

# BenefitWorks, Inc.

555 Willow St.  
Lebanon, PA 17046

Phone: 717-273-8441

[www.benefitworks.com](http://www.benefitworks.com)

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## **FORM ADV PART 2A BROCHURE**

*This disclosure brochure provides clients with information about the qualifications and business practices of BenefitWorks, Inc., an independent investment advisory firm. It also describes the services BenefitWorks, Inc. provides, as well as, background information on those individuals who provide investment advisory services on behalf of BenefitWorks, Inc. Please contact us at (717) 273-8441 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that BenefitWorks, Inc. or any individual providing investment advisory services on behalf of BenefitWorks, Inc. possesses a certain level of skill or training. Additional information about BenefitWorks, Inc. is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for BenefitWorks, Inc. is 109267.*

## Item 2 – Material Changes

This item discusses specific material changes to the BenefitWorks, Inc. disclosure brochure.

Pursuant to current U.S. Securities and Exchange Commission (“SEC”) regulations, BenefitWorks, Inc. will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm’s fiscal year which occurs at the end of the calendar year. BenefitWorks, Inc. may further provide other ongoing disclosure information about material changes as necessary.

BenefitWorks, Inc. will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Since the date of its most recent annual amendment filing this disclosure brochure has been amended as follows:

- BenefitWorks was purchased by Fulton Bank, N.A. on 11/20/2020
- Assets under management value has been amended
- The address for BenefitWorks changed

### Item 3 – Table of Contents

Item 4 - Advisory Business.....	1
Item 5 - Fees And Compensation .....	3
Item 6 - Performance-Based Fees and Side-By-Side Management .....	6
Item 7 - Types of Clients.....	6
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9 - Disciplinary History .....	13
Item 10 - Other Financial Industry Activities and Affiliations .....	13
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
Item 12 - Brokerage Practices .....	14
Item 13 - Review Of Accounts.....	16
Item 14 - Client Referrals And Other Compensation .....	17
Item 15 - Custody .....	17
Item 16 - Investment Discretion .....	18
Item 17 - Voting Client Securities .....	18
Item 18 - Financial Information .....	18
Item 19 – Additional Information .....	19

## **Item 4 - Advisory Business**

### **A. The Company**

Welcome to BenefitWorks, Inc. (“BenefitWorks” or the “Company”) This Brochure is designed to tell you about our Company – who we are, what we do, and what makes us tick. The SEC refers to this as an ADV Part 2 brochure.

The “tag line” on our Company’s letterhead and on our business cards reads, “... In everyone’s best interest.” BenefitWorks takes that seriously and looks at every recommendation through our client’s eyes. As registered investment advisors, BenefitWorks has a legal and ethical responsibility to conduct business in the best interest of you, the client. This brochure is revised every year, and you may receive a copy every year, keeping you abreast of any material changes in our business practices, policies or personnel.

BenefitWorks believes that being an informed investor means being informed about your advisor.

BenefitWorks started as Trefsgar and Co. Inc. in April 1984 as a recordkeeping firm, and has since evolved into a full service recordkeeping and investment advisory firm.

The principal owner of BenefitWorks is Fulton Bank, NA as of 11/20/2020.

### **B. Advisory Services**

BenefitWorks operates in four business segments:

#### Employee Benefit Consultants

BenefitWorks serves its clients by recommending and administering employee health care and income replacement plans for disabled or deceased employees, and other areas of human resource policy.

#### Retirement Plan Recordkeepers

BenefitWorks provides services in such areas as plan design, DOL compliance, communications, and maintaining participant investment accounts.

#### Investment Advice to Trustees of Qualified Retirement Plans

BenefitWorks recommends and monitors participant investment choices. BenefitWorks helps plan trustees choose investment options that properly balance risk with return for plan participants, while also considering investment management expenses. Utilizing independent analytical and investment advisory firms that can provide maximum objectivity, BenefitWorks makes available model portfolios from Standard and Poor’s, Morningstar, American Association of Individual investors, as well as no-load mutual funds and individual publicly traded securities. Investment management costs are scrutinized closely since fiduciary responsibility obligates retirement plan sponsors and advisors to maintain low costs. BenefitWorks also provides investment education and advice to the plan participants as well.

### Investment Management Services to Individuals and Trusts

BenefitWorks provides personalized investment management services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client's goals and objectives are established, BenefitWorks will assess the client's risk profile and investment guidelines.

Accessing an investor's propensity for assuming risk is an important consideration when recommending securities. Therefore BenefitWorks advises both clients and prospects of the direct correlation between risk and reward and provides a questionnaire to help investors identify their comfort level for risk-taking. Clients are reminded that when investing in securities there is always a possibility of loss, and past performance of any security or model portfolio is no assurance of similar future performance.

BenefitWorks will create and manage a customized portfolio based on the client's financial plan, risk taking characteristics, investment profile and ethical or religious preferences. BenefitWorks will allocate the client's assets among various asset classes based on the client's risk tolerance. BenefitWorks' management of a client's account will be based on the client's investment objectives and guidelines.

BenefitWorks will create a portfolio principally comprised of mutual funds, exchange traded funds (commonly known as "ETFs"), and/or debt and equity securities in accordance with the investment objectives of the client. Each portfolio will be designed with the goal of meeting each client's individual needs. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; the fund's tax efficiency; and the fund's management fee structure.

Investment management services will be provided on both a discretionary and non-discretionary basis. For accounts managed on a discretionary basis, the client gives the Company full authority to manage the client's assets in accordance with what the Company deems to be in the client's best interest based on the client's investment objectives and guidelines. For accounts managed on a non-discretionary basis, the Company must obtain the client's approval prior to executing any transactions in the client's account. Clients will retain individual ownership of all securities in their account.

This brochure is concerned primarily with the last two segments, investment advice to retirement plan trustees and investment advice to individuals and trusts.

### **C. Client Tailored Services and Client Imposed Restrictions**

BenefitWorks investment management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, BenefitWorks will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, BenefitWorks will review with clients their financial circumstances, investment objectives and risk profile. In order for BenefitWorks to provide effective investment management services, it is critical that clients provide accurate and complete

information to BenefitWorks and inform BenefitWorks anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party investment managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with BenefitWorks' investment philosophy, runs counter to the client's stated investment objectives, or would prevent BenefitWorks from properly servicing client accounts.

#### **D. Wrap Fee Programs**

BenefitWorks does not participate in wrap fee programs (*i.e.*, programs that offer services for one, all-inclusive fee).

#### **E. Assets Under Management**

As of December 31, 2020, the total amount of client assets managed by BenefitWorks is approximately \$163,510,948, of which all \$163,510,948 are managed on a non-discretionary basis.

### **Item 5 - Fees And Compensation**

#### **A. Advisory Fees**

BenefitWorks is compensated for services provided in different formats depending upon the type of client.

##### Qualified Retirement Plans

For qualified retirement plans, advisory expenses are billed quarterly in arrears and are a function of assets under management according to the following schedule:

<b>Assets Under Management</b>	<b>Advisory Fee</b>
Less than \$1,500,000	.00125
\$1,500,000 to \$3,000,000	.0010625
\$3,000,001 to \$10,000,000	.000875
Over \$10,000,000	.00075

In addition to the asset-based fee, BenefitWorks also charges a Recordkeeping fee for the clients receiving this service. These charges are also billed quarterly in arrears and are a function of the number of participants with an account balance according to the following schedule:

\$500

+

<b>Participants with Account Balance</b>	<b>Per Participant Fee</b>
First 50 Participants	\$12.00
Next 50 Participants	\$10.00
Next 50 Participants	\$8.00
Over 150 Participants	\$6.00

BenefitWorks charges individual participants a fee to receive a distribution or loan from their accounts which are charged when the transaction occurs.

### Individuals and Trusts

For individuals and trusts, advisory expenses are also billed quarterly in arrears and are a function of assets under management according to the following tiered schedule:

<b>Assets Under Management</b>	<b>Advisory Fee</b>
All Assets	.0015

## **B. Payment Method**

There are two options a client may select from to pay BenefitWorks' advisory services fees:

### Direct Debiting

Each quarter, BenefitWorks will notify the client's qualified custodian of the amount of the fee due and payable to BenefitWorks pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check BenefitWorks' fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay BenefitWorks' advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to BenefitWorks.

### Billing

Each quarter, BenefitWorks will issue the client an invoice for the firm's services and the client will pay BenefitWorks by check or wire transfer. All fees are due and payable upon receipt of the invoice or as negotiated and documented in the client's advisory agreement.

## **C. Additional Fees and Expenses**

### Fees Negotiable

BenefitWorks retains the right to modify fees, including minimum account size requirements, in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided, anticipated

amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition.

#### Mutual Fund Fees and Exchange Traded Funds

All fees paid to BenefitWorks for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus.

Accordingly, the client should review both the fees charged by the funds and the fees charged by BenefitWorks to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Miscellaneous Expenses

BenefitWorks' investment management fee with respect to each client account does not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please refer to the "Brokerage Practices" section on Page 14 for more information.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client will be billed directly by such professional(s).

### **D. Termination and Refunds**

The investment management agreement may be canceled at any time, by either party, for any reason upon written notice to the other party. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, a client will not be due a refund.

### **E. Additional Compensation**

BenefitWorks and its associates are engaged for fee-only services. BenefitWorks does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients' securities transactions.

Neither BenefitWorks nor its associated persons receive "trailer" or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in



prospectuses or product descriptions and clients are encouraged to read these documents before investing.

Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

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

BenefitWorks does not accept performance-based fees or engage in side-by-side management. BenefitWorks' advisory fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7 - Types of Clients**

### **A. Clients**

BenefitWorks provides an advisory service to both individuals and businesses. Our role with businesses is as retirement plan administrators, registered investment advisors and benefit consultants. In addition, BenefitWorks also provides advisory and investment services to trusts and charitable organizations. Minimum account size is \$50,000 although exceptions are occasionally made.

### **B. Engaging the Services of BenefitWorks**

All clients wishing to engage BenefitWorks for investment advisory services must sign an investment management agreement that governs the relationship with BenefitWorks. The investment management agreement is written in plain English and describes the services and responsibilities of BenefitWorks to the client. It also outlines BenefitWorks' fee in detail. A copy of this disclosure brochure will also be provided.

In addition to completing BenefitWorks' internal documents (e.g., investment management agreement, trading authorization, client questionnaire), clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, BenefitWorks will be considered engaged by the client. A client has an ongoing responsibility for ensuring that BenefitWorks is informed in a timely manner of changes in the client's investment objectives and risk tolerance.

### **C. Conditions for Managing Accounts**

Clients are required to have a minimum account size of \$50,000 for investment management services, although BenefitWorks retains the right to reduce or waive this minimum account size. Accounts of less than \$50,000 may be set up when the client and BenefitWorks anticipate that the client will add additional funds to the accounts bringing the total to \$50,000 within a reasonable time. Other exceptions will apply to related accounts of existing clients.

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

BenefitWorks believes that the most important factors in making recommendations or structuring a portfolio are the expressed investment objectives of the client. BenefitWorks does not believe, however, that investment objectives should be expressed in simple terms such as attempting to achieve maximum growth or maximum safety of capital. There is a

wide range of risk-reward ratios between these two extremes, and each client should, with the help of BenefitWorks, attempt to choose an appropriate objective.

A variety of analytical tools are used to manage and determine the investment options that are available to clients. BenefitWorks created qualified retirement portfolios from model portfolios by well-known investment analysts Standard and Poor's, Morningstar, and the American Association of Individual Investors. Using model portfolios allows BenefitWorks to apply a consistent investment strategy for each individual portfolio. These model portfolios are evaluated quarterly and the performance is measured against established benchmarks.

BenefitWorks also provides an ethical growth portfolio, which reflects the ethical standards of the central Pennsylvania communities. This is a discretionary portfolio consisting of the common stocks of twenty issuers. Holdings approximate the sector weighting of the S&P500 Index. The portfolio uses Standard and Poor's fundamental data to analyze the holdings.

## **A. Methods of Analysis and Investment Strategies**

### Methods of Analysis

BenefitWorks' security analysis methods may include the following:

#### *Fundamental Analysis*

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

#### *Technical Analysis*

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

#### *Mutual Fund and ETF Analysis*

Mutual Fund and ETF analysis looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time and in different economic conditions. It also includes looking at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in a client's portfolio. The mutual funds and ETFs are also monitored in an attempt to determine if they are continuing to follow their stated investment strategy.

### Investment Strategies

BenefitWorks will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

#### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

#### Sources of Information

Investment ideas are generated from a multitude of sources including meetings with company management, conference calls, company reports, brokerage firms, trade journals and business publications.

#### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In

addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.

- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., “locking-up” assets that may be better utilized in the short-term in other investments).

#### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

BenefitWorks’ securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While BenefitWorks is alert to indications that data may be incorrect, there is always the risk that the firm’s analysis may be compromised by inaccurate or misleading information.

#### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock’s value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

#### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that BenefitWorks will be able to accurately predict such a reoccurrence.

### **C. Risks Associated with Specific Securities Utilized**

#### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

#### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

#### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less

than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

#### Mutual Funds - Index Funds

Index Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

#### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

**Note that there may be other circumstances not described here that could adversely affect a client’s investment and prevent their portfolio from reaching its objective.**

### **Item 9 - Disciplinary History**

Neither BenefitWorks nor its management personnel have any reportable disciplinary history.

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

#### **A. Broker-Dealer Registration and Registered Representatives**

BenefitWorks is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

#### **B. Futures and Commodity Registration**

BenefitWorks is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

#### **C. Financial Industry Affiliations**

None

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

#### **A. Code of Ethics**

BenefitWorks Code of Ethics was derived from our core values. Honesty, fairness, respect and transparency will characterize relationships with our clients and among our associates. “Doing unto others as you would have them do unto you” requires the highest ethical standards. We will treat clients, co-workers and competitors with courtesy and respect. The



code provides the guidelines that are followed to ensure that BenefitWorks achieves this core value.

Holding true to our core values commits BenefitWorks to the highest standard of expected service. Unbiased investment recommendations enable us to sit on the same side of the desk as our clients. Advisors are careful to describe the benefits and risks of investment choices exercising complete objectivity. Since BenefitWorks makes available the Ethical Growth portfolio and model portfolios that provide management revenue to BenefitWorks, special care is given to fully disclose those incurred expenses. All other investment options are discussed in detail.

Full disclosure and open architecture are very important to the business and BenefitWorks makes it a priority to explain to the client all their investment options in order to help them make an informed decision.

Clients and prospective clients may request a copy of BenefitWorks' Code of Ethics by contacting BenefitWorks at 717-273-8441.

## **B. Prohibition on Use of Insider Information**

BenefitWorks has also adopted policies and procedures to prevent the misuse of "insider" information.

## **C. Participation or Interest in Client Transactions**

*BenefitWorks or individuals associated with BenefitWorks may buy, sell, or hold in their personal accounts the same securities that BenefitWorks recommends to its clients.*

To minimize conflicts of interest, and to maintain the fiduciary responsibility BenefitWorks has for its clients, BenefitWorks has established the following policy: An officer, manager, or employee of BenefitWorks shall not buy or sell securities for a personal portfolio when the decision to purchase is derived by reason of their employment with BenefitWorks, unless the information is also available to the investing public as a whole. No person associated with BenefitWorks shall prefer his or her own interest to that of any client. No person associated with BenefitWorks shall trade against the interests of any client account. Personal trades in securities being purchased or sold for clients may only be made simultaneously with or after trades are made for clients. BenefitWorks personnel may not anticipate trades to be placed for clients. In addition, BenefitWorks requires prior approval of employee trades.

## **Item 12 - Brokerage Practices**

BenefitWorks believes that one of the major advantages of dealing with an independent advisory firm such as BenefitWorks is that the advisory firm does not receive any income on the purchase or sale of its client's securities. BenefitWorks buys or sells securities for investment reasons, not to generate commissions.

### **A. Brokerage Selection**

BenefitWorks recommends that clients utilize the brokerage and clearing services of Vanguard and/or TD Ameritrade.

### Best Execution

Best execution has been defined as the “execution of securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer’s services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while BenefitWorks will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### Broker Analysis

BenefitWorks evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer’s trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving BenefitWorks.

The Company’s portfolio managers are responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, BenefitWorks periodically reviews its transaction costs in light of current market circumstances and other relevant information.

### Research/Soft Dollar Benefits

While BenefitWorks reserves the right to participate in soft dollar arrangements under the Section 28(e) safe harbor provisions of the Exchange Act, the Company does not have any commitments or understandings to trade with specific brokers or to generate a specific level of brokerage commission with a particular broker to receive discounted brokerage or research services. The only services BenefitWorks’ currently receive that could potentially be considered “soft dollar” services are the research and market data provided by the various custodian/broker-dealers recommended by BenefitWorks under their respective investment advisor programs. However, BenefitWorks does not have any commission requirements to receive such research and market data benefits.

### Directed Brokerage

#### *Company Directed Brokerage*

BenefitWorks does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have Vanguard or TD Ameritrade recommended to them. While there is no direct linkage between the investment advice given and usage of such broker-dealer/custodian, economic benefits are received which would not be received if the Company did not give investment advice to clients (please see additional disclosures in the “Research/Soft Dollars Benefits” section directly above). BenefitWorks does not participate in any transaction fees or commissions paid to the broker-dealer or custodian

and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers-dealers.

Not all investment advisers require their clients to direct brokerage. BenefitWorks is required to disclose that by directing brokerage, BenefitWorks may not be able to achieve the most favorable execution of client transactions and that this practice may cost clients more money.

#### *Client Directed Brokerage*

Certain clients may direct BenefitWorks to use particular brokers-dealers for executing transactions in their accounts. With regard to client directed brokerage, BenefitWorks is required to disclose that BenefitWorks may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates BenefitWorks might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. BenefitWorks reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if BenefitWorks believes that the broker-dealer would adversely affect BenefitWorks' fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, BenefitWorks encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

## **B. Trade Aggregation and Allocation**

### Trade Aggregation

BenefitWorks may determine that the purchase or sale of a particular security is appropriate for more than one client account and may aggregate client trades into one order (e.g. a "block trade") for execution purposes. Block trading allows BenefitWorks to execute transactions in a more timely, equitable and efficient manner and seeks to provide, when feasible, based on similar time frames of information required to make a trade decision, the same execution prices for clients at the same custodian and executing broker. Block trading can also avoid the adverse affect on a security's price when simultaneous and competing orders are placed. BenefitWorks will aggregate orders only when such aggregation is consistent with BenefitWorks s duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account.

### Trade Allocation

Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, will be allocated pro rata based on the assets of each account. In the event of a partial fill of an aggregated order, accounts will receive a pro rata allocation, provided; however, that the portfolio manager shall have the discretion to make adjustments to this pro rata allocation to avoid certain adverse trading results such as having odd amounts of shares held in any client account or to avoid excessive ticket charges in smaller client accounts.

## **Item 13 - Review Of Accounts**

## **A. Periodic Reviews**

Client accounts are reviewed quarterly by Brooks R. Trefsgar to evaluate performance and maintenance of previously stated investment parameters. Mutual fund performance is evaluated using Morningstar software. If a mutual fund receives a low rating during the review, the advisers meet with the plan trustees and discuss alternative options. The portfolios managed by BenefitWorks are also evaluated quarterly and measured against established indices and mutual funds with similar investment strategies.

## **B. Other Reviews**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

## **C. Regular Reports**

Each client receives a written or electronic confirmation of each purchase or sale for their account directly from the broker or custodian involved. In addition, written or electronic statements are provided at least quarterly by the broker or custodian.

## **Item 14 - Client Referrals And Other Compensation**

### **A. Economic Benefits**

BenefitWorks does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

From time to time, BenefitWorks may retain solicitors to refer clients to the firm. If a client is introduced to BenefitWorks by either an unaffiliated or an affiliated solicitor, BenefitWorks may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from BenefitWorks' advisory fee, and shall not result in any additional charge to the client. If the client is introduced to BenefitWorks by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of BenefitWorks' written firm brochure together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between BenefitWorks and the solicitor, including the compensation to be received by the solicitor from the firm. Any affiliated solicitor shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of BenefitWorks' written disclosure statement.

## **Item 15 - Custody**

Custody of client assets will be maintained with the independent custodian selected by the client. BenefitWorks will not have physical custody of any assets in clients' accounts except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize BenefitWorks to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in their account at the end of the period. Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

## **Item 16 - Investment Discretion**

For those client accounts over which BenefitWorks has discretion, BenefitWorks requests that it be provided with written authority (e.g., limited power of attorney provided with the BenefitWorks' Investment Advisory Agreement) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

BenefitWorks generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. BenefitWorks' authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between BenefitWorks and the client.

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

Unless otherwise agreed to in writing with the client, BenefitWorks does not vote proxies on behalf of its clients. Therefore, although BenefitWorks may provide investment advisory services relative to client investment assets, BenefitWorks' clients 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 proceeding or other type events pertaining to the client's investment assets. BenefitWorks and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. BenefitWorks is available for consultation on questions regarding proxy voting issues.

### **Legal Proceedings**

Although BenefitWorks may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly. BenefitWorks is available for consultation on questions regarding class action issues.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because BenefitWorks does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, BenefitWorks is not required to include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

BenefitWorks does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

BenefitWorks has never been the subject of a bankruptcy petition.

## **Item 19 – Additional Information**

### **A. Privacy Notice**

BenefitWorks views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. BenefitWorks does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, BenefitWorks may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. BenefitWorks restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for BenefitWorks. As emphasized above, it has always been and will always be BenefitWorks' policy never to sell information about current or former clients or their accounts to anyone. It is also BenefitWorks' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of BenefitWorks' Privacy Policy, please contact BenefitWorks at 717-273-8441.

### **B. Requests for Additional Information**

Clients may contact BenefitWorks at 717-273-8441 to request additional information or make a complaint. Written complaints should be sent to BenefitWorks, Inc., 555 Willow St., Lebanon, PA 17046.