm, not by Hefren-Tillotson. Under this arrangement, we continue to manage our relationship with you as a fiduciary, exercising ongoing diligent oversight of Client participation in the program.

Other Trading Practices

In keeping with Hefren-Tillotson's mission to earn and retain our Clients' trust by delivering unbiased advice in all aspects of your financial situation, we do not trade for our account, otherwise known as Principal Trading. We do maintain one capital account for the firm which contains investment holdings. This portfolio resembles the model used for our capital growth Client portfolios, although there are some differences in holdings.

In our capacity as your designated broker-dealer, we do not transact principal trades in Investment Advisory or Asset Management accounts. A principal trade by a broker-dealer means the broker-dealer is buying or selling the securities from the own inventory (account) as opposed to carrying out trades for the brokerage's clients. For Portfolio Review accounts, Hefren-Tillotson acts in the normal capacity as a broker-dealer and transacts, in the clients' best interests, principal transactions which include a markup/markdown (a form of compensation). Furthermore, to ensure that Clients are receiving competitive prices in all transactions, we do not engage in Cross Agency Transactions, meaning that we do not buy securities from one Client account to sell or cross to another. All transactions are executed in the marketplace where we strive to achieve optimal, transparent trade execution.

Item 13 Review of Accounts

Hefren-Tillotson often obtains substantial background information about each client's financial circumstances, investment objectives, risk tolerance, and other factors through an in-depth interview and information gathering process. This comprehensive review of information is critical to the MASTERPLAN process and a successful long-term financial plan.

Some of the information gathered is documented in a client's personal MASTERPLAN or on account paperwork, including the Implementation Worksheet, Investor Objectives Profile, or the Investment Policy Worksheet. Advisory clients may have a written investment policy statement that the firm reviews, approves, and monitors as part of the firm's investment services, subject to any revisions or updates from the client.

Hefren-Tillotson may provide reports to Investment Advisory clients in periodic client meetings (e.g. annual or semi-annual reviews). Investment professionals schedule periodic client meetings to review the client's portfolio and financial situation, market and account performance, financial circumstances, investment objectives among other things to confirm the investment decisions and services are consistent with the client's objectives and goals. In many cases, if an original MASTERPLAN was created, sections of the plan are updated, such as the retirement income analysis or education analysis. The frequency of client meetings is based upon each client's personal situation.

Hefren-Tillotson also provides investment information on a quarterly basis, through Quarterly Investment Reviews. These reports, which are usually disseminated roughly two weeks following each calendar quarter-end, consolidate assets under the Investment Advisory programs, providing asset and sector allocation, investment detail, performance vs. benchmarks, and tax-related information. These reports are usually reviewed by the Financial Advisor, potentially initiating a phone discussion or client meeting. Client accounts may also be reviewed by the Financial Advisor following tactical shift or manager change recommendations from the Hefren-Tillotson research department. Furthermore, the Financial Advisor may utilize internal reports that identify which accounts may be in need of changes due to asset or sector weightings or ownership of select securities.

Client relationships and/or portfolios are reviewed on a periodic basis by Donald M. Belt, Chief Investment Officer, Brian J. Koble, Director of Research, Mauricio Viaud, Senior Research Analyst, and Jonathan Bernstein, Senior Research Analyst. In such reviews, the client's investment assets under the Investment Advisory relationship are reviewed in the following areas – asset and sector allocation relative to established objectives, style balance, concentration risk, security selection, and performance among other items. It is understood that such reviews are made without an in-depth knowledge of the client's personal situation, which may result in unique portfolio attributes.

Review and Management of Discretionary Accounts

In addition to the processes outlined above, discretionary Advisory accounts are managed individually according to the pre-established Investment Policy and Hefren-Tillotson's Asset Allocation Models. Most client accounts own the same or similar account holdings as our asset allocation models, allowing Hefren-Tillotson's research team to track the performance of recommended investments and sectors on an intraday basis. Clients have the ability to restrict specific areas of the markets or securities from purchase or sale.

To keep accounts aligned with their investment objective and Hefren-Tillotson models, portfolios are typically rebalanced when the portfolio allocation drifts meaningfully (5% for traditional portfolios and 8% for tax-managed portfolios) from the specified model targets, otherwise known as threshold rebalancing. Rebalancing serves to reduce portfolio volatility and should result in an equivalent or greater portfolio return, even considering taxes and transaction costs.

Portfolios may be also reviewed and realigned with the appropriate model through the course of the year in the following instances:

1. Portfolio manager review;
2. Portfolio contributions or distributions;
3. Bond calls;
4. Violations of minimum cash levels;
5. Tactical allocation shifts; and
6. Manager changes.

Broad tactical shifts and manager changes are made across all accounts with the same portfolio objective, unless specific restrictions exist that would prevent action. Tactical shifts or manager changes may be delayed due to an upcoming threshold to reach long-term gain status (usually within the next 30-45 days), short-term trading restrictions that are enforced by some mutual funds, account composition that deviates from models, or portfolio restrictions. When tactical shifts are implemented, Hefren-Tillotson distributes to clients a research report detailing the rationale for the change.

Item 14 Client Referrals and Other Compensation

We place high value on our Financial Advisors and the work they do each and every day with our Clients. So that we can attract and retain qualified Advisors, Hefren-Tillotson, like most financial service companies in our industry, compensates our Financial Advisors based on a percentage of the commission and fee-based revenue they generate for the firm.

In the Managed Account Program, the firm pays an asset-based fee to the third party asset manager who is managing the separate account on behalf of our Client. For example, a Client generally pays a fee computed as a percentage of the dollars invested in this Program, of which a portion is paid to the third party asset manager, while a residual amount is retained by Hefren-Tillotson.

Mutual funds represent an important asset class in many Client portfolios. Hefren-Tillotson receives compensation from some investment companies whose funds we use in Client portfolios. This compensation takes the form of payment for training and marketing expenses, or reimbursement for seminars attended by our Financial Advisors and Clients. These types of payments, commonly received by other investment advisory firms operating today, are approved by the compliance department to minimize any potential conflicts of interest and to comply with all applicable rules and regulations.

Item 15 Custody

Hefren-Tillotson uses Pershing LLC as an executing broker and clearing agent. Clients should receive at least quarterly statements from Pershing or other qualified custodians (if applicable) that holds and maintains client's investment assets. Hefren-Tillotson urges you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 Investment Discretion

Hefren-Tillotson provides discretionary Investment Advisory services through its Hefren-Tillotson Advisory Account and Managed Account services. This discretionary authority authorizes Hefren-Tillotson's Investment Committee or a third-party investment manager to make investment decisions within the guidelines of a pre-established investment objective. Such investment decisions may include asset allocation changes, buy/sell/exchange orders, and rendering decisions as to the timing and amount of transactions.

Prior to accepting discretionary authority, required paperwork must be completed and approved by Hefren-Tillotson's compliance department, including the Investment Advisory Agreement, Billing Aggregation Sheet, Investment Policy Worksheet, and an Implementation Worksheet for each account. These required forms are in addition to Hefren-Tillotson's standard new account paperwork and process and are intended to establish clear guidelines for how the account(s) are to be managed. Upon processing and approval of necessary paperwork, representatives of the Hefren-Tillotson Investment Committee will seek trade authorization from the Financial Advisor prior to beginning trading. Upon receipt of trade authorization, the accounts will be managed on a discretionary basis going forward in accordance with the stated objectives and restrictions or until otherwise directed by the client.

Item 17 Voting Client Securities

Clients will receive proxy voting materials directly from the custodian. Hefren-Tillotson, as a matter of policy and practice, has no authority to vote proxies on behalf of advisory clients. The firm may offer assistance as to proxy matters upon a client's request, but the client always retains proxy voting responsibility. Hefren-Tillotson's proxy policy is disclosed to clients in the Investment Advisory agreement.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Hefren-Tillotson financial condition. Hefren-Tillotson has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.