



# **ADP Strategic Plan Services, LLC**

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This Brochure provides information about the qualifications and business practices of ADP Strategic Plan Services, LLC. If you have any questions about the contents of this Brochure, please contact us at (973) 712-2000. 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.

ADP Strategic Plan Services, LLC ("SPS") is a Registered Investment Adviser. 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 that you may use to determine whether to hire or retain them.

Additional information about SPS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for SPS is 286555. The SEC's web site also provides information about any persons affiliated with SPS who are registered, or are required to be registered, as "Investment Adviser Representatives" ("IARs") of SPS.

Future updates to this Brochure may be obtained by written request to ADP Strategic Plan Services, LLC Attn: Chief Compliance Officer, 71 Hanover Rd, Florham Park, NJ 07932.

ADP and the ADP logo are registered trademarks of ADP, LLC, which is affiliated with ADP Strategic Plan Services, LLC.

## **Item 2 – Material Changes**

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**The Material Changes Section of this Firm Brochure has been updated to reflect the following material changes:**

### **Item 4 – Advisory Business Introduction**

**The Firm updated the Brochure to reflect its regulatory assets under management.**

## Item 3 – Table of Contents

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## Item 4 – Advisory Business Introduction

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### Our Advisory Business

ADP Strategic Plan Services, LLC (“SPS”, “we”, “us”, “our”) is a registered investment adviser headquartered in Roseland, New Jersey. SPS is registered through and regulated by the United States Securities and Exchange Commission (“SEC”).

SPS was organized as a Delaware LLC on December 8, 2016. SPS is 100% owned by ADP Atlantic LLC (“ADP, LLC”) which in turn is 100% owned by Automatic Data Processing Inc., which is a publicly-traded company listed on NASDAQ. SPS provides investment advisory and management services primarily to retirement plans that receive recordkeeping and administrative services from ADP, LLC. ADP, LLC’s vision is of “one company” helping to provide services to companies of all sizes all around the world. in areas including HR, Talent, Benefits, Payroll, Retirement, Compliance and now, through its registered investment adviser affiliate, SPS, investment advisory and management services. We value long-term relationships with our clients whom we regard as strategic partners in our business.

### Services

SPS provides services, which include providing retirement plan sponsors (“Plan Sponsors”) or other plan fiduciaries appointed by Plan Sponsors investment advisory and management services by assisting plans in establishing and/or maintaining a consistent and ongoing documented process of prudent oversight and due diligence. We provide services to clients that sponsor a retirement plan that is qualified under the Internal Revenue Code of 1986, as amended (the “IRC”) and/or that is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), e.g., 401(k) plans (collectively “Plans”). Generally, services offered to clients include benchmarking of underlying investment fund expense ratios, plan design strategies, analysis, fiduciary consulting and oversight, plan level investment advice and investment fund selection and fund performance monitoring services, and certain educational services. “Investment funds” as used herein include mutual funds and collective investment trusts (“CITs”), which are investment vehicles similar to a U.S. mutual fund but that is available only to qualified retirement plans, such as 401(k) plans and governmental plans.

SPS offers investment advisory and management services to Plan Sponsors who employ ADP, LLC as their Plan’s record-keeper. ADP, LLC, offers plan administrative and record-keeping and other participant managed account services that are purchased separately from the investment advisory and management services offered through SPS.

**SPS does not act as, and has not agreed to assume the duties of, a Plan trustee or the “Plan Administrator,” as defined under Section 3(16) of ERISA nor does SPS act as a trustee as described by SEC Rule 206(4)-2. SPS has no discretion to interpret the Plan documents, to determine Plan participant eligibility or participation under the Plan, to provide participant disclosures or communications, to ensure contributions are timely received by the Plan or to exercise any other action with respect to the management, administration or any other aspect of the Plan.**

### Non-Discretionary 3(21) Fiduciary Services

When a client engages SPS to perform “3(21) Fiduciary Services,” SPS acts as a co-fiduciary “investment adviser” that provides “investment advice” (as defined under Section 3(21) of ERISA). However, the Plan Sponsor or other Plan fiduciary identified by the Plan Sponsor will retain final decision-making authority with respect to removing and/or replacing Plan investments. SPS does not have any further responsibility to communicate instructions to any third-party, including the custodian, and/or third-party administrator. SPS generally communicates directly with ADP, LLC regarding

administrative and recordkeeping matters arising under an SPS investment advisory agreement (“Services Agreement”) with the Plan Sponsor, or more generally in connection with ADP, LLC’s services to the Plan.

SPS only provides advisory services pursuant to a final Investment Policy Statement (“IPS”) statement adopted by each retirement plan sponsor. SPS may provide the plan sponsor with a sample IPS or may rely on a separate IPS developed and adopted by a plan sponsor.

SPS offers the following fiduciary services:

- Investment screening,
- Fund “mapping” assistance (i.e., the selection of replacement funds to which existing Plan balances may be transferred),
- Assisting clients to finalize a Plan’s investment lineup of funds available for investment by Plan participants and used for other administrative purposes under the Plan (the “Investment Fund Line-up”),
- Assisting clients with electing a “qualified default investment alternative” as defined in Section 404(c)(5) of ERISA,
- Cost management analysis, through benchmarking of underlying investment fund expense ratios and
- Periodic plan review meetings – including review of Investment Fund Line-up

SPS provides an electronic communication to any Plan Sponsor confirming its recommendations of either (1) maintaining the existing Plan investment options, or (2) replace one or more of the Plan investment options with an alternative investment. SPS provides to the plan sponsor the agreed upon services as set forth in the Services Agreement.

In performing 3(21) Fiduciary Services, SPS is limited to recommending and advising upon the investment options available through the Plan record-keeper’s platform and does not have the authority or obligation to select any investment options that are not available through the platform. The Plan Sponsor is responsible for the selection of the record-keeper and platform.

### **Discretionary 3(38) Fiduciary Services**

When a client engages SPS to perform “3(38) Fiduciary Services”, SPS acts as an “investment manager” (as defined in Section 3(38) of ERISA) with respect to the performance of discretionary fiduciary investment services. SPS reviews the investment options available to the Plan on the Plan record-keepers’ platform or through documents provided by the Plan Sponsor and notifies the Plan’s record-keeper and/or the Plan Sponsor as to SPS instructions to the record-keeper to add, remove and/or replace these specific “core” investment options offered to Plan participants and/or used for administrative purposes under the Plan, according to the criteria set forth in guidelines selected by the Plan Sponsor. The Plan Sponsor retains all authority, responsibility and decision-making for investment options not available on the Plan record-keeper’s platform (i.e., “non-core” investment options, such as employer stock, plan loans, self-directed brokerage accounts, frozen guaranteed investment contracts, and life insurance).

SPS retains final decision-making authority with respect to removing and/or replacing investments in the core lineup. ADP, LLC provides administrative and/or record-keeping services to Plans and communicates instructions to any third-party custodian and/or third-party administrator on behalf of SPS. ADP, LLC is not a registered investment adviser. ADP, LLC provides administrative services on behalf of SPS to facilitate SPS services, but ADP, LLC is not a party to any investment advisory or management Services Agreement between the Plan Sponsor and SPS, and does not provide any investment advisory or management services.

## **Participant Guidance and Services**

SPS also may make available, or advise that Plan clients obtain, advisory services for certain Plan participants from an independent third party registered investment advisory firm, ("Participant Guidance Services"). The Participant Guidance Services are intended to provide a retirement strategy (based upon the Plan participants' personal data and information) and a recommended asset allocation for available assets classes within the Plan. Each Plan participant utilizing Participant Guidance Services selects the funds in which to invest his/her own account from among the investment options made available by the Plan Sponsor and the amount to invest in each fund. SPS performs any due diligence, research, or monitoring of the funds available in the Plan, pursuant to our contracted appointment as a fiduciary under our Non-Discretionary 3(21) Fiduciary Services or Discretionary 3(38) Fiduciary Services for Plan participants using Participant Guidance Services.

## **Client Communications**

Plan Sponsors who hire SPS for 3(21) Fiduciary Services receives periodic updates on the economic and financial markets applicable to Plan Sponsors. In addition, we review the Plan's portfolio's investments at least annually and keep the Plan Sponsor apprised of regulatory developments that may affect them on a timely basis. We may also discuss new investment options, suggest alternatives to existing investments or provide portfolio review reports as we feel may be appropriate in each client situation.

Plan Sponsors who hire SPS for 3(38) Fiduciary services receives quarterly reports setting forth the performance of the investment funds in their Plan, as well as an evaluation of the investment funds in their Plans based on the proprietary methodology of a sub-adviser or consultant as discussed further below under Item 8, "Methods of Analysis." SPS makes available client service representatives to answer inquiries and provides phone based reviews as we feel may be appropriate in each client situation.

## **Assets under Management**

With respect to those clients for which we may be deemed to provide continuous and regular supervisory management services, SPS's regulatory assets under management as of June 30, 2019 was \$2,999,934,976.57.

# **Item 5 – Fees and Compensation**

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## **Investment Management Fees and Investment Advisory Fees**

SPS's fee for investment advisory services is determined based upon the nature of the services provided as a flat fee or as a percentage of assets under management-based charge. Fees for services are negotiable and may vary depending on the facts and circumstances related to a specific Plan, such as the scope of services to be provided, the duration of services and the size of the Plan client (i.e., the number of Plan participants, amount of assets and other demographic factors). A minimum fee is implemented. However, SPS, in its sole discretion, may waive any minimum fee requirements and/or charge a lesser investment advisory fee than originally agreed to by the parties. SPS does not charge any performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

The annual fee is billed in arrears, either monthly or quarterly depending on the billing cycle that applies to the Plan pursuant to the Services Agreement.

The standard fee schedules for the Non-Discretionary 3(21) Fiduciary Services and Discretionary 3(38) Fiduciary Services programs (together, the “Programs”) are as follows:

Non-Discretionary 3(21) Fiduciary Services: SPS assesses either an annual fee equal to .10% of a Plan’s Eligible Assets or will have the discretion to negotiate a flat fee.

Discretionary 3(38) Fiduciary Services: SPS will assess an annual fee equal to 0.10% of Plan’s Eligible Assets, subject to a monthly minimum of \$20.83, or if billed quarterly subject to a quarterly minimum of \$62.50.

“Eligible Assets” are [the average daily value of Plan assets (including interest paid or accrued)]. Eligible assets include all Plan assets except (1) those invested in Plan Sponsor Additional Investment Options and (2) any outstanding participant loan balances. Fees that may be charged are not subject to rebate for partial periods.

No increase in the annual fee for the Programs as set forth above is effective without prior written notification to Plan Sponsors under the terms of our written investment advisory agreement with the Plan Sponsor and such terms will be reflected in any amendment to this Brochure as may be required. The cost of investment advisory services provided through these Programs may be more or less than the cost of purchasing similar services separately.

## **Termination**

Either SPS or a Plan Sponsor may terminate an investment advisory contract at any time by providing the other party with 30 days written notice. Fees are not subject to rebate for partial periods.

## **Payment Options**

Unless otherwise agreed to by SPS and the Plan Sponsor, the fees for SPS services which are based upon a percentage of assets under management are billed in arrears on a monthly basis based on Eligible Assets. Flat fees for SPS services are billed in arrears on a monthly basis. The Plan Sponsor may elect in accordance with its Plan documents to pay SPS’s fee directly or may elect to pay such fees from the Plan’s assets, as permitted under ERISA.

SPS provides a good faith estimate of the fair market value of the Plan assets on which its fees are calculated based on the information provided from the record keeper. ADP LLC, through its contractual relationship with SPS to provide administrative (non-advisory) services to SPS, collects and remits funds on a monthly or quarterly basis to SPS.

## **Other Fees**

The fees described above do not cover certain charges associated with securities transactions, including the internal charges and fees that may be imposed by any investment funds that are made available under the Programs (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses) or other regulatory fees; the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law. Further information regarding charges and fees assessed by investment funds made available under the Programs may be found in the appropriate prospectus or offering document for that investment fund.

SPS identifies compensation ranges into which the various investment options on the ADP, LLC platform is sorted (“Compensation Range”) (See, “Proprietary Analysis” under Item 8). SPS identifies the Compensation Ranges based on a



range of “Revenue Share.” Revenue Share is defined as the sum of an investment fund’s 12b-1 fee, shareholder servicing fee or similar fees. The Plan Sponsor is responsible for determining the proper share class to utilize in the Plan, which is determined by the Compensation Range that the Plan Sponsor selects. Investment funds may offer more than one class of shares. Each class represents the same interest in the investment fund’s portfolio, however, any advisor to a Plan or ADP, LLC may be compensated differently depending on the share class(es) chosen. Clients should be aware that the receipt of Revenue Share by SPS’s affiliates may be deemed to create a conflict of interest for SPS, its management persons, employees or affiliates. Generally, any potential conflict of interest is resolved by either (i) crediting Revenue Share back to the Plan, or in accordance with such methods as are consistent with Section 404 of ERISA and guidance promulgated by the Department of Labor thereunder, or with other fiduciary standards applicable to retirement plans subject to ERISA.

In addition to the foregoing fees and expenses described above, Plan Sponsors or Plans are also responsible for the fees and expenses charged by custodians and imposed by broker/dealers, including, but not limited to, any transaction charges imposed by a broker/dealer that effects transactions for the client’s account(s).

## **Other Compensation**

SPS employees and/or its associated persons may receive compensation from selling other ADP products and services that are not associated with SPS. These services include record-keeping, payroll, human resources, benefits, insurance, etc. through ADP companies affiliated with SPS.

## **Item 6 – Performance Based Fee and Side by Side Management**

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SPS does not charge any performance-based fees.

## **Item 7 – Types of Client(s)**

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SPS provides investment advisory services to the following types of clients:

- Tax-qualified retirement plans (both defined benefit and defined contribution) that are intended to receive favorable tax-treatment under section 401(a) or 403(b) of the IRC.
- Other types of retirement plan types as may be introduced to the Programs.

SPS will look to provide investment advisory services to the following type of client:

- Non-qualified executive deferred compensation plans

SPS does not require a minimum account opening balance.

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

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### Methods of Analysis

SPS performs comprehensive qualitative and quantitative research and analysis customized for clients, which generally includes the following activities: (i) analyzing plan expenses; (ii) setting guidelines for prudent investment practices; (iii) creating a diversified investment menu; (iv) performing ongoing due diligence of investment managers and vendors; and (v) documenting the due diligence process.

Investment funds are classified by style and by their representative asset classes. These characteristics are used in asset allocation models. Fund classification is based on information obtained from widely recognized and independent third-party financial data sources. The classification process allows funds to be measured against their peers. Within each classification, SPS evaluates each fund based on multiple factors and their levels of importance. Both the factors used and the relative importance are determined by SPS based on research conducted by SPS.

### Modern Portfolio Theory (MPT)

SPS uses Modern Portfolio Theory to help select the investment funds for a Plan or Plan Sponsor accounts. Modern Portfolio Theory is a widely accepted and broadly utilized framework for developing an asset allocation model.

Modern Portfolio Theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk," measuring how much worse than average an investment's bad years are likely to be. The end goal in using MPT is to enable SPS to identify an acceptable level of risk tolerance as a fiduciary for the Plan, and then to suggest, or find, a portfolio for that level of risk.

### Investment Strategies

In order to perform MPT analysis, SPS uses many resources, including but not limited to:

- Morningstar,
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Information provided by fund companies and other investment managers, including due diligence questionnaires, management presentations and white papers, annual reports, prospectuses, regulatory filings and fact sheets, company press releases and websites and
- Proprietary Analysis provided by sub-advisers or consultants hired by us.

### Sub-Advisers

SPS may choose to offer or supplement its investment management services by selecting and overseeing the performance of a sub-adviser or consultant to SPS ("Sub-adviser"). The Sub-adviser is an registered investment adviser who serves as a 3(21) (i.e. – non discretionary) investment adviser to SPS to augment SPS's analysis and to make recommendations that assists SPS in its initial selection of the investment funds for the Plan from among the investment options made available on the retirement plan record-keeping platforms maintained by ADP, LLC. The Sub-adviser may

similarly be engaged to provide relevant analysis in determining if the Plan will retain or eliminate such investment funds. Plan Sponsors may obtain more information on the Sub-adviser's services, by requesting the Sub-adviser's Form ADV Part 2A from SPS. The investment management services with the Sub-adviser are constructed as follows:

- The Sub-adviser sorts the Compensation Ranges that have been identified by SPS based on a range of Revenue Share as discussed above.
- SPS offers various sets of investment options working with the Sub-adviser. Plan Sponsors will select the set of investment options appropriate to its Plan.
- SPS management oversees any Sub-adviser, including by conducting a review of its Form ADV or other available public filings.
- SPS at all times retains its discretionary authority over Plan assets pursuant to its discretionary investment management agreement with the client (See, Item 16, "Investment Discretion").

For clients who engage SPS as an investment manager, any fees for sub-advisory or consultant services are paid by SPS. All fees and services, including those of a sub-adviser or consultant are generally described in the Services Agreement between SPS and the Plan Sponsor.

## **Risk of Loss**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that a Plan Sponsor and its participants should be prepared for a Plan to bear. Plan Sponsors should understand that investment decisions made for the Plan by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for Plans will not always be profitable nor can we guarantee any level of performance.

Certain risks associated with the strategies, products and methodology we offer are listed below:

### **Bond Fund Risk**

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. The risks associated with bond funds include:

- Call Risk - the possibility that falling interest rates will cause a bond issuer to redeem or call its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, Plan Sponsors can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the possibility that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When

this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### **Modern Portfolio Theory (MPT) Risk**

Modern Portfolio Theory attempts to understand the market as a whole and measure market risk in an attempt to reduce the inherent risks of investing in the market. However, with every financial investment strategy there is a risk of a loss of principal. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

### **Mutual Funds Risk**

The following is a list of some general risks associated with investing in mutual funds:

- Country Risk - the possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- Currency Risk - the possibility that returns could be reduced when investing in foreign securities because of a rise in the value one currency over another, such as the U.S. dollar against foreign currencies. Currency risk is also referred to as exchange-rate risk.
- Income Risk - the possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- Industry Risk - the possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- Inflation Risk - the possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- Manager Risk - the possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- Market Risk - the possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk - the possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### **Stock Fund Risk**

Stock funds are subject to overall market risk. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services. However, depending upon the type of stock fund, some or all of the risks described above are applicable to this type of investment.

### **Turnover Risk**

An underlying fund may actively trade portfolio securities to achieve a principal investment strategy, which can be driven by changes in our various quantitative investment models discussed above. A high rate of portfolio turnover involves correspondingly high transaction costs, which may adversely affect account performance over time and may generate more taxable short-term gains for shareholders or clients.

## Overall Risks

Plan Sponsors need to remember that past performance is no guarantee of future results. All funds carry some level of risk. Plans may lose some or all of the money invested, including principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Past performance of a particular investment is not indicative of that investment's future performance.

While offering a menu of funds across investment disciplines can result in a diversified portfolio of Plan investments, diversification does not protect against market risks and does not assure profit. Market conditions and participant investment actions will in large part drive investment results. Allocation of investment opportunities among the accounts that we advise is not applicable due to the nature of the investment options available through the ADP, LLC platform.

More information on how to obtain prospectuses for the investment options available on the ADP, LLC platform is available to Plan Sponsors and Plan participants through ADP, LLC's websites and its call centers. The Plan Sponsor is responsible for determining the proper share class to utilize in the Plan.

## Item 9 – Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We do not have any information to disclose concerning SPS Covered Persons<sup>1</sup>. SPS employees are required to adhere to the parent company's Code of Business Conduct and Ethics. In addition, SPS covered persons adhere to a Code of Ethics as discussed under Item 11, "Code of Ethics."

## Item 10 – Other Financial Industry Activities and Affiliations

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SPS is affiliated through common ownership with ADP Broker Dealer, Inc., which is registered with the SEC and a member of FINRA. SPS is also affiliated through common ownership with Automatic Data Processing Insurance Agency.

SPS and its management persons are not registered as a commodity pool operator, futures commission merchant, or commodity trading advisor.

### Other Financial Industry Affiliations

Clients should be aware that the receipt of Revenue Share by SPS's affiliates may be deemed to create a conflict of interest for SPS, its management persons, employees and affiliates. The Revenue Share includes 12b-1 fees and other types of fees that are paid by various funds (or their affiliates) as compensation to such affiliates. As a result, SPS has an

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<sup>1</sup> Covered persons include all employees of SPS; all directors and officers of SPS (including any individuals performing the same or substantially similar functions); all natural persons who, directly or indirectly, have contributed or have the right to receive upon dissolution any amount of SPS's capital, all Access Persons; and any other person who provides advice on behalf of SPS or any other persons whom the CCO may designate from time to time as being subject to all or part of our compliance policies and procedures, such as non-advisory temporary workers and independent contractors.

incentive to encourage clients to either invest in funds whose sponsors provide SPS's affiliates compensation in the form of Revenue Share, or invest in funds that pay more Revenue Share to SPS's affiliates than other funds. SPS endeavors at all times to put the interests of its clients first in keeping with its fiduciary duty to clients and will identify and mitigate conflicts of interest as they arise.

SPS typically takes the following steps to address conflicts:

- SPS discloses to Plan Sponsors the existence of all material conflicts of interest;
- SPS collects, maintains and documents accurate, complete and relevant client background information, including the client's investment mandates, financial goals, objectives and risk tolerance when applicable;
- SPS requires that our employees seek prior approval of any outside business activities in order to address any conflicts of interest such activities may present;
- SPS periodically monitors outside employment and investment activities of its employees to identify and mitigate any conflicts of interest created by such activities; and
- SPS educates its employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to Plan Sponsors.

**When SPS acts as a fiduciary with respect to the decision to invest assets of a Plan, to allocate assets of the Plan to any particular investment fund, to hold, or to dispose of, the Plan's investment in any investment fund, SPS will take steps required to ensure that the receipt of fees or other compensation by SPS or its affiliates and its provision of services to Plans will not constitute a non-exempt "prohibited transaction" as such term is defined in Section 406 of ERISA and Section 4975 of the IRC.**

SPS is under common control with the following entities that are engaged in the securities or investment advisory business. Certain directors and members of executive management of SPS also serve as directors and/or executive management of these entities:

ADP Broker-Dealer, Inc.

Broker-Dealer

Firm CRD# 37693

## **Identification of Other Advisers**

If you utilize the services of ADP, LLC, but do not elect to use SPS for investment advisory or management services, we may, as a courtesy to our affiliate ADP, LLC and upon request provide you with names of other registered investment advisers in your geographic area to service your Plan. SPS does not accept compensation for these suggestions and makes no assessment as to the appropriateness of any other advisers. If SPS provides a client with the name of another registered investment adviser, SPS will provide the client with disclosure regarding any business relationships with such party.

## **Other Affiliations**

### **Record-keeper**

ADP, LLC is the record-keeper for all Plans. ADP, LLC receives compensation for providing these services and the employees of SPS may receive compensation for referring Plans to ADP LLC. ADP, LLC also provides administrative services on behalf of SPS but is not a party to any investment advisory services agreement between SPS and a Plan Sponsor, and does not provide investment advisory services.

### **Insurance Agency**

In addition, Automatic Data Processing Insurance Agency, Inc. (ADPIA) is a licensed insurance agency offering workers' compensation, property and casualty, and health and welfare insurance plans through various carrier partners. Sales associates of SPS may receive compensation for the referral of clients to ADPIA who purchase insurance coverage.

### **ADP Marketplace**

The ADP marketplace is a human capital management ("HCM") related software application ("app") store that began in 2014, and there are now approximately 400 apps available on the marketplace for benefits and HCM related services available to ADP, LLC clients.

## **Item 11 – Code of Ethics, Participation or Interest in Client Accounts and Personal Trading**

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### **Code of Ethics**

SPS Code of Ethics ("Code" or "Code of Ethics") was adopted in compliance with the requirements of the Investment Advisers Act of 1940, as amended and of the Investment Company Act of 1940, as amended. The Code emphasizes SPS's fiduciary duty to its clients and the obligation of the firm's personnel to uphold that fundamental duty. The Code addresses securities-related conduct and focuses principally on personal securities transactions, insider trading, outside activities, gifts, conflicts of interest, political contributions and other reporting requirements of its covered persons.

SPS's Compliance Department reviews all personal securities transactions of its access persons each quarter. Access persons are not allowed to trade securities listed on the firm's Restricted Companies List ("RCL"), which includes all publicly-traded companies that are clients of the advisory business units of SPS. If SPS is in possession of material nonpublic information about a given company, that entity will also be included on the RCL. The decision to place a company on the RCL is made by business unit managers in consultation with the Compliance Department.

On an annual basis SPS requires all covered persons to certify that they are in compliance with the Code. In addition, SPS has policies in place that require all Code of Ethics violations be reported to Senior Management.

SPS will provide clients and prospective clients with a copy of the Code upon request.

### **Participation or Interest in Client Accounts**

Participation in or having an interest in a client account is prohibited to all employees. However, employees are not prohibited from personal securities transactions in investment funds or any particular underlying investment of an investment fund in any investment option on the ADP, LLC platform or otherwise in connection with any Plan.

Generally, our personnel has no ability to influence or control any transactions in securities. If such influence or control exists, all employees are required to report this matter to Senior Management so that appropriate steps may be taken to address any conflict of interest that may be deemed to exist. All covered persons are subject to the policies on employee trading described in our Code of Ethics.

## **Personal Trading**

In accordance with SEC rules relating to recordkeeping by investment advisers, SPS requires prompt reports of all securities transactions identified in the Code of Ethics as “Reportable Securities” transactions. SPS further requires that all brokerage account relationships be disclosed, that SPS receive duplicate confirmations of transactions and custodial account statements from all access persons, and annual certifications of compliance with the Code of Ethics from all covered persons. Transactions in U.S. government securities, banker’s acceptances, bank certificates of deposit, commercial paper, high quality short-term instruments, including repurchase agreements, index-based futures/options, options/futures on treasury notes and bills or currency options/futures, shares of open-end mutual funds and commodities are excluded from the personal securities transactions reporting requirements of our access persons.

## **Potential Conflict of Interest**

It is SPS’s policy to make recommendations and decisions based solely upon the best interests of the client and without regard to any benefit (economic or otherwise) that SPS or its employees receive or might receive. SPS seeks to mitigate conflicts of interest through appropriate oversight, transparency and controls.

## **Oversight and Transparency**

SPS’s Chief Compliance Officer (“CCO”) administers SPS’s compliance program. Compliance with the federal and state securities laws and SPS’ obligations as a fiduciary is the responsibility of all employees and SPS works to identify and mitigate conflicts of interest. The CCO works to achieve these goals by developing and implementing appropriate policies and overseeing SPS’ efforts to identify and mitigate conflicts of interest. SPS will disclose any material conflicts of interest to its clients in a timely manner.

Any individual who violates any of the above restrictions may be subject to possible actions, which may include enhanced supervision, censure, suspension or termination.

## **Item 12 – Brokerage Practices**

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SPS’s business model does not involve transactional business and, consequently, SPS does not currently engage brokers in any transactional capacity. SPS may recommend transactional brokers or dealers to the client, but does not refer related persons. SPS’s affiliate, ADP Broker Dealer, Inc. primarily services inquiries from plan sponsors and financial advisers regarding holdings in retirement plans.

SPS’s use of any particular broker/record-keeper/custodian is directed by the Plan Sponsor. SPS does not require the use of any particular broker/custodian, however, we will only provide investment advisory and management services when our affiliate ADP, LLC is the provider of recordkeeping and administrative services to the Plan. ADP, LLC services to the Plan are provided under a separate agreement between the Plan and ADP, LLC. The Plan Sponsor is responsible for the selection of ADP, LLC as the record-keeper and for having selected the platform offered through ADP, LLC.



Select employees of SPS who engage in activity that may require their registration as a licensed agent of a broker or dealer are affiliated with a brokerage firm, ADP Broker-Dealer, Inc., offering retirement plans on a payroll deduction basis. In connection with the retirement plans, ADP Broker Dealer Inc. acts as a broker on a subscription basis offering mutual funds. SPS does not otherwise execute or direct trading on individual securities. SPS may, but we generally do not make recommendations to clients regarding brokerage services

### **Soft Dollars**

SPS does not have any soft dollar arrangements and does not receive any benefit, fees, services, or commission from soft dollar arrangements.

### **Best Execution**

SPS does not engage in securities transactions except for the Plan services offered through the programs described herein in connection with the investment options offered through the ADP, LLC platform. The Plan Sponsor is responsible for determining the proper share class to utilize in the Plan.

For any other registered investment adviser or sub-adviser participating in the program (i.e. Participant Guidance Services or Sub-advisers), SPS will generally request a copy of their "Best Execution Report."

### **Brokerage for Client Referrals**

If recommending broker-dealers, we do not take into consideration whether or not we will receive client referrals from the broker-dealer.

### **Directed Brokerage**

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

### **Trading**

SPS does not trade in individual Plan participant accounts.

## **Item 13 – Review of Accounts**

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### **Reviews**

Reviews of client accounts are conducted by SPS at least annually or more often as agreed to with our clients. We will provide Plan Sponsors with periodic reports setting forth the performance of the investment funds in their Plan, as well as certain proprietary analysis of the investment funds in their Plans pursuant to the selected Program. Generally, we monitor for changes and shifts in the economy, changes to the management and structure any collective investment vehicle in which client assets are invested, and market shifts and corrections and keeps the Plan Sponsor apprised of material market events and of regulatory developments that may affect the Plans on a timely basis. (See, "Client Communications" under Item 4.)

### **Reports**

We provide the various reports outlined in the Programs described herein, and we provide duplicates of statements provided by the custodian and/or recordkeeper, and we will provide our invoice copy.

## **Item 14 – Client Referrals and Other Compensation**

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SPS's affiliates may receive economic benefit from a third party related to technology services that facilitate a plan's connectivity to investment advice or other advisory services to our clients. In order to mitigate any potential conflict of interest, we inform the client in the Services Agreement that they are under no obligation to implement any recommendations regarding additional 3<sup>rd</sup> party services for the benefit of plan participants made by us. Associated persons of SPS may receive compensation for the referral of clients to ADPIA who purchase insurance coverage.

## **Item 15 – Custody**

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SPS's use of any particular custodian is directed by the Plan Sponsor. SPS does not require the use of any particular custodian. If authorized by the Plan Sponsor, SPS has the ability to debit fees directly from the Plan Sponsor's bank account through the submission of a billing file to the plan custodian, however, SPS does not have authority to possess or take actual custody of clients' funds or securities. Plan Sponsors and plan participants receive at least quarterly statements from ADP, LLC. SPS urges Plan Sponsors and participants to carefully review such statements.

## **Item 16 – Investment Discretion**

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Clients may engage SPS to provide discretionary and non-discretionary investment advisory and management services. Clients give SPS discretionary authority when they sign a discretionary investment management agreement and may in certain circumstances limit or change/amend such authority by giving written instructions.

As further described in Item 4 above, under 3(21) Fiduciary Services, SPS exercises limited discretion over Plan assets in that it makes investment advisory recommendations to Plan Sponsors, but the Plan Sponsor may or may not implement the recommendation(s). In performing 3(38) Fiduciary Services which are discretionary management services, SPS is acting as an "investment manager" (as that term is defined in Section 3(38) of ERISA). Under either Program, as a fiduciary to the Plan SPS shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

SPS may choose to offer investment management services by selecting and overseeing the performance of a Sub-adviser to SPS. SPS at all times, retains its discretionary authority over Plan assets pursuant to its discretionary investment management agreement with the client.

Participant Guidance Services advisers who provide managed account services have discretion over Plan participant's accounts who elect its managed account services.

## **Item 17 – Voting Client Securities**

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As a matter of firm policy, SPS does not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to Plan investment assets, Plan Sponsors or the Plan trustee maintain exclusive

responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the investment assets. Plan Sponsors are responsible for instructing each custodian of the assets, and to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

SPS also does not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 – Financial Information**

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In no event shall we charge advisory fees that are both in excess of twelve hundred dollars per annum and more than six months in advance of advisory services rendered. Therefore, we are not required to provide a financial statement.

We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings.