

Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of NEA's Member Benefits Corporation. If you have any questions about the contents of this brochure, please contact us at [telephone number and/or email address]. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about NEA's Member Benefits Corporation is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

In July, 2010, the Securities and Exchange Commission revised Form ADV Part II, which was the disclosure document that we provided to clients as required by the Investment Advisers Act of 1940 and Securities and Exchange Commission rules. This brochure is the new disclosure document that replaces Form ADV Part II. It is materially different from previous NEA’s Member Benefits Corporation. (“NEA MBC”) disclosure documents and includes certain new information not required in our previous documents.

In the future, Item 2 will be used to provide clients with a summary of material changes that have been made to this brochure since the last annual update. In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Going forward, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may provide additional disclosure about material changes as necessary.

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Item 4 - Advisory Business

NEA's Member Benefits Corporation ("NEA MBC") is a party to the NEA Valuebuilder Program Service Agreement (the "Agreement") among NEA MBC (a wholly owned subsidiary of The National Education Association (the "NEA")), Security Benefit Corporation, and certain of Security Benefit Corporation's affiliates, including Security Benefit Life Insurance Company, Security Investors, LLC, Security Benefit Distributors, Inc., and Security Financial Resources, Inc. (collectively, "SB"). NEA MBC, in existence for over half a century, is a subsidiary of the NEA, established to develop, implement and administer NEA Member Benefits programs and services. Our governing body includes a Board of Directors which oversees the corporation to ensure the quality and consistency of the programs.

NEA's MBC has been in the business of marketing voluntary benefits, such as life insurance and credit cards to members of the NEA since the mid 1960's. NEA's MBC is a wholly-owned for-profit subsidiary of NEA, its sole shareholder. No dividends, royalties, profit, or licensing fees are returned to NEA. Our only members are teachers, education support professionals, professors, and students in the public schools and universities.

Pursuant to the Agreement, NEA MBC provides administrative, marketing and related services in connection with the NEA Valuebuilder Program (the "VB Program"). NEA MBC makes the VB Program available to eligible employers (principally state and local school systems and districts and NEA-chartered state and local educational associations) as a means for such employers to provide their eligible employees and their retirees with retirement plan investment options. NEA MBC began to offer the VB Program in the early 1990's to school districts with Nationwide Life Insurance Company ("Nationwide"). When Nationwide decided to exit the k-12 public school 403(b) market, NEA's MBC partnered with SB.

NEA MBC's advisory services under the Agreement are impersonal. The services include: (1) making available to employees of eligible employers quarterly reports (as well as reports on NEA MBC's website that are updated monthly) about the performance of the investment options available through the VB Program using NEA MBC developed criteria; (2) informing employees of eligible employers about the existence of the VB Program through information on NEA MBC's website, social media, and the publication of ads in various NEA and state association publications; (3) making presentations from time to time to employees of eligible employers concerning the VB Program; and (4) through NEA MBC's representatives to the state associations, providing brochures and other information about the VB program to employees of

eligible employers. NEA MBC's "clients" include the parties that receive the benefit of the foregoing services.

Item 5 - Fees and Compensation

NEA MBC is compensated for such services by SB pursuant to the terms of the VB Agreement as described below.

Pursuant to the Agreement, NEA MBC receives from SB an annual amount equal to the greater of (1) \$2,000,000 and (2) \$1,000,000 plus 10 basis points on Average Assets under the Program during the prior fiscal year. "Average Assets under the Program" is the sum of assets invested in certain VB Program products by members of the NEA who are VB Program participants, measured on the first day of each fiscal quarter and divided by 4. These fees were the subject of negotiation between NEA MBC and SB. Payment of the fee by SB creates a potential conflict of interest and gives NEA MBC an incentive to recommend the VB Program. NEA MBC addresses this conflict by being exclusive to SB and not recommending others. Our goal is to ensure all members have the best options and we work to ensure members have choices in their investments with VB or another product that is most suitable for their goals.

Plan participants allocating investment to the VB Program will pay fees at the separate account and underlying fund levels.

NEA MBC has no fee arrangement with its advisory clients with respect to the services provided under the Agreement. Plan participants allocating investment to the VB Program will pay fees at the separate account and underlying fund levels.

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

NEA MBC does not charge performance-based fees. The term "performance-based fees" refers to fees based on a share of capital gains on, or capital appreciation of, a client's assets.

NEA MBC receives fees related to the participation in the VB Program by employees of eligible employers pursuant to the VB Agreement. Related persons of NEA MBC are participants in the VB Program and thus their retirement plans buy or sell for their accounts securities that are the subject of NEA MBC's investment performance reports. Such related persons may also buy or sell, outside of their retirement plans, shares of mutual funds that are investment options under the VB Program. NEA MBC does not receive any fees related to the participation in the VB Program by its own employees, former employees or related persons.

Item 7 - Types of Clients

NEA MBC's clients include the parties that receive the benefit of the services it provides under the Agreement, which include members of the NEA working in k-12 education facilities, college campuses, and related educational institutions.

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

NEA MBC has developed criteria to evaluate and monitor the performance of investment options recommended by, or proposed to be recommended by, NEA MBC and offered through its VB Program. The criteria are specifically designed to accomplish the following:

- To support NEA MBC's recommendations to SB for new investment options for the VB Program.
- To review, on an ongoing basis, the performance of existing investment options, as well as investment options of other nationally available variable annuity and mutual fund products that are targeted to the education marketplace.
- To provide a basis for identifying underperforming VB Program investment options.

NEA MBC evaluates the desirability of investment options on the basis of performance within defined investment categories, the number of options in the relevant category and the security and reputation of the company offering the investment option. The VB Program includes proprietary variable annuity products issued by an insurance company, mutual funds that are adapted to be used as a variable annuity separate account option, and mutual funds that are used in custodial accounts. NEA MBC also advises on the financial strength of SB and Nationwide, a prior provider, to evaluate their general account options for the variable annuity product in the VB Program, by monitoring and reporting their ratings and financial condition.

To be eligible for inclusion in the VB Program, an investment option must generally rank numerically in the upper third of its investment category over a three-year period based on the investment option's performance, although NEA MBC will occasionally recommend inclusion of an investment option with less than a three year history if the mutual fund on which the investment option is based has performed adequately. The goal of each investment option is to maintain an ongoing three-year average ranking in the upper half of its investment category. If an investment option's performance declines to the lower half of the options in its investment category for a three-year period consistently for three months, it will be placed on "Monitor" status. If the

investment option's performance returns to the top half of its investment category for three consecutive months, it will be removed from Monitor status. New funds recommended by NEA MBC should, in addition to satisfying the above performance criteria, complement or supplement existing investment options by offering new investment objectives or strengthening a particular existing investment objective category. Investment options are also reviewed and consideration is given to the company's position as an industry leader with corresponding financial strength. NEA MBC recommends investment options based on independent, publicly available ranking services, including but not limited to Morningstar Principia Analytical Service and Variable Annuity Research Data Service.

NEA MBC does not implement investment advice given to clients. However, NEA MBC developed the VB Program to enable employees of eligible employers to achieve long term investment goals consistent with retirement planning.

The VB Program involves investments in variable annuity contracts and mutual funds underlying those contracts. Variable annuity contracts and mutual funds carry a certain amount of risk. Investors may lose money on their investments. In addition, an investment in any particular variable annuity contract or mutual fund may not provide a complete investment program. The suitability of an investment should be considered based on the investment objective, strategies and risks of the investment, considered in light of all of the other investments in an investor's portfolio, as well as the investor's risk tolerance, financial goals and time horizons.

Actively managed mutual funds are subject to management risk. The funds may not achieve their objective if the adviser's expectations regarding particular securities or markets are not met. The investment objective of each fund may be changed without the affirmative vote of a majority of the outstanding shares of the fund. Any such change may result in a fund having an investment objective different from the objective that the shareholders considered appropriate at the time of investment in the fund.

The VB Program permits a fixed and variable payment option. Investors choosing the fixed option will receive generally equal periodic annuity payments. Investors choosing the variable option bear investment risk. There will generally be the same amount. If you allocate your money to the variable investment options, the periodic annuity payments will change depending on the investment performance of the underlying mutual funds selected.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of NEA MBC or the integrity of NEA MBC's management. NEA MBC has not had any material legal or disciplinary events applicable to the company or any employee.

Item 10 - Other Financial Industry Activities and Affiliations

Pursuant to its Services Agreement with the NEA, NEA MBC develops and delivers, in conjunction with third-party financial services providers, and administers insurance, retirement and other programs sponsored by the NEA and makes such programs available to eligible employers (principally state and local school systems and districts and NEA-chartered state and local educational associations) as a means for such employers to provide their eligible employees with financial services products. The only product that involves investments in securities is the VB Program offered pursuant to the VB Agreement to which NEA MBC and SB are parties.

These fees were the subject of negotiation between NEA MBC and SB. Payment of the fee by SB creates a potential conflict of interest and gives NEA MBC an incentive to recommend the VB Program. NEA MBC addresses this conflict by being exclusive to SB and not recommending others. Our goal is to ensure all members have the best options and we work to ensure members have choices in their investments with VB or another product that is most suitable for their goals.

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

NEA MBC is committed to performing its services in an ethical manner and in compliance with all applicable laws and has adopted a Code of Ethics and Compliance Program (the "Compliance Program") designed to satisfy the requirements of Rules 204A-1 and 206(4)-7 promulgated under the Investment Advisors Act of 1940. The Compliance Program applies to all employees of NEA MBC and requires compliance with all applicable laws, including laws relating to fiduciary obligations, conflicts of interest, disclosure, advertising/performance claims, personal trading, referral arrangements, selection and use of brokers-dealers, suitability, confidentiality, and outside activities. The Compliance Program is administered by NEA MBC's Chief Compliance Officer. Copies of the Compliance Program are available upon request.

Item 12 - Brokerage Practices

Pursuant to the Agreement, Security Distributors, Inc. ("SDI"), a registered broker-dealer and an affiliate of Security Benefit Corporation, is the exclusive broker-dealer for purposes of effecting transactions on behalf of participants in the VB Program. As part of its services under the Agreement, SDI provides research and other investment materials to participants in the Program (including related persons who participate in the VB Program). Accordingly, NEA MBC may be deemed to suggest brokers to clients.

NEA MBC considered financial safety, execution capability, distribution, potential and research services provided to NEA MBC and its clients in selecting SB and maintaining a relationship with SB and SDI for the VB Program. SDI provides all participants in the VB Program with guidance tools for determining investment preferences through asset allocation. Research and services provided by SDI are used for the benefit of all VB Program participants. Research and services are part of the products offered under the VB Program and are not dependent on the fees paid to NEA MBC. NEA MBC ensures participants receive the benefit of services provided by broker-dealers of commissions paid by (1) requiring agents annually engage with participants and (2) conducting survey of participants to gauge receipt of and satisfaction with the services. NEA MBC reviews these services annually to determine the reasonableness of the price and quality of the services provided by SDI.

Item 13 - Review of Accounts

NEA MBC does not review client accounts or financial plans. NEA MBC's advisory services under the Agreement include making available to employees of eligible employers quarterly reports (as well as reports on NEA MBC's website that are updated monthly) about the performance of the investment options available through the VB Program.

Item 14 - Client Referrals and Other Compensation

The sole fees paid to Applicant for its advisory services under the Agreement are the fees paid to Applicant by SB described Section II. In exchange for their assistance in the marketing of NEA-sponsored financial services programs, Applicant pays certain NEA-chartered state education associations up to \$15 per new participant in such programs and up to \$0.80 per year per ongoing participant in such programs, including in each case the VB Program. Applicant pays a minimum of up to \$10,000 per year to each such state association, depending on the programs marketed to the association's members.

The VB Program is the only product made available by Applicant that involves investments in securities.

Item 15 - Custody

NEA MBC does not have custody of client's funds or securities. Client assets are held by a qualified custodian. Clients will receive statements directly from SB at least quarterly. Clients are urged to carefully review those statements.

Item 16 - Investment Discretion

NEA MBC does not accept discretionary authority to manage securities accounts on behalf of clients.

Item 17 - Voting Client Securities

NEA MBC does not have the authority to vote client securities. Proxies related to securities in the VB Program are voted by clients.

Item 18 - Financial Information

NEA MBC does not require or solicit prepayment of fees for clients, nor does it have discretionary authority or custody of client funds or securities; therefore, it is not required to disclose financial information.