



PlanMember Securities Corporation

Planning your future...today.®

Investment Advisor Brochure
(Form ADV Part 2A) for the
OPTIFUND® Investment Program

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This brochure provides information about the qualifications and business practices of PlanMember Securities Corporation. If you have any questions about the contents of this brochure, please contact us at 800-874-6910. 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 our firm is available on the SEC's website at: www.adviserinfo.sec.gov

The terms "Registered" and "Registered Investment Advisor" do not imply a certain level of skill or training.

Material Changes

PlanMember Securities Corporation (“PSEC” or “PlanMember”) has elected to create separate Brochures that describe specific programs with similar traits. This Brochure has been developed to address the OPTIFUND Investment Program mutual fund asset allocation program.

There are four material changes in this brochure since March 31, 2019:

1. The brochure has been revised throughout to reflect the status of the Programs as wrap fee programs;
2. The brochure has been revised throughout to reflect changes that have been made in PSEC’s operations to comply with interpretive releases by the U.S. Securities and Exchange Commission;
3. The discussion of an agreement between PlanMember Financial Corporation (“PFC), parent of PlanMember Securities Corporation, and AXA Distribution Holdings, Inc. has been eliminated because the relevant provisions of the agreement have been amended to eliminate a conflict of interest; and
4. The discussion of additional disciplinary items on page 5.

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Advisory Business

Advisory Firm

PlanMember Securities Corporation (“PSEC” or “PlanMember”) is an SEC registered broker/dealer, member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), and is currently in the primary business of selling managed portfolios of mutual funds. PSEC has been providing investment advisory services since 1994. Jon M. Ziehl is the founder and President of PSEC and has been in the financial services industry since 1980. PSEC is a direct subsidiary of PlanMember Financial Corporation. More than 25% of a voting class of securities of PlanMember Financial are held by Mr. Ziehl and, indirectly, by AXA America Holding Inc. AXA America Holding is a member of the AXA Global Group, a worldwide leader in financial protection and wealth management.

Advisory Services

PSEC provides a variety of advisory services to its Clients. The advisory services described in this brochure apply to the OPTIFUND Investment Program. This Program is marketed primarily to participants in individual retirement plans, such as 403(b)(7) accounts and IRAs (“Clients”). Other advisory programs and services are described in separate Investment Advisor Brochures, which are available upon request.

Services are based on the individual needs of the Client. An initial interview and data gathering questionnaire is undertaken to determine the Client's financial situation and investment objectives, and to give the Client the opportunity to impose reasonable restrictions on the management of the account. The Client will retain rights of ownership of all securities and funds in the account to the same extent as if the Client held the securities and funds outside the program.

For the OPTIFUND Investment Program, PSEC constructs a series of asset allocation portfolios with varying risk profiles that are invested in mutual funds. The OPTIFUND Investment Program employs a variety of investment strategies, which are described in the section of this Brochure captioned “Methods of Analysis, Investment Strategies and Risk of Loss.”

PSEC's asset allocation service utilizes mutual funds with no front-end or back-end sales charges from multiple mutual fund companies. Each Client receives a prospectus for each mutual fund in which his or her account is invested.

The beneficial owners of certain retirement accounts whose assets are held by a trustee/custodian may be subject to special terms and conditions with respect to shareholder report, proxies, and other matters, depending on the terms and conditions of the plan documents under which such accounts are established. PSEC or its agent furnishes quarterly consolidated account statements to

each Client, confirming all transactions during the report period.

As of 06/30/2019, PSEC managed a total of \$4.75 billion on a discretionary basis; as of 12/31/2018, PSEC managed \$23.0 million in the OPTIFUND Investment Program.

Fees and Compensation

The annual fee for the OPTIFUND Investment Program is billed quarterly, in arrears, based on the average daily balance of the Client's account during the preceding quarter.

Clients participating in the OPTIFUND Investment Program are required to authorize PSEC to debit the Program fee from their account. Fees are liquidated from the Client's largest mutual fund holding or, if there are insufficient assets in the largest holdings, from the Client's remaining mutual fund holdings. On an annualized basis, the OPTIFUND Investment Program advisory fee (the “Advisory Fee”) is based on the following tiered fee schedule:

1.50% for accounts up to \$250,000

1.25% for accounts of \$250,000 or more

The above Advisory Fee schedule may be discounted as negotiated with sponsors of certain employer-sponsored plans.

PSEC retains between 0.20% and 0.50% of the Advisory Fee, depending on the size of the account and other factors. PlanMember's advisory services may not be purchased outside of the OPTIFUND Investment Program (Investment advice is available through individual PlanMember Investment Advisory Representatives, but related to individual accounts only.)

Other fees related to the custody and servicing of the account and not related to the advisory services may apply. See your account application for details. OPTIFUND Investment Program accounts are invested in mutual funds that carry separate expenses as disclosed in each mutual fund prospectus.

The portion of the Advisory Fee not retained by PSEC is paid to the Financial Professional (who may be a Registered Representative of PSEC or a Registered Representative of another broker/dealer with whom PSEC has a clearing and carrying relationship) as a Solicitor's Fee. This compensation may be more or less than the compensation that the Financial Professional would receive from the sale of other financial products. Therefore, the Financial Professional may have a financial incentive to recommend the PlanMember Advisor Programs over other programs or services. In some cases, a portion of the Solicitor's Fee may be paid to a referring entity other than the Financial Professional.

PSEC may also provide mutual fund lineup selection and monitoring services for sponsors of certain employer-sponsored plans. If contracted to perform such services, PSEC will create an initial fund lineup based on the criteria provided by the plan sponsor, monitor the funds to

ensure ongoing conformance with the selection criteria, and provide periodic reports to the plan sponsor on the performance and status of funds within the lineup. In addition, PSEC may, from time-to-time, remove, add or replace funds in the lineup.

Performance-Based Fees and Side-By-Side Management

This item is not applicable because PSEC does not charge performance-based fees.

Types of Clients

PSEC provides advisory services to individuals, pension and profit sharing plans and other ERISA accounts, trusts, estates, and business entities. The OPTIFUND Investment Program is available only to employees of sponsors of participating 403(b) or 457(b) plans (or other similar retirement savings plans).

Account Requirements

There is no minimum investment required to establish an OPTIFUND Investment Program 403(b) or 457(b) account.

Methods of Analysis, Investment Strategies and Risk of Loss

PSEC utilizes strategic asset allocation, i.e. a top-down approach, in the management of OPTIFUND Investment Program portfolios. Portfolios are primarily constructed using mutual funds, which are an investment vehicle that provides diversification in a cost-effective manner. Within each investment program, OPTIFUND Investment Program Clients can generally pick from a series of five portfolios (labeled I through V) that graduate risk from conservative to aggressive. One typically finds higher equity allocations in the more aggressive portfolios, and higher fixed-income allocations in the more conservative portfolios.

PSEC's OPTIFUND Investment Program investment process can be divided into 3 main parts:

1. Economic Framework: PSEC develops a broad, intermediate to long-term view of the global economy and financial markets.

2. Portfolio Strategy: PSEC develops its strategy for each managed portfolio. Such strategy may increase or decrease expected portfolio risk, or shift into or out of investments based on their perceived attractiveness.

3. Mutual Fund Selection and Weighting: PSEC's investment strategy is then translated into specific mutual fund weightings. Adjustments to the strategy can be made depending on strengths and weaknesses of the individual mutual funds being used. PSEC also implements a monitoring process to identify if and when another portfolio reallocation or rebalancing should occur.

Decisions to change portfolio weightings rely on Strategic Rebalancing Events (SREs). These events can be classified into the following categories (but are not exclusive):

- Changes in economic circumstances
- Financial market disparities
- Drift-based repositioning
- Repositioning based on the characteristics of individual mutual funds

Risk of Loss

Investing involves risk. The investment return and principal value will fluctuate and, when redeemed, the investment may be worth more or less than the original purchase price.

By its nature, asset allocation looks to the long-term. Based on each Client's responses to a risk tolerance questionnaire provided by PSEC, PSEC recommends the appropriate portfolio to help the Client achieve his or her financial goals.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment portfolio selected for the Client will result in the Client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, Clients should read the prospectus in full.

Clients should be particularly aware of the following risks attendant to particular investment strategies or funds:

- High yield, high risk bonds generally involve more credit risk. These securities may also be subject to greater market price fluctuations than lower yielding higher rated debt securities. Fixed income investments are subject to interest rate risk and values may decline in an increasing interest rate environment.
- The return of principal for the bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.
- Investing outside the United States entails additional risks, such as currency fluctuations, as more fully described in the fund prospectuses.
- Small cap and mid-cap investments may have additional risk, including greater price volatility.
- Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly or if certain events occur, such as sudden changes in interest rates or in liquidity. Investor losses have been rare, but they are possible.
- There may be tax consequences for short-term trading wherein capital gains are taxed as ordinary income.

Additionally, some Funds charge short-term trading fees that are more fully disclosed in the Fund families' prospectus.

- While diversification through an asset allocation strategy is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified. An investment made according to one of the PSEC asset allocation models neither guarantees a profit nor prevents the possibility of loss.
- Investment portfolio rebalancing is subject to market risk, primarily that the value of redeemed and purchased shares may vary during the rebalancing process, resulting in gains or losses to your account.

Disciplinary Information

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a Client's evaluation of the advisory business or of the integrity of its management personnel.

2010. NASD Rules 2110, 3010-PSEC outsourced its mutual fund breakpoint determinations to a third party vendor. Due to software programming error PSEC's vendor failed to take certain B shares into consideration when determining PSEC's customers' breakpoints. As a result, PSEC's customers (39 accounts) were overcharged for their mutual fund purchases. During this period, PSEC did not have in place a system or procedures for supervising the vendor's breakpoint determinations. PSEC's decision to outsource breakpoint determinations to a third party did not relieve PSEC of its ultimate responsibility for the outsourced activity. During the relevant period, PSEC failed to have in place adequate policies and procedures to monitor the outside vendor's compliance with the terms of its agreement with PSEC, and to assess the outside vendor's continued fitness and ability to perform the outside activities. PSEC failed to properly supervise its outside vendor to ensure that it was adequately carrying out the outsourced functions.

Without admitting or denying the findings, PSEC consented to the described sanctions and to the entry of finding, therefore it was censured and fined \$20,000.

2008. SEC Rule 17A-3, NASD Rules 2830(M) (1), 3110 – PSEC received checks from public customers for payment of direct retail transactions for Investment Company shares; some of the checks were not transmitted by either the end of the third business day following a receipt of a customer's order to purchase such shares or by the end of one business day following receipt of a customer's payment for such shares, which ever was the later date. With respect to some of the checks, PSEC failed to maintain adequate books and records to evidence the date on which a Registered Representative both received the check from the customer and forwarded the check to PSEC's main office.

Without admitting or denying the findings, PSEC consented to the described sanctions and to the entry of finding, therefore it was censured and fined \$5,000.

2018. MSRB Rules G-17, G-27, and G-30 – During the period from October 1, 2015, through December 31, 2015, PlanMember was found by the FINRA to have committed municipal securities fair pricing and related supervision violations with respect to 8 transactions in 3 accounts, in violation of Municipal Securities Rulemaking Board regulations.

Without admitting or denying the findings, PlanMember consented to the described sanctions and to the entry of the finding; it was fined \$18,500 and paid restitution in the amount of \$5,808, plus interest.

2019. Investment Advisers Act Sections 206(2) and 207. During the period from January 2014 to June 2018, PlanMember purchased, recommended, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. PlanMember and its associated persons received 12b-1 fees in connection with these investments. PlanMember failed to adequately disclose in its Form ADV or otherwise the conflicts of interest related to (a) its receipt of 12b-1 fees, and/or (b) its selection of mutual fund share classes that pay such fees.

Without admitting or denying the findings, PlanMember Securities Corporation entered into a settlement with the U.S. Securities and Exchange Commission (SEC), agreeing to disgorge the 12b-1 fees it had received, plus interest, in the total amount of \$3,550,660.48 and be censured, but the firm was not assessed any fines.

2019. FINRA Rules 3010, 3110, 2330(d)(1), 2210, and 2010. During the period July 2012 to June 2016, PlanMember is alleged to have failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with respect to four aspects of its business: the review of variable annuity exchanges; the review, approval, and retention of consolidated reports; the review or e-mail and customer correspondence; and the review or its registered representatives' business-related websites and social media.

On July 3, 2019, PlanMember, without admitting or denying the findings of FINRA, entered into a letter of Acceptance, Waiver, and Consent ("AWC") to settle the alleged violations. As conditions of its settlement, PlanMember consented to a censure and a monetary fine of \$90,000.

Other Financial Industry Activities and Affiliations

PSEC is not, but Investment Advisor Representatives and Registered Representatives of the firm are licensed as

securities salespersons ("Registered Representatives") and insurance agents, and are in the business of selling securities and insurance products. The sale of these products accounts for approximately 50% of the Registered Representatives' working time.

Investment Advisor Representatives are associated with PSEC, a dual registrant, as Registered Representatives. PSEC is a general securities broker/dealer having membership in the Financial Industry Regulatory Authority. PSEC is a wholly-owned subsidiary of PlanMember Financial Corporation, a diversified financial services company engaged in the design and sale of investment products. Registered Representatives of PSEC may recommend securities, asset management, or insurance products. If Clients purchase these products through us, we will receive the normal commissions or fees. Thus, a conflict may exist between our interests and those of advisory Clients. The Client is under no obligation to purchase products recommended, or to purchase products through PSEC.

Investment Advisor Representatives and Registered Representatives of the firm are licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended by Registered Representatives in their capacity as insurance agents. If Clients purchase these products through PSEC, we receive the normal commissions. Thus a conflict of interest may exist between our interests and those of advisory Clients. The Client is under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies.

Some Registered Representatives of Introducing Brokers (not PSEC) may act as solicitors of the OPTIFUND Investment Program. Clients of these Registered Representatives and of the Introducing Brokers should review the features of their relationships, and the attendant risks, with their Introducing Brokers.

PSEC may exercise agreements with other Registered Investment Advisors and recommend other Advisors to Clients. In such instances, PSEC may receive a portion of the account fee or commissions received by those other. In these instances, we will make available to the Client a "Compensation Disclosure Statement" and the Investment Advisor Brochure for the other Advisor. The Client is under no obligation to use the services of the other Advisor(s) recommended.

PSEC is affiliated by common ownership with PlanMember Services Corporation ("PSC"), a pension administration and recordkeeping company, registered with the SEC as a transfer agent. PSC will perform Client level recordkeeping and plan administration for PSEC Clients enrolled in the OPTIFUND Investment Program and may receive fees for such services from the Fund Companies.

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

Code of Ethics

PSEC maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel.

Personal Trading

At times PSEC and/or its Investment Advisor Representatives may take positions in the same securities as Clients, and we will try to avoid conflicts with Clients. The firm and its Investment Advisor Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Scalping (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading. Given that the OPTIFUND Investment Program strategy calls for investment exclusively in open-end mutual funds, which generally are traded on the open market, it is unlikely that trades by PSEC or its Investment Advisor Representatives will conflict with the interest of OPTIFUND participants.

Brokerage Practices

Selection or Recommendation of Broker/Dealers

Because the Investment Advisor Representatives of PSEC are also Registered Representatives, if Clients freely choose to implement advice through PSEC, the broker/dealer and the investment adviser are one and the same. PSEC performs "due diligence" on mutual funds, limited partnerships, and insurance products. Only those investments that meet firm requirements will be on the PSEC "approved product list" and be offered for sale to Clients.

Soft Dollar Practices

PSEC does not engage in soft dollar practices.

Review of Accounts

Quarterly, PSEC will notify the Client in writing to contact PSEC or their Financial Professional if there have been any changes in the Client's financial situation or investment objectives, or to impose or modify account restrictions. Clients may call in at any time during normal business hours to discuss directly with PSEC or their

Financial Professional about the Client's account, financial situation, or investment needs.

Clients will be contacted in writing and/or via telephone on an annual basis to determine whether there have been any material changes to their financial situation or investment objectives that may affect their asset allocation recommendation. Any Clients who feel they may have such a change will be directed to consult with PSEC or their Financial Professional. It is the Client's responsibility to notify PSEC or their Financial Professional at any time there are changes.

Client Referrals and Other Compensation

Referral Fees Paid

PSEC may compensate for Client referrals. All solicitors' agreements are in compliance with the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will also be observed. All Clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

Custody

Clients will receive from the custodian/brokerage firm or its agent timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. The Client will retain rights of ownership of all securities and funds in the account to the same extent as if the Client held the securities and funds outside the program. PSEC may send quarterly reports to the Client in addition to the custodial statements. All statements should be carefully reviewed by the Client to ensure accuracy.

Investment Discretion

As part of the advisory contract, each Client gives PSEC a limited power of attorney to (i) allocate the assets in the accounts as indicated on the initial account application; (ii) periodically rebalance the account to adjust for changes resulting from fluctuations in the market price of the assets, by returning the account to the new strategic asset allocation selections; (iii) reallocate the assets in the account within the portfolio(s) selected; (iv) increase, decrease or change the number of funds utilized in each allocation; and (v) add or delete new funds/fund families or other investment options within the mutual funds.

Voting of Client Securities

PSEC has adopted proxy voting policies and procedures. Under these policies, PSEC's general policy is to promote the alignment of the interests of corporate management

with the interests of its shareholders, to improve the accountability of corporate management to its shareholders, to reward good performance by management, and to approve proposals that Adviser believes will result in financial rewards for its clients. Clients may obtain a copy of the voting policies upon request.

The proxy voting policies and procedures have been designed so that proxies are voted in the best interests of PSEC's clients and to resolve potential conflicts of interest. PSEC votes shares in a manner consistent with the voting policies and without regard to any other relationship, business or otherwise, that PSEC may have with companies in which PSEC invests client assets.

If clients would like to obtain information about how their securities have been voted or about how they can direct their votes in a particular matter, they should contact PlanMember Securities at the address on the cover of this brochure.

Privacy Policy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Sean Haley, Chief Compliance Officer, at 805-684-1199 if you have any questions regarding this policy.

Financial Information

Investment advisors who have discretionary authority or custody of Client funds or securities are required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to Clients. PSEC has no such conditions to disclose.