

**HEALTHCARE COMMUNITY SECURITIES CORP.**

File No. 801-67370

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FORM ADV, PART 2  
BROCHURE

**This brochure provides information about the qualifications and business practices of Healthcare Community Securities Corp. If you have any questions about the contents of this brochure, please contact us at (518) 431-7600 or [hbs@hanys.org](mailto:hbs@hanys.org). 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 Healthcare Community Securities Corp. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 2021

## **Item 2.           Material Changes**

There have been no material changes since our last Brochure update on March 30th, 2020.

We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of the Firm's fiscal year and other ongoing disclosure information about material changes as necessary.

Furthermore, a new Brochure will be provided as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting the Firm at 518-431-7600 or [kmcqueen@hanys.org](mailto:kmcqueen@hanys.org).

Additional information about the Firm is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## HEALTHCARE COMMUNITY SECURITIES CORPORATION

### Item 3.

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#### **Item 4.        Advisory Business**

##### *Generally*

Healthcare Community Securities Corp., dba HANYS Benefit Services (“HCSC,” “we,” “us” or the “Firm”), is a registered investment adviser (“RIA”) with the Securities Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). The Firm is also a registered broker/dealer with the Financial Institution Regulatory Authority (“FINRA”). Registration with the SEC, FINRA, or any state securities authority does not imply a certain level of skill or training.

HCSC was incorporated on July 1, 1993. HCSC registered with the SEC as an RIA on January 1, 2007.

HCSC is a wholly-owned subsidiary of Group Insurance Agency, Inc. (“GIA”). GIA is a wholly-owned subsidiary of HANYS Solutions, Inc. (“HSI”). HSI is a wholly-owned subsidiary of the Healthcare Association of New York State (“HANYS”). HANYS is a 501(c)(6) trade association that represents more than 500 non-profit and public hospitals, nursing homes, home care agencies and other health care organizations throughout New York State.

HCSC provides investment advisory and consulting services to a wide range of entities that sponsor defined benefit and/or defined contribution plans for their employees (each, a “Retirement Plan”) and/or maintain endowments or foundations.

HCSC publishes quarterly market recaps that are distributed to advisory clients and prospects and are also posted for public view on its website. In addition, HCSC may publish whitepapers on a wide range of subjects including fiduciary roles and responsibilities, market volatility, and basic education on target date funds.

HCSC provides advisory services on a non-discretionary basis and discretionary basis.

As of December 31, 2020, HCSC had \$3,535,391,323 of non-discretionary assets under management and \$0 of discretionary assets under management.

##### *Non-Discretionary Advisory Services*

HCSC offers non-discretionary investment advisory services as a co-fiduciary under Section 3(21) of the Employee Retirement Income Security Act of 1974 (“ERISA”). For clients for which it serves as a Section 3(21) co-fiduciary, HCSC assists in the development of a comprehensive investment policy statement, recommends third-party mutual funds and other investment products, provides investment performance evaluations, and assists in the evaluation and selection of trustees and custodians.

In working with its co-fiduciary clients to develop an investment policy statement, HCSC provides information that takes into account regulatory requirements, investment suitability, and the design of the client’s Retirement Plan. Each investment policy statement (or other client mandate) includes a range of suitable asset classes and investment options for the client’s Retirement Plan. The investment policy statement (or other client mandate) also identifies the search, selection, and retention criteria for the Retirement Plan’s mutual fund and other investment products and third-party investment managers.

Clients are not required to create an investment policy statement, but for clients that do establish one, HCSC and the client conduct a formal periodic review, typically biennially, to ensure the document reflects current best practices for investment governance for the applicable Retirement Plan.

HCSC recommends to its co-fiduciary clients mutual funds and other investment products managed by third-party investment managers for each asset class identified in the investment policy statement (or other client mandate). HCSC's recommendations are based on qualitative and quantitative selection criteria. In recommending mutual funds to its clients, HCSC selects only retirement specific share classes, or load waived or no load share classes. HCSC does not make investment recommendations regarding individual stocks, bonds, or other securities.

HCSC monitors the performance of the mutual funds and other investment products, as well as their investment managers, on an ongoing basis relative to the selection criteria. If an investment or adviser fails to meet the criteria set forth in the investment policy statement (or other client mandate), HCSC provides the client with a written notice explaining HCSC's recommended modifications to the Retirement Plan's menu of investment options.

HCSC provides its co-fiduciary clients a quarterly investment performance and evaluation report. The report includes information on current asset value, absolute and relative mutual fund performance, asset class analysis, and expense analysis. Reports are designed for use by the client's board of directors and/or committee(s).

HCSC does not provide investment advisory services to Retirement Plan participants or retail investors, but HCSC may communicate with Retirement Plan participants regarding changes to the Retirement Plan approved by the client. It is each Retirement Plan participant's responsibility to allocate their assets among the investment options.

Upon request by a client, HCSC provides educational information to Retirement Plan participants through HCSC Retirement Educators. All information provided by Retirement Educators is informational and educational in nature. HCSC's Retirement Educators are prohibited from making any recommendations, offering investment advice, or providing tax guidance to Retirement Plan participants. Although HCSC provides an array of mutual funds and other investment products, Retirement Plan participants should seek appropriate independent financial advice, as they deem necessary.

HCSC, together with each client for which it serves as a co-fiduciary under Section 3(21) ERISA, acknowledges its status as a co-fiduciary at the beginning of the advisory relationship. As a co-fiduciary, HCSC accepts the obligation to act prudently, to act in the best interest of the client's Retirement Plan participants and beneficiaries, and to refrain from engaging in any prohibited transactions. HCSC's obligations with respect to the Retirement Plan as a co-fiduciary under ERISA are strictly limited to the specific services identified in the client's advisory agreement (each, a "Retirement Plan Services Agreement") and, under the agreement, HCSC is not liable for losses arising from the client's failure to implement HCSC's investment recommendations.

#### *Discretionary Advisory Services*

HCSC also offers discretionary investment advisory services under Section 3(38) of ERISA. The primary difference between HCSC's discretionary and non-discretionary service models is that in providing discretionary investment advice, HCSC acts as the investment manager to the client's Retirement Plan.

HCSC has the discretion and responsibility to implement its investment recommendations, in keeping with its fiduciary obligations, but without client approval.

Please refer to Item 16 of this brochure, “Investment Discretion,” for more information regarding HCSC’s acceptance of investment discretion. As of the date of this brochure, HCSC did not have any discretionary assets under management.

#### *Pension Consulting Services*

HCSC provides advice to clients on pension plan design, administration, and compliance related issues not involving investing in securities. Such work might include, but is not limited to, conducting a search for a new recordkeeper, consulting on plan design, or reviewing plan operations.

#### *Use of Third-Party Investment Managers*

HCSC has engaged a third-party vendor, Prime Buchholz LLC (“Prime Buchholz”) to provide recommendations to HCSC regarding the selection, retention, and replacement of investment options for its clients’ Retirement Plans, consistent with HCSC’s investment decision-making obligations under §404(c) of ERISA. Prime Buchholz is registered with the SEC as an investment adviser.

HCSC has also engaged Prime Buchholz to provide quarterly investment evaluation reports and evaluations of investment management firms as requested for a particular client. HCSC may decide to engage Prime Buchholz to provide this service for other clients.

### **Item 5. Fees and Compensation**

#### *Investment Advisory Fees*

HCSC may receive a flat rate fee, an asset-based fee, or tiered rate investment advisory fees, as elected by each client in their Retirement Plan Services Agreement with HCSC. Fees are paid monthly, quarterly, semi-annually or annually in arrears, depending on the client’s recordkeeper, and are deemed earned at the end of the applicable period. Clients may choose to have fees deducted from their Retirement Plan assets by the custodian or pay HCSC directly. Fees are negotiable, may vary on the particular circumstances of each client, and may be subject to annual adjustment as agreed upon by HCSC and the client.

- **Flat Rate Fees:** Flat rate advisory fees are paid in arrears on a quarterly, semi-annual or annual basis as detailed in the client’s Retirement Plan Services Agreement.
- **Asset-Based Fees:** Ongoing asset based fees are calculated and processed by the Retirement Plan recordkeeper as directed by the client.
- **Tiered Rate Fees:** Tiered fees are calculated once per year with the tiered rate being applied to Retirement Plan for one calendar year. It is possible that during the calendar year, a Retirement Plan could reach a new tier level before the annual recalculation, which could result in a higher net fee to the Retirement Plan.

HCSC does not receive any direct or indirect compensation which would vary based on a specific investment option being offered and thus does not face economic incentives or similar conflicts of interest in making investment recommendations to clients.

#### *Consulting Fees*

HCSC's consulting fees are billed directly to the client on a fee-for-service basis as defined in the applicable consulting agreement. Fees are payable after the consulting work has been completed under the scope of the consulting agreement.

#### *Other HCSC Compensation*

In its capacity as a broker dealer, HCSC receives distribution and service-based (12b-1) fees and other commissions in connection with the sale of securities and other investment products. This presents a potential conflict of interest because HCSC has an incentive to recommend investment products based on the compensation received, rather than on client needs. To alleviate this potential conflict, HCSC only provides brokerage services to legacy clients and does not open new brokerage accounts for advisory client Retirement Plans.

HCSC further seeks to mitigate potential conflicts related to its broker-dealer services by recommending for its advisory clients either mutual fund share classes that do not pay 12b-1 fees or sales loads (or shares that rebate these fees to Retirement Plan participants), or the lowest cost mutual fund share class for which the plan is eligible. Additionally, as a "covered service provider," HCSC discloses its ERISA fee arrangements to its clients in accordance with Section 408(b)(2) of ERISA. No revenue attributable to HCSC's broker/dealer activities is earned or collected by HCSC on advisory client assets.

All clients have the option to purchase investment products that HCSC recommends through other brokers or agents not affiliated with HCSC. HCSC's advisory fees are not reduced to offset any fees paid by clients for brokerage services.

HCSC has an agreement with Metropolitan Life Insurance Company ("MetLife") to make available a stable value account for client Retirement Plans. Clients are not obligated or required to utilize the MetLife stable value account. HCSC receives no compensation or other form of revenue from MetLife.

#### *Additional Fees and Expenses Client May Incur*

Clients' Retirement Plans will incur other costs for services which are contracted outside of the scope of HCSC's advisory services such as recordkeeper and custodian fees. Additionally, the mutual funds, index funds, exchange traded funds, or other pooled investment vehicles in which client Retirement Plans are invested carry expenses that are inherent to these types of vehicles and included management fees and other fund expenses as disclosed in the applicable prospectus. Retirement Plans differ in structure and these other expenses may be borne by the participants or the Retirement Plan directly.

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

HCSC does not receive performance-based fees of any kind.

### **Item 7. Types of Clients**

HCSC provides investment advisory and consulting services to a wide range of entities, including not-for-profit organizations, private corporations, and healthcare organizations, that sponsor Retirement Plans and/or maintain endowments for foundations.

HCSC does not provide investment advisory services directly to Retirement Plan participants or other individuals.

There are no minimum account size or other requirements for opening or maintaining an account with HCSC.

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

HCSC conducts fundamental, technical, and cyclical investment analyses in making its recommendations to clients. The principal source of information that HCSC considers in making its recommendations is publicly available data regarding mutual funds. HCSC also uses data prepared by third parties in making its recommendations.

HCSC recommends for its clients those mutual funds and other investment products that HCSC believes have a demonstrated quality in the designated asset classes. Consideration is given to the range of investment products advised by a mutual fund's investment adviser as well as the adviser's capabilities/availability in the retirement plan marketplace.

Actively managed mutual funds and other investment products are expected to achieve an annualized total rate of return over a three to five year period that exceeds an appropriate market benchmark rate of return net of costs and fees. The appropriate market benchmark is determined based on the objectives and strategy of the mutual fund or other investment product.

Actively managed mutual funds are also expected to consistently achieve a total rate of return equal to or above the median return in a universe of peers with comparable investment styles or portfolio objectives. Mutual funds are measured against the appropriate peer groups.

In selecting or replacing mutual funds, the following criteria will be considered:

- Change in portfolio manager(s)
- Organizational changes
- Inconsistency in strategy, style, and investment approach
- Publicly reported material regulatory or compliance issues
- Three-year return below index
- Five year return below index
- Three-year return below peer median
- Five-year return below peer median
- Expenses compared to the fund category and peer group

Investing in securities involves risk of loss that clients should be prepared to bear. The investments recommended by HCSC are mutual funds and variable annuities. They are not a bank deposit, and are not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. The value of a client's investments may fall, sometimes sharply, and clients could lose money.

The following factors can significantly affect the performance of client investments:



- **Stock Market Volatility** - The performance of the investments that HCSC recommends are generally driven by the stock markets. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments, particularly in the short term.
- **Diversification** - Investing a higher percentage of assets in any one fund or asset class could increase the risk of loss.
- **Recent Market Conditions** - Recent events in the financial sector precipitated by the COVID-19 pandemic have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign, and in the net asset values of many mutual funds. Because this situation is unprecedented and widespread, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market events.

#### **Item 9. Disciplinary Information**

There are no criminal or civil actions against the Firm or any of its personnel and neither the Firm nor any of its personnel have any violations of investment related statutes or regulations to disclose.

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

HCSC is a limited purpose broker/dealer registered with the SEC and FINRA. In its capacity as a broker/dealer, HCSC is involved in the sale of securities limited to mutual funds and group annuities, both fixed and variable. All of HCSC's investment adviser representatives are also registered broker/dealer representatives of HCSC. Please see the discussion of potential conflicts of interest related to HCSC's broker/dealer activities at Item 5 of this brochure, "Fees and Compensation."

HCSC's parent corporation (GIA) is a licensed insurance agency that offers individual and group insurance products. There are no conflicts of interest related to HCSC's business and that of its parent corporation.

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

HCSC and its supervised persons may buy or sell investment products recommended to clients, but only if such purchases are restricted to mutual funds, collective investment trusts, separate accounts, and variable annuities.

HCSC has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act of 1940 (the "Code") that sets forth certain restrictions and standards of conduct for its representatives. While the Code permits supervised persons to invest in securities that may be held or acquired by advisory clients, it prohibits specific types of personal securities transactions that may give rise to conflicts of interest. It also establishes reporting requirements through which supervised persons provide information to the Firm on their personal securities transactions. Under HCSC's Code of Ethics, no supervised person may acquire securities for their own account in an initial public offering, a private placement or limited offering without prior written approval of the Chief Compliance Officer. Supervised persons are prohibited from recommending any securities transaction in which they have a financial interest without fully disclosing

such interest. Supervised persons are also prohibited from short-term profiting by a mandatory 60-day holding period for any personal investment in securities held in client accounts. A complete copy of our Code of Ethics will be provided to any client or prospective client free of charge upon request by calling HANYS Benefit Services at 1-800-388-1963 or by writing to us at our principal address.

**Item 12. Brokerage Practices**

HCSC does not select or recommend broker/dealers for its client's transactions. HCSC may recommend custodians and/or recordkeepers to hold securities and administer client Retirement Plans. The Firm does not receive any soft dollar benefits or client referrals from the recommended custodians or recordkeepers. Custodians and recordkeepers are suggested based on factors including but not limited to transaction fees and reliability.

**Item 13. Review of Accounts**

As discussed in Item 4 of this brochure, "Advisory Business," HCSC conducts periodic formal reviews of clients' investment policy statement, typically biennially, to ensure the document reflects current best practices for investment governance for the applicable Retirement Plan. HCSC conducts ongoing monitoring of client accounts for the following events, which may trigger additional account reviews: specific client request; change in client's goals/objectives quarterly from date of contract; and, changes in asset allocation and/or policy limits. Also as discussed in Item 4 of this brochure, "Advisory Business," HCSC provides its clients a written quarterly investment performance and evaluation report, as well as other reporting as appropriate.

HCSC maintains safeguards to comply with federal and state standards to protect nonpublic personal information when completing reviews and reporting for clients. HCSC does not share any nonpublic personal information with any third party, except as necessary to provide the services a client has requested or authorized, or to maintain and service the client's account.

**Item 14. Client Referrals and Other Compensation**

HCSC does not compensate any third party for advisory client referrals. HCSC does not receive compensation from any third party for providing advisory services to its clients.

**Item 15. Custody**

HCSC does not hold funds or securities on behalf of its clients. All client assets, including the accounts of Retirement Plan participants are held by the independent qualified custodian selected by the client.

Each client's Retirement Plan record keeper and/or custodian provides plan-level statements to clients and provides the Retirement Plan participants with quarterly statements detailing their balance and changes that have occurred within the last quarter, reflecting capital gains, dividends, contributions and any gain or loss in value in the account. It is the client's responsibility to report any material inaccuracies to the record keeper.

**Item 16. Investment Discretion**

As discussed in Item 4 of this brochure, “Advisory Business,” HCSC may accept discretionary authority to manage accounts on behalf of its clients in connection with arrangements pursuant to which it has been appointed as an investment manager within the meaning of Section 3(38) of ERISA. Prior to the Firm’s acceptance of an appointment as a Section 3(38) investment manager, the Firm will enter into an agreement with a Retirement Plan sponsor, pursuant to which the client acknowledges in writing that it delegated its fiduciary responsibilities to HCSC and is no longer an investment fiduciary to the Retirement Plan. Each client must provide appropriate board resolutions evidencing the authority of the client to delegate investment discretion to HCSC.

**Item 17.            Voting Client Securities**

HCSC does not vote securities on behalf of clients and will not accept such authority. Clients may receive proxies and other solicitations directly from their custodian or transfer agent depending upon their agreement with the custodian. Clients should contact their custodian or the mutual fund company with questions about specific proxy solicitations.

**Item 18.            Financial Information**

HCSC does not have custody of client funds or securities and does not require prepayment of more than \$1,200 in fees per client and six (6) or more months in advance.