



# **ADP Strategic Plan Services, LLC**

**1 ADP Boulevard, Roseland NJ 07932**

**(973) 712-2000**

**January 19, 2017**

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 ("ADP 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 ADP 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 ADP SPS is 286555. The SEC's web site also provides information about any persons affiliated with ADP SPS who are registered, or are required to be registered, as "Investment Adviser Representatives" ("IARs") of ADP 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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This Brochure is the initial Form ADV Part 2A for ADP SPS, which has been submitted with ADP SPS's application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure – when amended in conjunction with an annual update – contains material changes from the prior annual update, ADP SPS is required to identify and discuss those changes.

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## Item 4 – Advisory Business Introduction

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### Our Advisory Business

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

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

### Services

ADP SPS provides services, which include providing retirement Plan Sponsors or other plan fiduciaries appointed by plan sponsors (“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 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, plan design strategies, analysis, fiduciary consulting and oversight, plan level investment advice and investment fund selection and monitoring services, participant managed account services and some online employee education services.

ADP, LLC, an affiliate of ADP SPS, offers administrative and record-keeping services that may be purchased separately from the investment management services offered through ADP SPS. ADP SPS will offer investment services predominantly to Plan sponsors who employ ADP, LLC as their Plan’s record-keeper.

ADP 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 as trustee as described by SEC Rule 206(4)-2. ADP SPS has no discretion to interpret the Plan documents, to determine 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 ADP SPS to perform “3(21) Fiduciary Services,” ADP SPS will act as a co-fiduciary “investment adviser” that provides “investment advice” as defined under Section 3(21) of ERISA (“3(21) Services”). However, the Plan Sponsor or other Plan fiduciary identified by the Plan Sponsor (the “Plan Sponsor”) will retain final decision-making authority with respect to removing and/or replacing Plan investments. ADP SPS will not have any further responsibility to communicate instructions to any third-party, including the custodian, and/or third-party administrator. ADP SPS may communicate directly with ADP, LLC regarding administrative and recordkeeping

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matters arising under ADP SPS investment advisory agreement with the Plan Sponsor, or more generally in connection with ADP, LLC's services to the Plan.

ADP SPS will provide the Plan Sponsor with a sample investment policy statement. Each retirement Plan Sponsor may adopt a final investment policy statement ("IPS") which will serve as a guide for ADP SPS investment advisory services. ADP SPS offers the following 3(21) 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
- Quarterly plan review meetings – including review of Investment Fund Line-up

ADP SPS will provide a quarterly electronic communication to any Plan Sponsor that confirms the Plan investment option review resulted in either (1) a recommendation to maintain the existing Plan investment options, or (2) a recommendation to replace one or more of the Plan investment options with an alternative investment. Plan Sponsors will engage ADP SPS to provide these services for the Plan.

In performing investment advisory services, ADP 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 ADP SPS to perform "3(38) Fiduciary Services", ADP SPS acts as an "investment manager" (as defined in Section 3(38) of ERISA) with respect to the performance of discretionary fiduciary investment services. ADP 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 ADP SPS instructions 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).

ADP SPS will retain final decision-making authority with respect to removing and/or replacing investments in the core lineup. The Plan Sponsor will not have responsibility to communicate instructions to any third-party, custodian and/or third-party administrator. ADP, LLC, an affiliate of ADP SPS, will provide administrative and/or record-keeping services to Plans. ADP, LLC will provide administrative services on behalf of ADP SPS to facilitate ADP SPS services, but ADP, LLC will not be a party to any investment advisory services agreement between the Plan Sponsor and ADP SPS, and will not provide any investment advisory services.

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## **Participant Guidance and Advisory Services**

ADP SPS also may make available, or advise or recommend that clients obtain, participant advisory services from a third party registered investment advisory firm, ("Participant Guidance Service"), and may make the Plan Sponsor's engagement of Participant Guidance Service a condition to ADP SPS providing investment management services to a Plan. The Participant Guidance Service provides a retirement strategy (based upon a participants' personal data and information) and a recommended asset allocation for available assets classes within the Plan. Each participant will select the funds in which to invest their own account from among the investment options made available by the Plan Sponsor and the amount to invest in each fund. ADP SPS will perform no due diligence, research, or monitoring of the funds available in the Plan, unless we accept an appointment as a fiduciary under our Non-Discretionary 3(21) Fiduciary Services or Discretionary 3(38) Fiduciary Services.

Participants also may elect to have the third party internet-based advisory firm construct and monitor a portfolio of funds purchased for them by selecting the managed account option made available by that independent, third party investment advisory firm under their Plan from among the Plan investment options ("Participant Advisory Service"). Under these circumstances that investment advisory firm will manage the participants' individual accounts on a discretionary basis.

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

Plan Sponsors may elect to have an independent, third party investment advisory firm provide 3(38) fiduciary services directly to their plan. Such services will be contracted between the independent third party investment firm and the Plan Sponsor, and ADP SPS will not be responsible for the selection and monitoring of investment in the Plan. ADP SPS' affiliate ADP, LLC may provide recordkeeping services to the Plan, and may also facilitate data exchanges between the independent investment advisory firm and the ADP, LLC's recordkeeping system in the course of providing recordkeeping services, but will not be a party to the investment advisory agreement between the independent third party investment firm and the Plan Sponsor.

## **Client Communications**

Plan Sponsors who hire ADP SPS for 3(21) Services will receive an update on the economic and financial markets applicable to Plan Sponsors at least annually. In addition, we will conduct a thorough review of the Plan's or portfolio's investments and keep the Plan Sponsor apprised of the latest regulatory developments that may affect them. We may also discuss new investment options or suggest alternatives to existing investments. ADP SPS may also provide portfolio review reports quarterly.

Plan Sponsors who hire ADP SPS for 3(38) Fiduciary services will receive a quarterly report setting forth the performance of the funds in their Plan, as well as an evaluation of the funds based on the proprietary methodology of the Sub-adviser. ADP SPS will also make available client service representatives to answer inquiries and provide phone based reviews as appropriate in each client situation.

## **Outside RIA Referrals**

ADP SPS through its affiliate, ADP, LLC, will assist Plan Sponsors in their search for an investment adviser. ADP SPS's affiliate maintains a database of investment adviser firms. Eligibility in the database is based on standards established under the affiliate's Advisor Elite program. Advisors requesting eligibility must meet the standards of the program and receive approval by the affiliate's committee.

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## **Investment Management Services with Sub-Adviser**

ADP SPS will offer investment management services by selecting and monitoring the performance of a sub-adviser to the Plans. The sub-adviser will initially select investment funds for Plans from among the investment options made available on the retirement plan recordkeeping platforms maintained by ADP, LLC, and will determine if the Plans will retain or eliminate such investment funds as investment funds available under the Plans. Plan Sponsors may obtain more information on the Sub-adviser services, by requesting the sub-adviser's ADV Part 2. The Investment Management Services with a Sub-Adviser will be constructed as follows:

ADP SPS will identify compensation ranges into which the investment options that ADP, LLC determines will be made available on the investment platform(s) to Plans will be sorted by Sub-Adviser ("Compensation Ranges") based on a range of "Revenue Share." "Revenue Share" shall be defined as the sum of an investment fund's 12b-1 fee, shareholder servicing fee or similar fees.

ADP SPS will offer sets of Investments working with the subadvisor. Plan Sponsors will select the set of investments appropriate to its Plan.

## **Assets Under Management**

We do not exercise discretion over any accounts and as a result we currently have no assets under management (as such term is defined and used in Form ADV).

## **Item 5 – Fees and Compensation**

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

ADP SPS' fee is determined based upon the nature of the services provided on a flat fee or an asset-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 employees, amount of assets and other demographic factors). A minimum fee may be implemented. However, ADP 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. ADP 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 standard fee schedules for the Non-Discretionary 3(21) Fiduciary Services and Discretionary 3(38) Fiduciary Services programs (the "Programs") are as follows:

- Flat fees generally range from \$500 to \$5000 annually but can be more or less as agreed to between the Plan Sponsor and ADP SPS; flat fees are anticipated to be charged in cases where ADP SPS will deliver 3(21) services.
- Asset-based fees are based upon the market value of the Plan assets and are generally 0.03 percent to 0.15 percent of Plan assets annually, based on the assets in the Plan. These fees may be subject to a minimum fee of \$250 annually.
- Asset-based fees are anticipated to be charged in cases where ADP SPS is providing Discretionary 3(38) Fiduciary Services and are negotiable in certain circumstances at the sole discretion of the adviser.

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Fees may be charged on a monthly basis in advance or arrears, and are not subject to rebate for partial periods.

No increase in the annual fee shall be effective without prior written notification to Plan Sponsors under the terms of our written investment advisory agreement with the Plan Sponsor and notification to the SEC through an amendment to this document. The cost of investment advisory services provided through these Programs may be more or less than the cost of purchasing similar services separately.

### **Sub-Adviser Fees**

Fees for sub-advisory services will be paid by ADP SPS to the sub-adviser from the fee ADP SPS charges to the Plan or from other revenues. The sub-adviser may charge additional fees but these additional fees are not assessed to the Plan Sponsor. All fees and services, including those of the sub-adviser are described in the service agreement between ADP SPS and the Plan Sponsor.

### **Termination**

Either ADP SPS or a Plan Sponsor may terminate an investment advisory contract at any time by providing the other party with 30 days written notice. ADP SPS does not refund fees or charge fees if a termination occurs during a billing cycle.

### **Payment Options**

Unless otherwise agreed to by ADP SPS and the Plan Sponsor, the asset fees for ADP SPS services are billed in arrears on a monthly basis based on the average daily value of Plan assets (including interest paid or accrued) on the last business day of the prior calendar quarter. Flat fees for ADP SPS services are billed in arrears on a monthly basis. The Plan Sponsor may elect in accordance with its Plan documents to pay ADP SPS fee directly or may elect to pay such fees from the Plan's assets, as permitted under ERISA.

ADP SPS will provide 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 a contractual relationship with ADP SPS to provide administrative (non-advisory) services to ADP SPS, will collect and remit funds on a monthly or quarterly basis to ADP SPS.

### **Other Fees**

The Investment Management Fees and Investment Advisory Fees described above do not cover certain charges associated with securities transactions, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs related to trading in certain foreign securities; (iii) 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; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) 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, and (vi) any brokerage commissions or other charges. 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.

The Plan Sponsor is effectively responsible for determining the proper share class to utilize in the Plan, which is determined by the Compensation Range that the Plan Sponsor selects. Mutual funds may offer more than one class of shares. Each class represents the same interest in the mutual fund's portfolio, however, any advisor may be compensated differently depending on the share classes chosen.

In addition to the foregoing fees and expenses described in the immediately preceding paragraph, 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 with which an independent investment manager effects transactions for the client's account(s)

### **Other Compensation**

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

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

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ADP SPS does not charge any performance-based fees.

## **Item 7 – Types of Client(s)**

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ADP 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
- Non-qualified executive deferred compensation plans
- Other types of retirement plan types as may be introduced to the Programs.

ADP 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**

ADP 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 (vi) documenting the due diligence process.

Individual funds are classified by style representative of asset classes used in asset allocation models. The fund classification is based on information obtained from widely recognized and independent third-party financial data

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sources. The classification process allows funds to be measured against their peers. Within each class, ADP SPS evaluates each fund based on multiple factors and their levels of importance. Both the factors used and the relative importance are based on research by ADP SPS.

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

ADP SPS uses Modern Portfolio Theory to help select the funds for a Plan or Plan Sponsor accounts.

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 is 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 this analysis, ADP SPS use many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings
- Company press releases and websites
- Analysis provided by sub-advisers or consultants hired by us

### **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 should be prepared for a Plan to bear. 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.

A list of 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 for Americans investing in foreign securities because of a rise in the value of 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**

Overall "market risk" poses the greatest potential danger for investors in stocks funds. 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.

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## **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.

## **Asset Allocation**

While asset allocation is believed to result in a diversified portfolio of investments, diversification does not protect against market risks and does not assure a profit.

## **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.

Prospectuses are made available to Plan Sponsors and participants through our affiliate, ADP, LLC's websites and call centers.

## **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 ADP SPS or any of our IARs. ADP SPS employees are required to adhere to a Code of Conduct and ethical standards established by ADP SPS as well as those established by our parent company.

## **Item 10 – Other Financial Industry Activities and Affiliations**

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ADP SPS is affiliated through common ownership with ADP Broker Dealer, Inc., which is registered with the SEC and a member of FINRA.

ADP SPS and its management persons are not registering 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 (as defined in Item 4) by ADP SPS' affiliates creates a conflict of interest for ADP SPS, its management persons, employees and affiliates. The Revenue Share includes

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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, ADP SPS has an incentive to encourage clients to either invest in funds whose sponsors provide ADP SPS' affiliates compensation in the form of Revenue Share, or invest in funds that pay more Revenue Share to ADP SPS' affiliates than other funds. ADP 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.

ADP SPS typically takes the following steps to address conflicts:

- ADP SPS discloses to Plan Sponsors the existence of all material conflicts of interest;
- ADP 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;
- ADP SPS management conducts periodic reviews to verify that the sub-adviser implemented the appropriate investment selections;
- ADP 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;
- ADP SPS periodically monitors outside employment and investment activities of its employees to identify and mitigate any conflicts of interest created by such activities; and
- ADP 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 ADP SPS acts as a fiduciary (as defined in Section 3(21) of ERISA, or Section 4975 of the IRC) 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 or IRA's investment in any investment fund, ADP SPS will take steps required to ensure that the receipt of fees or other compensation by ADP SPS or its affiliates and its provision of services to Plans or IRAs will not constitute a non-exempt "prohibited transaction" as such term is defined in Section 406 of ERISA and Section 4975 of the IRC, which may include compliance with the implementing regulations issued under Section 3(21)(A)(ii) of ERISA and the "Best Interest Contract Prohibited Transaction Exemption" promulgated by the United States Department of Labor.** ADP 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 ADP SPS also serve as directors and/or executive management of these entities:

ADP Broker-Dealer, Inc.

Broker-dealer

Firm CRD# 37693

## **Selection of Other Advisers**

If you do not elect to use ADP SPS, we may recommend other investment advisers in your area to service your Plan. ADP SPS does not receive any compensation for these referrals and makes no assessment as to the appropriateness of the advisers recommended.

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## **Other Affiliations**

### **Record-keeper**

ADP LLC is the record-keeper for all Plans. ADP LLC will receive compensation for providing these services and the employees of ADP SPS may receive compensation for referring Plans to ADP LLC. ADP, LLC will also provide administrative services on behalf of ADP SPS but will not be a party to any investment advisory services agreement between ADP SPS and a Plan Sponsor, and will 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 ADP Strategic Plan Services LLC 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 200 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**

ADP SPS Code of Ethics ("Code" or "Code of Ethics") was adopted in compliance with the requirements of the Investment Advisers Act and the Investment Company Act of 1940. The Code emphasizes ADP SPS fiduciary duty to its investment management 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 employee reporting requirements.

ADP SPS' Compliance Department reviews all employee personal securities transactions each quarter. Employees 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 ADP SPS. If ADP 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 ADP SPS requires all employees to certify that they are in compliance with the Code. In addition, ADP SPS has policies in place that require all Code of Ethics violations be reported to Senior Management.

ADP 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.

Generally, our advisors and personnel have no ability to influence or control any transactions in securities. If such influence or control exists, our personnel and advisors will be subject to policies on employee trading described in our Code of Ethics to address this conflict of interest.

## **Personal Trading**

In accordance with Securities and Exchange Commission rules relating to recordkeeping by investment advisors, ADP SPS requires prompt reports of all securities transactions identified in the Code of Ethics as “Reportable Securities” transactions. ADP SPS further requires that all brokerage account relationships be disclosed, that ADP SPS receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all access 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 reporting requirements.

## **Potential Conflict of Interest**

It is ADP SPS’ 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 ADP SPS or its employees receive or might receive. ADP SPS seeks to mitigate conflicts of interest through appropriate oversight, transparency and controls.

## **Oversight**

The CCO, in conjunction with ADP SPS’ Administrative Committee, administers ADP SPS’ compliance program. Compliance with the securities laws and ADP SPS’ obligations as a fiduciary is the responsibility of all employees and ADP SPS works to identify and mitigate conflicts of interest. The CCO works to achieve these goals by developing and implementing appropriate policies and overseeing ADP SPS’ efforts to identify and mitigate conflicts of interest.

## **Transparency**

ADP SPS will disclose all material conflicts of interest to its clients in a timely manner. When ADP SPS provides a client with a manager recommendation, ADP SPS will provide the client with disclosure regarding business relationships with the manager.

Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities in a fair and equitable manner in accordance with our fiduciary duties.

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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ADP SPS’ business model does not involve transactional business and, consequently, ADP SPS does not currently engage brokers in any transactional capacity.

ADP SPS use of any particular broker/record-keeper/custodian is directed by the Plan Sponsor. ADP SPS does not require the use of any particular broker/custodian, provided ADP SPS is operationally linked with the entity,

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however, we expect in most cases to provide services when our affiliate ADP, LLC is a provider of recordkeeping and administrative services to the Plan under a separate agreement. The Plan Sponsor is responsible for the selection of the record-keeper and platform.

### **Factors Used to Select Custodians**

ADP SPS does not have any affiliation with firms that sell financial products. Select employees of ADP SPS who engage in activity that may require their registration as a licensed agent of a broker dealer are affiliated with a brokerage firm, ADP Broker-Dealer, Inc. which distributes investment products. ADP SPS does not otherwise regularly execute or direct trading on individual securities and does not generally make recommendations to clients regarding brokerage services.

### **Soft Dollars**

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

### **Best Execution**

ADP SPS does not trade in client accounts.

For any other registered investment adviser or sub-adviser participating in the program, ADP SPS will request a copy of their “Best Execution Report.”

### **Brokerage for Client Referrals**

In selecting and/or recommending broker-dealers, we do not take into consideration whether or not we will receive client referrals from the broker-dealer or third party.

### **Directed Brokerage**

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

### **Trading**

ADP SPS does not trade in individual Plan participant accounts. Participants must make purchase and redemption requests for shares of investment funds held in Plans in which they participate by calling representative of ADP Broker-Dealer, Inc. or through ADP, LLC’s transactional website maintained for this purpose or through an advisor relationship. Participants may also request certain transactions by submitting an administrative form to ADP, LLC (for example, a form electing to enroll in the Plan that directs how the participant’s contributions will be invested).

If a participant hires a Participant Advisory Service as a separate investment manager, that provider will have discretion to communicate trades for the participant’s accounts to ADP, LLC on their behalf.

## Item 13 – Review of Accounts

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### Reviews

Reviews will be conducted at least annually or as agreed to with our Clients. Generally, we will 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.

### Reports

We do not provide any other statements except the one provided by the custodian and/or record-keeper, along with an invoice copy.

## Item 14 – Client Referrals and Other Compensation

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We may receive economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients. This may cause a conflict of interest in recommending other advisers since we may receive compensation for referring clients to these vendors. In order to mitigate this conflict of interest, we inform the client that they are under no obligation to implement any recommendations made by us or the Sub-Adviser. 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 ADP Strategic Plan Services LLC may receive compensation for the referral of clients to ADPIA who purchase insurance coverage.

ADP LLC employees will receive referral fees for referring ADP LLC clients to ADP SPS for advisory services, based on anticipated first year revenue.

## Item 15 – Custody

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If authorized by the Plan Sponsor, ADP 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, ADP SPS does not have authority to possess or take actual custody of clients' funds or securities. Plan Sponsors and plan participants should receive at least quarterly statements from ADP, LLC. ADP SPS urges Plan Sponsors and participants to carefully review such statements.

## Item 16 – Investment Discretion

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Clients may engage ADP SPS to provide discretionary and non-discretionary investment management services. Clients give ADP 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.

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

Other third party advisers who provide managed account services will 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, ADP 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, to forward to the client copies of all proxies and shareholder communications relating to the client’s investment assets.

ADP 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.