



AUTOMATIC ROLLOVERS

Auto Portability benefits workers & plan sponsors

How Auto Portability helps plans automatically roll over old accounts with \$7,000 or less.

Once your plan joins Auto Portability, you join the network driving plan efficiencies that will benefit you and your employees.



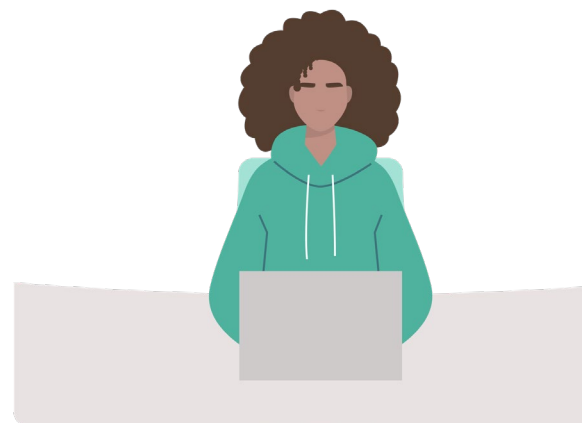
Workers have a simple solution to automatically roll over accounts with no employee tax consequences



Seamless digital account management across the network to eliminate paperwork and processing time for plan sponsors and workers



No cost for plan sponsor to adopt





Transforming the rollover process

Without Auto Portability, 41% of job changers end up cashing out¹

Today, rollovers between employer plans aren't automatic, and the burden often falls on the worker to complete them. As a result, workers are afraid to make a change and face mandatory cash outs, even without an immediate need for the money. This leaves them unprepared at retirement age.



Taxes and penalties on cash outs



No potential compounding interest from savings



No tax-advantaged growth potential

Fidelity research with job changers found

63%

are afraid of making a mistake when rolling over their savings

58%

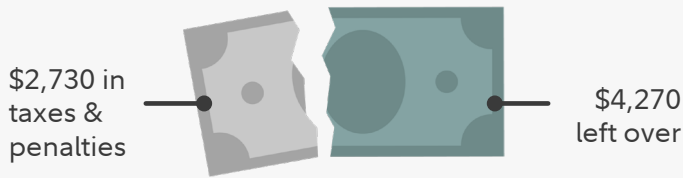
assumed a rollover would be time consuming and complex

29%

gave up on the transaction because of difficulties encountered

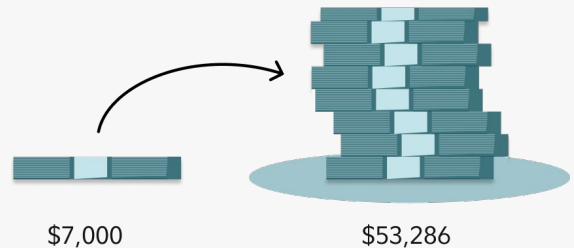
The impact of cashing out

If cashed out, a \$7,000 investment could lose up to \$2,730 after accounting for the early withdrawal penalty, federal taxes, and state taxes²



The benefit of staying invested

If kept invested, a \$7,000 investment could turn into \$53,286 over a 30-year period, due to compounding²



With Auto Portability, when workers change jobs their workplace accounts can automatically roll over between employers.

Auto Portability is an optional provision of Secure 2.0. It is a routine, standardized, and automated process that automatically rolls over a former workplace retirement plan account into a new workplace retirement account if less than or equal to \$7,000 pre-tax.



Old account has \$7k or less in pre-tax



Both employers joined Auto Portability

¹ Per Fidelity Investments internal research, 2023.

² In the example, a hypothetical original investment of \$7,000 with an assumed annual rate of return of 7% to \$53,286 after 30 years. The assumed rate of return does not reflect the actual rate of return and performance of your personal investment strategy. The ending values do not reflect reductions due to taxes, fees, early withdrawal penalty inflation, or withdrawals. Earnings and original pre-tax contributions are subject to income taxes when withdrawn. Distributions before age 59 1/2 may also be subject to a 10% early withdrawal penalty.

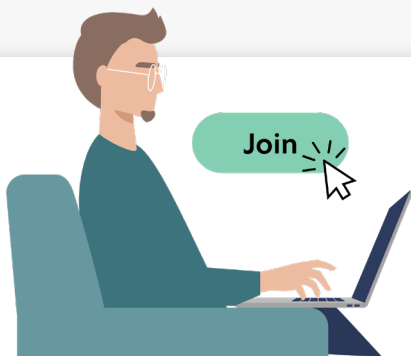
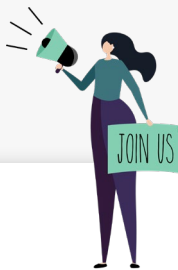
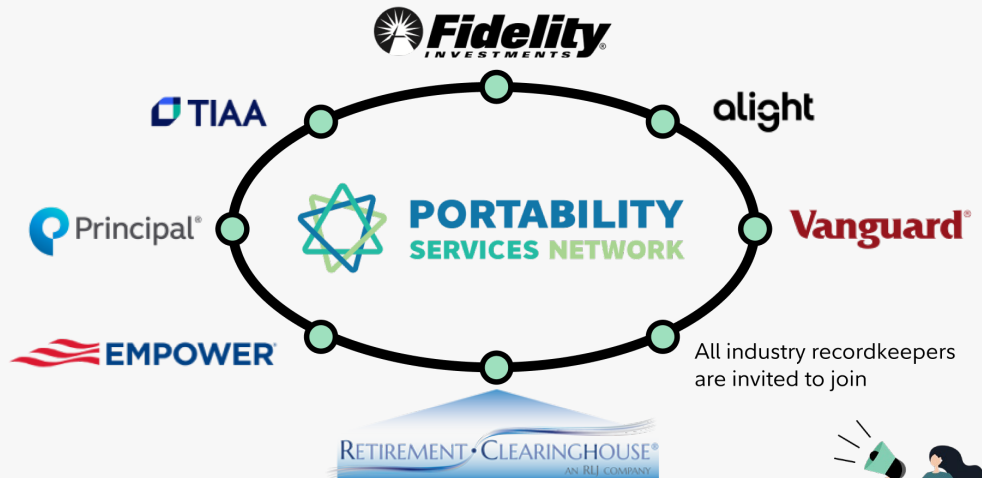
A nation-wide rollover problem required an industry-wide solution: Portability Services Network

What is Portability Services Network (PSN)?

For the first time, workplace retirement plan recordkeepers – with Fidelity’s leadership along with Retirement Clearinghouse (RCH) – established an independent entity, Portability Services Network (PSN). This nationwide, digital hub connects workplace retirement plan recordkeepers and the plan sponsors they serve. The sole purpose is helping American workers keep their savings in a retirement account and mitigate cash-out leakage. Consortium membership spans beyond the owning members. PSN is open to all recordkeepers.

PSN represents more than 82 million workers across more than 185,000 employer-sponsored retirement plans.¹

-  Links employer-sponsored workplace retirement plans
-  Directs the flow of data and money between recordkeepers through a clearinghouse and common infrastructure
-  Maintains and promotes technology standards + secure interfaces
-  Serves the portability and consolidation needs of America’s mobile workforce

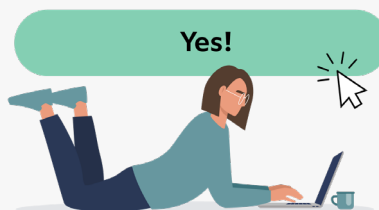


The more employers joining, the better.

Growth of the network will only help to strengthen the ability to minimize cash-out leakage and improve retirement outcomes for America’s under-served and under-saved workers. This is through creating even more opportunities to match participants with their workplace retirement accounts between employers.



Auto Portability went live in November 2023



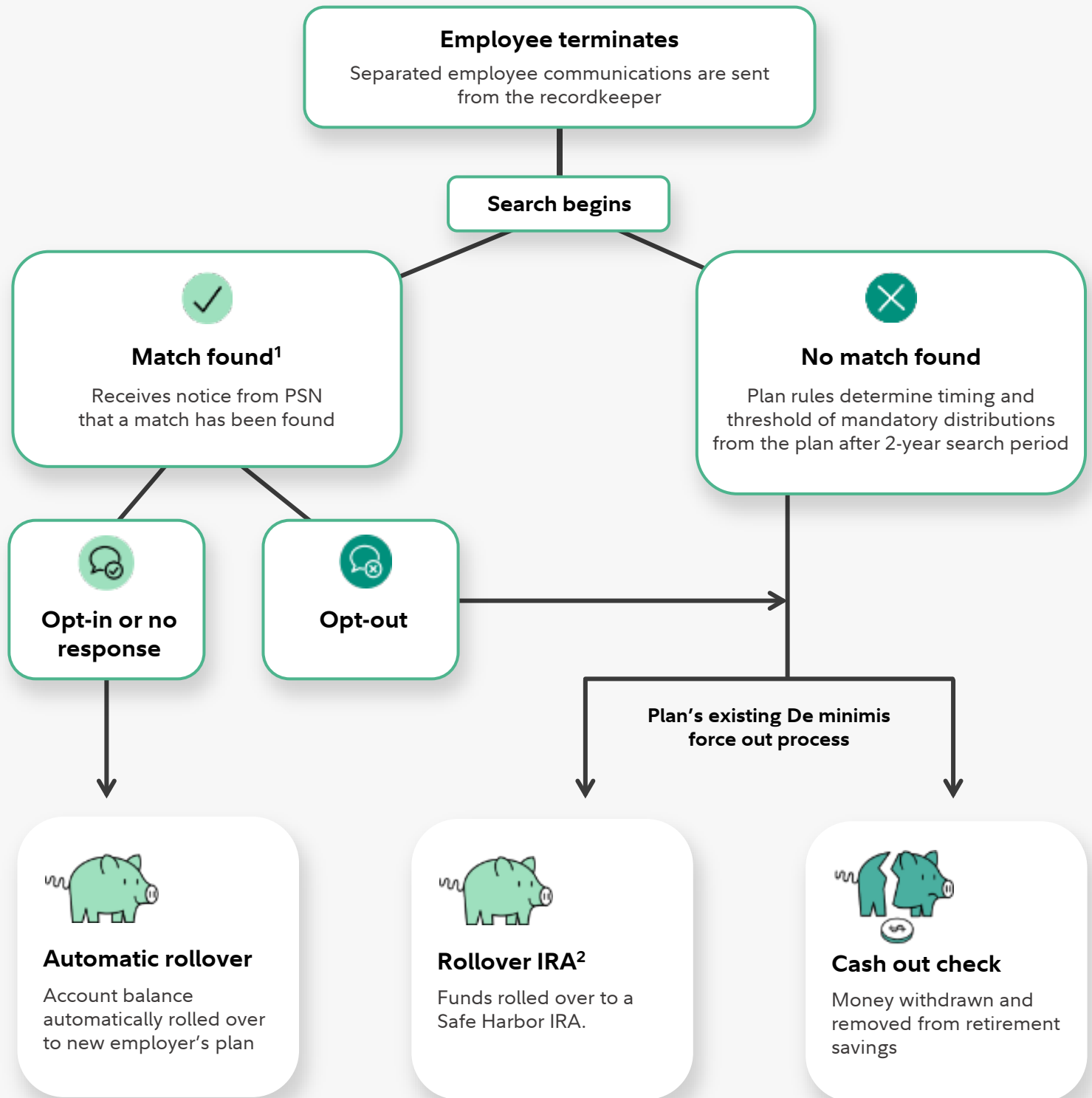
Thousands Fidelity plans have adopted AP with millions of active participants in the network.



More plans continue to sign on.

¹, based on data published by Pensions & Investments.

The different paths of Auto Portability



During the search timeframe

- ✓ Auto Portability search can be stopped by the participant at any time by cashing out, rollover to an IRA, or opting out
- ✓ Rollover process will happen at any point when a match is found
- ✓ No de minimis distribution will happen during the search period
- ✓ De minimis sweep will happen for those participants remaining after 2 years

¹ PSN uses a match score which is a confidence score based on matches in participant indicative data, such as SSN, DoB, address, to validate both accounts belong to the same individual

⁴ ² Search continues in Fidelity Safe Harbor IRA if unclaimed for qualifying balances >\$1,000

How does Auto Portability interact with the De Minimis (Mandatory Cash-out) service? Will Auto Portability replace De Minimis?

Clients will still have a De Minimis cycle that runs on the cadence they have elected (e.g., monthly, quarterly, annually). Terminated participants will be evaluated for Auto Portability eligibility first; if they are identified as eligible for AP, they will be flagged as such and will be skipped in De Minimis while Portability Services Network (PSN) searches for a matching eligible, active workplace retirement account in their name. The search period can last up to 2 years; if at the end of that period no match has been found, the participant would go through the plan's De Minimis process. If a participant is deemed ineligible for AP during the initial evaluation, they would instead be identified as eligible for De Minimis like before AP adoption.

Will Fidelity Safe Harbor IRAs be included in PSN search?

Part of our future enhancements will include Fidelity Safe Harbor IRAs created and funded from mandatory distributions (i.e., De Minimis) eligible to continue in the PSN search process.

Does Auto Portability require that all Safe Harbor IRAs be record-kept and administered by RCH?

No. Auto Portability incorporates a flexible architecture that enables electronic record matching between any type of account repository / system that is used to record keep plans or IRAs. What this means in practice is that once the technology interfaces are constructed, account records can be matched between any Safe Harbor IRA account held by any financial institution and any active plan record-kept by any financial institution. However, the Department of Labor guidance received is specific to Safe Harbor IRA accounts with RCH or participating recordkeepers with a proprietary Safe Harbor IRA program, and plan accounts with participating recordkeepers.

Can Auto Portability configuration vary from recordkeeper to recordkeeper?

Yes. Recordkeepers have the option of implementing AP in different ways. Fidelity has opted for the Plan Conduit model where participants remain in their plan for up to 2 years while PSN searches for a matching account. During this time, the participant stays invested in their own investment elections, or the plan's default fund option, providing continued market exposure. This avoids immediately rolling over to an IRA where the balance would be invested in a money market position. Recordkeepers' chosen configurations can have different impacts for plans and participants, a consideration when plans determine fit with their employee populations.

While money could remain in plan for up to 2 years with the Fidelity configuration, as more plans adopt AP, we expect average time to locate a participant's active workplace retirement plan to decrease. This is because it is standard practice for most workers to find a new position prior to quitting their current job, generally due to financial reasons.

Why is the search period 2 years?

The 2-year search period comes from the Plan Conduit configuration Fidelity selected when implementing Auto Portability. The 2-year period was mutually agreed upon by Fidelity and PSN to balance plan sponsor considerations with the participant experience. Ultimately, to locate as many matches as possible without overburdening plan sponsors. Fidelity is exploring ways to decrease the length of the search period as the network grows and as we bring additional capabilities online.

5 ¹ PSN uses a match score which is a confidence score based on matches in participant indicative data, such as SSN, DoB, address, to validate both accounts belong to the same individual

² Search continues in Fidelity Safe Harbor IRA if unclaimed for qualifying balances >\$1,000



AUTO PORTABILITY BENEFITS

Experience the benefits of an innovative solution

Auto Portability modernizes your plan with automatic efficiencies



Potential to increase rollovers from new hires



Modernize process addressing industry challenge



Expand suite of auto services



No fee for plan sponsors to adopt



Relieve concerns about small & terminated accounts

Simple solution

Benefits employers by automatically rolling over terminated employee balances into their new qualified employer retirement savings account with standardized contractual agreements.

Seamless digital processing

Joining the network reduces paperwork, creates consistent rollover processing, brings data together securely, and drives efficiencies for employees with rollovers across recordkeepers.

No cost for employers to adopt

There is no fee for employers to adopt AP. If there's a rollover, the worker going through the job change pays a fee of just \$30 or less, based on their balance.

Auto Portability makes account consolidation easier, automatically— keeping workers invested for retirement

The automated rollover process lessens the risk of workers cashing out or leaving their money in an inactive IRA. With Auto Portability, the money continues working for them, keeping it invested for retirement.

That was easy



Minimal to no paperwork



Little to no time commitment



Low to no fees



Faster, automatic rollovers



Research shows that offering a program like this can help under-served and under-saved populations continue to save for retirement in a workplace plan. Those who will benefit the most from Auto Portability include¹

- Communities of color
- Women
- Lower income workers
- Younger workers



Do workers want Auto Portability?

The answer is a resounding "yes"—with 9 out of 10 participants indicating it would be valuable—according to the EBRI 2021 Retirement Confidence Survey.²



¹ per Retirement Clearinghouse [401k Consolidation, Auto Portability and Automatic Rollover Programs](#)
² EBRI 2021 Retirement Confidence Survey



Contact Fidelity to check if your plan's a fit for Auto Portability

Join us in modernizing automated plan design

As Fidelity enables new capabilities, the Auto Portability fit criteria will expand to include new plan types and configurations.

Plan design criteria:



- ✓ Be an ERISA Governed 401(k) Plan
- ✓ Allow rollovers into the plan
- ✓ Adoption of Fidelity De Minimis service*
- ✓ Be a Fidelity Safe Harbor IRA provider*

*Plan must designate Fidelity as the Safe Harbor IRA provider for De Minimis service for thresholds > \$1,000.

Plan design limitations:



- ✗ Plan must not maintain illiquid assets/separate trust outside Fidelity resulting from recent mergers and acquisitions*
- ✗ Plan must not be a U.S. territory plan
- ✗ Plan must not use a 3(16) service
- ✗ Plan must not use the Fidelity Flex Administration Services
- ✗ Plan must not be a Pooled Employer Plan (PEP)

*Plan may have Self-Directed Brokerage and/or company stock

We're here to help you with the simple adoption process.

Your Fidelity relationship team can help you through the simple process of adopting Auto Portability, including a single easy-to-use standard DocuSign contract packet with:



Fidelity Amendment



Plan Sponsor and Retirement Clearinghouse (RCH) Agreement*



Plan Sponsor and Portability Services Network (PSN) Agreement*

• PSN and RCH are not affiliated with Fidelity Investments or its affiliates.

The Fidelity Amendment specifies how Fidelity will assist you after you add portability services from Portability Services Network, LLC ("PSN") and Retirement Clearinghouse ("RCH").

Fidelity is facilitating your signature to the RCH agreement to implement Auto Portability. This Service Agreement between the plan sponsor and RCH, detailing Data Sharing, Fee Deduction, Money Movement and SHIRA role by RCH.

Fidelity is facilitating your signature to the PSN agreement to implement Auto Portability. This Service Agreement between the plan sponsor and PSN details data sharing requirements.

How will Auto Portability impact a plan's 5500?

AP may keep participants in plan longer than before AP was adopted. This may result in plans exceeding the Form 5500 small plan count of 120 participants, which is assessed on the first day of the plan year (e.g., January 1). If a plan sponsor believes this may apply to their plan, they may reach out to their Fidelity representative to discuss.

Are Tax-Exempt Market (TEM) plans such as 403(b) plans able to adopt Auto Portability?

Fidelity has not yet enabled the Auto Portability capability for TEM plans however we are working to do so as part of our technology roadmap. Please be aware that other recordkeepers may enable that capability sooner than Fidelity for TEM plans that meet their eligibility criteria.

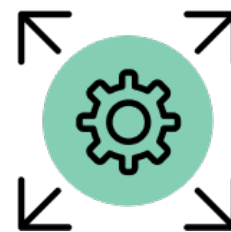
Why are United States territories and Dual Qualified employer-sponsored retirement accounts excluded?

The US and its territories have separate tax codes. Rollovers can only occur between alike territory plans while still remaining tax deferred. Without special handling, US territories and Dual Qualified plans are ineligible to roll to a US IRA which is incompatible with the core functionality of Auto Portability.

Are there plans to expand capabilities?

As legislation evolves and Fidelity enables new capabilities, the Auto Portability fit criteria will expand to include new plan types and configurations.

Plan sponsors should work with their Fidelity Managing Director for more information about adopting Auto Portability for their workplace retirement plans.



What happens with Auto Portability if a plan has a merger or acquisition?

Fidelity will help you through any needed changes to Auto Portability as a result of a merger or acquisition, including how to pass any client or plan data changes to PSN. Please be aware that if the Fidelity plan number changes because of the plan merger or acquisition, Fidelity is required to re-establish the plan with the network. This is because the plan number becomes PSN's identifier linking the two systems. There is the potential to need to re-execute new third-party contracts in certain instances, however we work to minimize this need as much as possible.

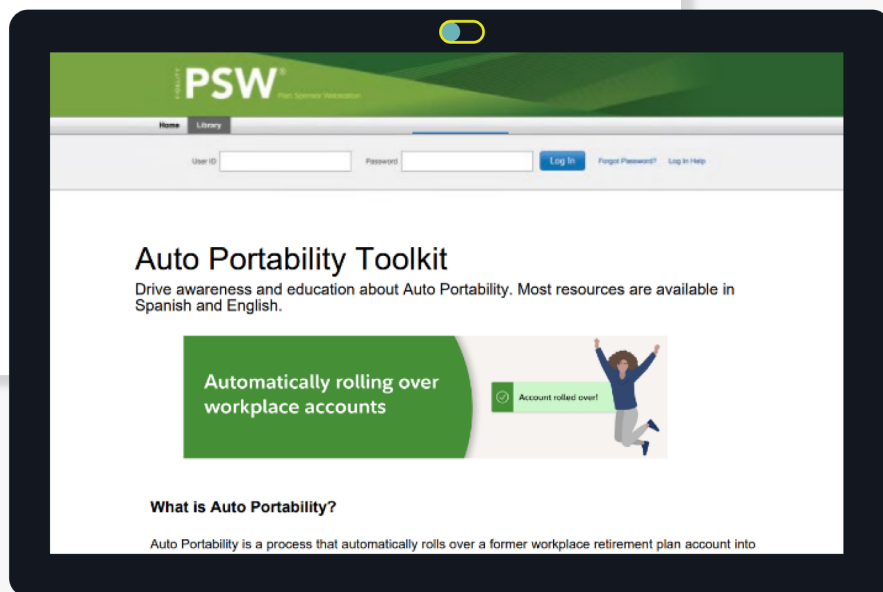
Could money roll over from a prior plan through the AP network into a new plan and thus disqualify the new, receiving plan?

Only qualified plans established with a PSN recordkeeper can be added to the AP network for search and match. Pre-tax small balance contributions are rolled over from a qualified plan at a sending recordkeeper, passing through a Retirement Clearinghouse (RCH) Conduit IRA or holding account as the intermediary account, and then on to the new plan account at the participant's current employment. Therefore, the RCH intermediary account will always be the source of AP roll-ins to the plan account.

Going beyond adoption— Fidelity's ongoing service

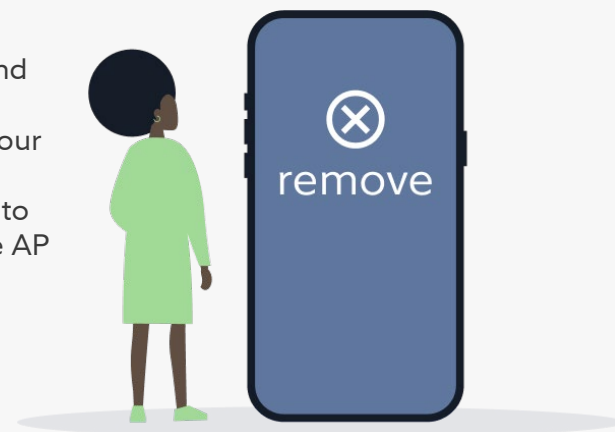
We've streamlined and integrated the reporting process, making it simple for you to administer your plan with Auto Portability

Plan Sponsor WebStation® (PSW®) is Fidelity's benefits administration platform that meets plan sponsors where they are to help them make managing retirement plans easy, efficient, and accurate. Plan sponsors will find Auto Portability eligibility among the many reports available to help them get the information they need when they need it.



Can a plan sponsor remove the Auto Portability service after adoption? If so, what is the process?

Yes. The Auto Portability Agreement may be amended at any time and for any reason with at least sixty (60) days' notice. The Plan Sponsor would notify PSN, RCH, and the Recordkeeper with written notice. Your Fidelity Managing Director will help with the Fidelity amendment request and assist with instructions on how to provide written notice to PSN and RCH. Any rollovers into the plan as of the termination of the AP Agreement will remain in the new plan.





Costs for plan sponsors and workers

What are the financial terms of the Portability Services Network?

PSN operates for the benefit of plan sponsors and participants. Recordkeepers that participate in PSN, regardless of ownership status, will not profit from PSN participation. The recordkeepers that own or participate in PSN will not receive any compensation for facilitating Auto Portability transactions from participants. As Auto Portability transaction volume increases, unit cost efficiencies gained will ultimately be passed on to participants through lower AP transaction fees.



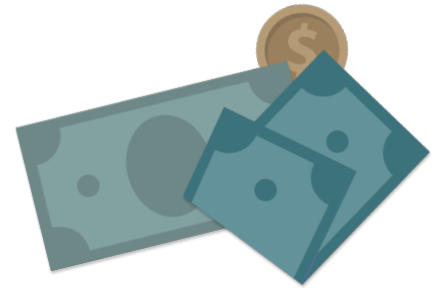
Is there a cost to participants for Auto Portability?

Participants whose workplace retirement accounts are rolled over are charged a nominal one-time fee. Currently this fee is less than some of the current options available in the marketplace, especially when considering the potential retirement savings forfeited if that account is cashed out.

PSN has established the following fee structure:

- Greater than or equal to \$600 charged \$30 maximum
- Less than \$600 charged 5% of balance
- Less than \$50 processed at no charge

The good news? We expect Auto Portability fees to come down over time as the program grows.



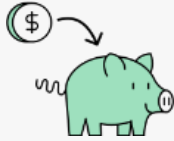
Is there a cost to plan sponsors to adopt Auto Portability?

No. It should be noted that plan sponsors may need to amend their plans and other service agreements with their recordkeepers in order to utilize the PSN service.

Can fees be billed to the employer?

At this time, participant Auto Portability fees cannot be billed to the plan sponsor. Please be aware that other plan administrative costs may apply to plan participants as stipulated by their plans.

Worker eligibility



For active employees to **roll into** a plan:

- ✓ Actively employed in a plan that has adopted Auto Portability
- ✓ Meet plan-level rollover-in age and eligibility requirements



For terminated employees to **roll out** of a plan:

- ✓ Have terminated employment status in a plan that has adopted Auto Portability
- ✓ Have a balance only in pre-tax sources
- ✓ Fall under the plan's threshold for a mandatory distribution—generally \$7,000 or less

Additionally, the terminated employee cannot:

- ✗ Hold a balance in a Self-Directed Brokerage (SDB) / BrokerageLink® associated with the plan
- ✗ Have a Systematic Withdrawal Payment (SWP) set up with the plan
- ✗ Have Roth balance in their account
- ✗ Be a minor
- ✗ Have a pending transaction in place at the time of the rollover transaction
- ✗ Have any active restrictions on the account

What about an eligibility waiting period to roll over money into their new account?

If the participant is subject to an eligibility waiting period in the new plan which prevents money from rolling in from the old account, then they would not be considered as eligible for Auto Portability and they would not be considered by PSN in the matching process.

Can workers opt out of the service?

The Auto Portability search can be stopped by the participant at any time by cashing out, rolling over to an IRA, or opting out. A participant can opt out of the AP service up to and including the point they are informed a match has been found.

Participants have approximately 45 days from the day they leave their job to opt out by contacting Fidelity at 800-835-5095. After approximately 45 days from the day a participant leaves their job, they can still opt out of the search:

- If they've received a Portability ID by U.S. mail at their address of record from the Portability Services Network (PSN) they can go to www.PSN1.com/consent or Contact PSN at 866-698-3622.
- If they opt out of AP and don't take action with their old account, it will automatically roll over to an IRA or be cashed out during their plan's next scheduled distribution after they opted out. They'll receive a letter from Fidelity describing what will happen to their account based on their plan rules and account balance.

How will participant accounts with Roth or After-Tax dollars be handled?

Plans that offer Roth and After-Tax contributions are eligible to adopt Auto Portability. However, participants who have a balance in either of these sources in their account would be ineligible for Auto Portability during the first phase of rollout, even if they were otherwise eligible based on employment status and overall account balance. These participants with Roth/After-Tax balances will still be subject to a plan's mandatory distribution elections.

Can accounts with balances greater than \$7,000 take advantage of Auto Portability?

Auto Portability was conceived to serve the needs of participants that are subject to the automatic rollover provisions of their employer-sponsored plan – typically accounts with less than the limit of \$7,000. In the event there are legislative changes to increase the balances subject to automatic rollover provisions (e.g., to \$10,000), Auto Portability can be readily adapted to support these higher account balance limits. Balances over the statutory limit generally can only be rolled over with a plan amendment and affirmative participant consent.

Why aren't Roth/After-Tax dollars included in Auto Portability?

IRA rules prohibit Roth and After-Tax dollars held in an IRA from being rolled in a qualified employer-sponsored retirement account. Auto Portability uses conduit Safe Harbor IRAs as an integral part of the automated rollover process to satisfy mandatory distribution/force out regulations, which makes participant Roth/After-Tax balance transmissions incompatible with Auto Portability under the current tax code.

What happens to participants with Roth and/or after-tax? Will Auto Portability become available for them?

Participants that have Roth or after-tax assets in their account would be deemed ineligible for Auto Portability and would be processed according to their plan's normal mandatory cash out elections (i.e. De Minimis). We are exploring the possibility with our legal teams regarding splitting pre-tax assets and Roth/After-tax assets so the Pre-tax dollars can still be rolled over via Auto Portability while the Roth/After-tax dollars would rollover/cash out depending on amounts.

How does AP work with plans that use a \$1,000 threshold with all participant balances over \$1,000 able to stay in plan rather than rolling to a Safe Harbor IRA?

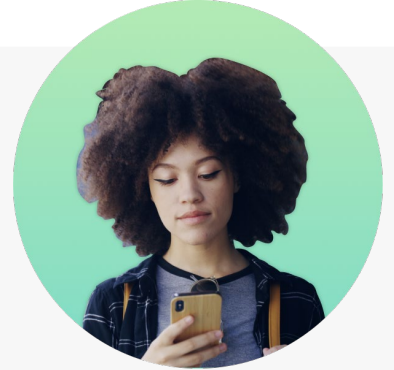
Plan sponsors are not required to amend their De Minimis threshold to \$5k or the \$7k allowed by SECURE 2.0 in order to adopt Auto Portability; however, a lower threshold would limit the ability of PSN to locate a participant match with the plan due to the reciprocity threshold that is part of the agreement clients sign with Portability Services Network (PSN) included in the adoption process. The reciprocity threshold exists in Auto Portability to ensure fairness among the PSN members so that plans will not receive participant account rollovers that are greater in value than the balances they are willing to send as rollovers out. If the plan threshold is set to distribute accounts valued at \$1k or less with balances above that remaining in the plan, that is acceptable, however only participant accounts valued at \$1,000 or less would be eligible to roll into the plan via the Auto Portability solution.

What workers experience with Auto Portability



Meet Taylor. She's switching employers for the first time and wonders what will happen to her old 401(k).

With Auto Portability, PSN and recordkeepers automate the rollover process.



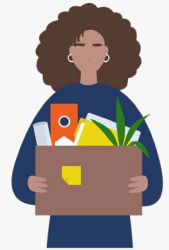
Leaves job

Taylor leaves her old company for a new opportunity.

The old employer notifies the recordkeeper Taylor left the company. Her old account has less than \$7k.



*Auto Portability benefits those with higher turnovers. For example, workers who were matched were with their previous jobs for an average of 1.2 years.**



New job

Settling into her new job, she enrolls in her new company's 401(k), that participates in AP.

PSN uses Taylor's data to match her old and current accounts. PSN sends a physical letter, as required by law.



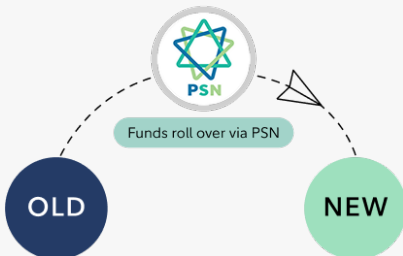
Workers don't get charged a fee until the accounts are matched and the money is rolled over.



Automatic rollover

She finds the money from her old account is automatically invested.

PSN rolls over Taylor's account to the new employer's plan.



When the funds are automatically rolled over, they're invested based on the new account's elections.

I'm so relieved my accounts joined automatically. That was so easy! I'm glad I work at companies that are looking out for me.



Seamlessly integrated worker experience

Leveraging existing views and functionality to give a familiar, multi-channel experience, while notifying account holders about Auto Portability each step of the way

Worker hired

Onboarding communications

Auto Portability is included in enrollment materials and Summary Plan Description

The communications include the Summary Plan Description (SPD). For plans where Fidelity maintains the SPD on behalf of the plan sponsor, Fidelity updates with applicable AP language after the plan sponsor adopts the service. For clients with custom SPDs, Fidelity provides clients with AP information to include in their SPDs.

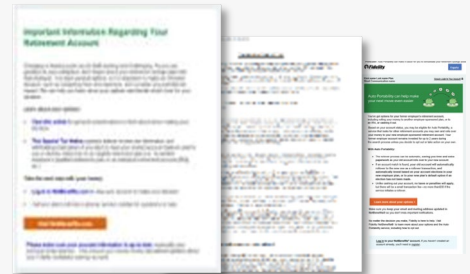


Worker terminates + beyond

402(f) & 411(a)(11) Tax Notice + Auto Portability email

Notice that workers will be rolled over to an IRA unless an election is made

Changes to a participant's status code to Terminated (T) automatically trigger these communications. The 402(f) legally required communication (also referred to as the "Special Tax Notice") on day 1. The balance requirement for the 402(f) is typically ≥ \$1,000 but may vary by plan. The newly separated communications will leverage the same balance threshold as the plan's 402(f) notice. The 402(f) tax notice includes an email with print backup for participants that haven't provided a valid personal email address.



Separated Employee Communications

Email campaign to let workers know their options

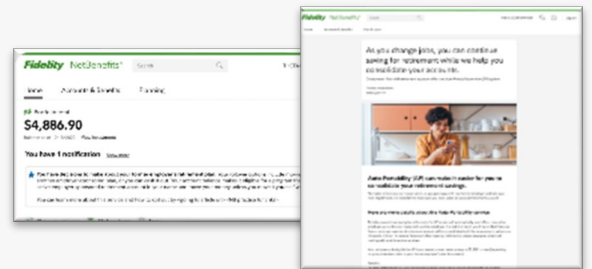
Other communications are email only. You can learn more about separated participant communications and view sample messages [here](#).



NetBenefits® Messaging + Education

Materials for workers to learn and reference about Auto Portability

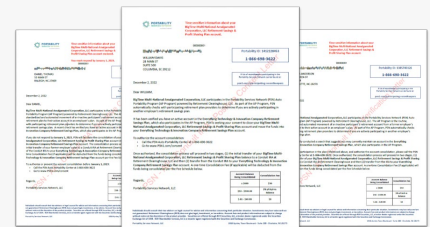
For plans adopting Auto Portability, their separated participant communications will include information about the potential for accounts to be rolled over via Auto Portability including an Auto Portability notice. In NetBenefits, former employees find [educational materials](#) about their distribution options, including Auto Portability.



Worker in new plan

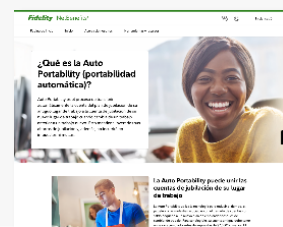
PSN Match Communication

PSN sends out communications to participants as relevant to their situation and match type—whether they need to actively consent, no consent required, or if verification is required.



Spanish Content

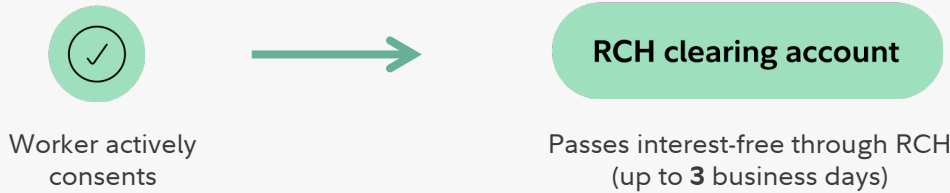
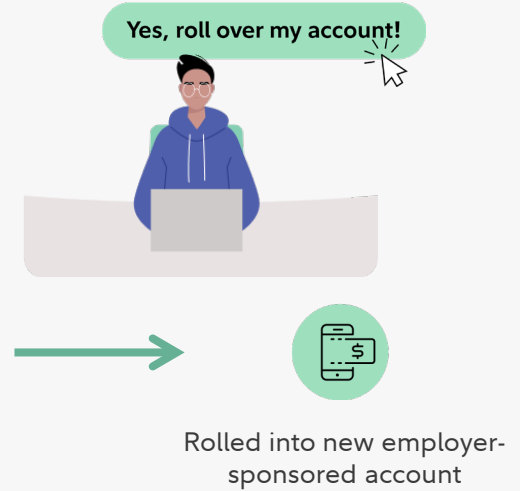
Materials for Spanish-speaking workers to reference in their native language [here](#).



What if the worker takes action (actively consents)?

If a worker actively consents to roll over:

- The account passes through an RCH clearing account (typically within 3 business days) before rolling into the new employer’s retirement plan.
- The clearing account isn’t interest-bearing, so no additional earnings will accrue.



What if the worker doesn't take action (passively consents)?

If a worker doesn't act and passively allows their account to roll over:

- The account is held in a Conduit IRA at RCH before it rolls into the new employer’s retirement plan (typically within 7 business days).
- The funds will be invested in the Conduit IRA's core position money market fund.
- Any earnings received will be credited to the participant’s balance and included when the account rolls into the new plan.
- A fee of no more than \$30 (depending on the account balance) will be assessed as the account rolls through the Conduit IRA at RCH.

I'm so relieved my accounts joined automatically. I didn't have to do anything!



Will Auto Portability transactions generate a 1099-R?

Participants will receive at least one 1099-R and possibly a second depending on their manner of consent/account transmission. Participants will always receive a 1099-R for the rollover distribution resulting from the funds leaving their old employer-sponsored retirement account with the sending recordkeeper.

If the participant does not explicitly opt into Auto Portability, then the participant will receive a second 1099-R from PSN as their funds will pass through a conduit Safe Harbor IRA.

If the participant explicitly opts into Auto Portability, then the participant will not receive a second 1099-R from PSN as their funds will pass through a clearing account.

Different timelines for different consents

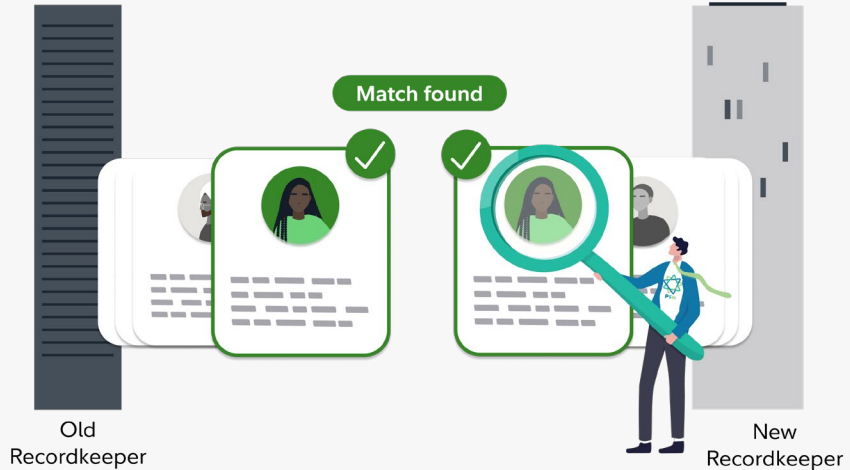
Rollovers into new accounts and rollovers out of old accounts occur depending on match type and participant action. If a participant contacts PSN to provide consent, rollovers will be initiated the same day. For Matches where no additional consent is required, participants have a 60-day Negative Consent Period to opt out of AP by contacting PSN directly before rollovers occur.

Account matching



Workers get match data from their old and new plans, through PSN.

During the PSN monthly locate and match process, PSN assesses participant data received from all recordkeepers to identify matches. Once a match is found, communications to the worker are sent.



What types of matches are there?

PSN sends out communications to participants relevant to their situation and match type. The 3 types of matches identified by PSN include:



Consent required

Definitive Match with Retirement Clearinghouse Safe Harbor IRAs. Participant consent is required to PSN to roll over money through Auto Portability because the money is coming from an IRA.



No additional consent required

Definitive match with employer sponsored 401K Plan. No additional participant consent required to roll over money through Auto Portability. Participant data has met matching requirements. Participants have a 60-day negative consent period to opt out of AP by contacting PSN directly.

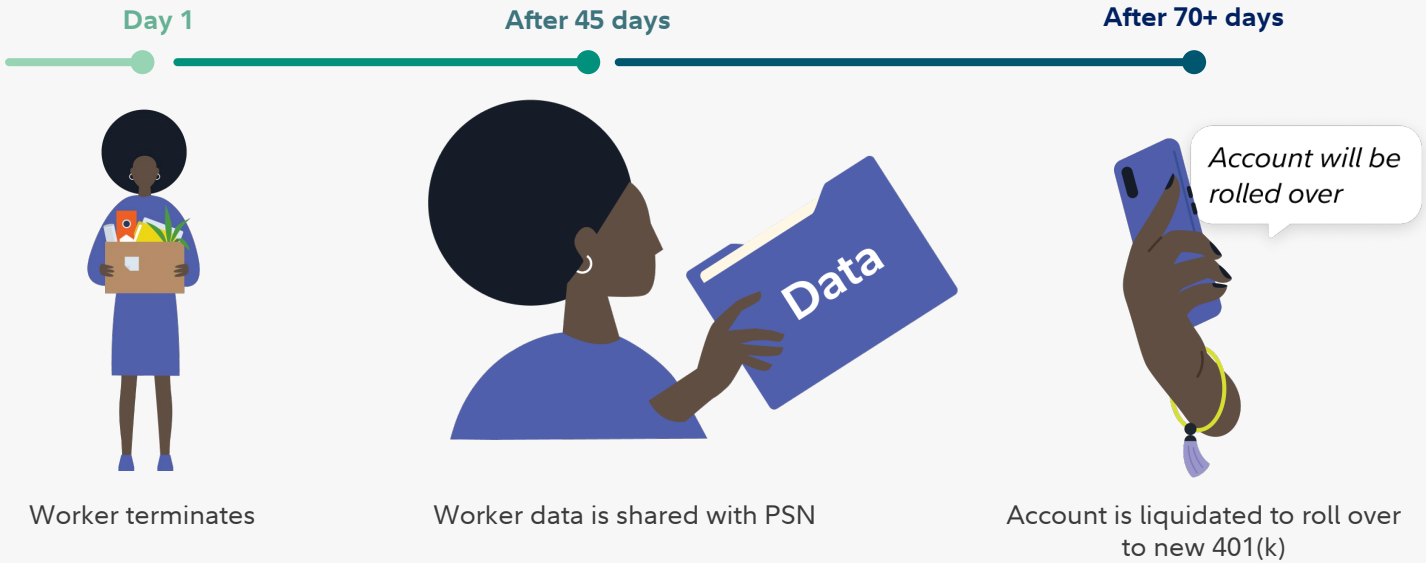


Verification required

Tentative Match. Participants must call PSN to verify their data and provide consent to roll over money through Auto Portability. Participant data has not fully met matching requirements.

Worker timeline for the Auto Portability process

Auto Portability participant data is first shared with PSN approximately, but no less, than 45 days after their termination date. In the standard path of Auto Portability, there could be 70+ days between when an eligible participant's data is shared with PSN for matching and when their account is liquidated to roll over to their new 401(k).



How often is data assessed?

On a monthly basis, PSN assesses participant data received from all recordkeepers to identify matches and send out communications based on Match Types assessed for each participant.

On a monthly basis

	1	2	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20
21	22	23	24	25
26	27	28	29	30

Although rare, what happens if a worker leaves their job midway through the Auto Portability rollover?

In less likely instances where a participant leaves their new job while an AP transaction is underway, the Conduit IRA at RCH could be re-designated as a Safe Harbor IRA, causing the participant to incur a \$2.00 monthly administrative fee and \$20 one-time IRA Distribution Fee at point of distribution. The applicable instances and fees are detailed in the Auto Portability agreements. In this instance, RCH fees will be communicated to the participant by RCH. Once money is rolled into the active workplace retirement plan account, the participant balance is invested in the plan default investments unless the participant has elected their own investments. The participant's elections are followed if they have been set.

Data security and transparency in data sharing

What has Fidelity done to review data protections and security?

Fidelity's risk management program includes technology risk reviews that process sensitive information, including those that process or store client data. These reviews are conducted on a regular basis and follow a comprehensive risk questionnaire derived from Fidelity security policies, ISO 27001, and other industry best practices.

Detailed information about data security and customer protections are available in the agreements that plan sponsors sign when they adopt Auto Portability. In addition, plan sponsors can complete their own Information Security assessment as they would for any other supplier.

✓ Confidentiality

✓ Privacy

✓ Security of data

What plan data is shared with PSN?

When a plan sponsor adopts Auto Portability, the plan name, plan number, plan type, company name, company EIN, and company address are passed to the network to set up the plan at PSN.

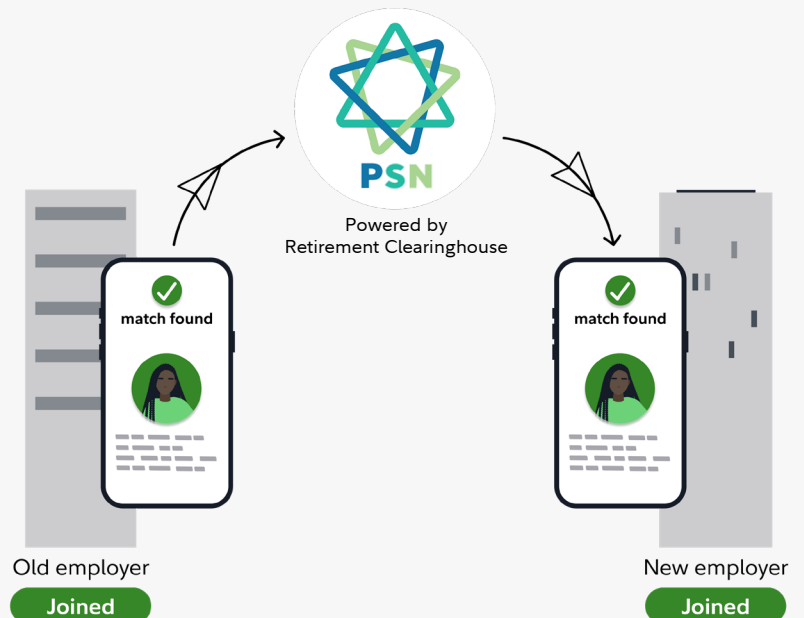
What worker data is shared with PSN?

PSN uses a match score which is a confidence score based on matches in participant indicative data, such as SSN, date of birth, and address, to validate that both accounts belong to the same individual.

Who shares the participant data?

Auto Portability works by having retirement plan recordkeepers within the Portability Service Network share eligible participant data from plans that have adopted Auto Portability. Recordkeepers within the Portability Services Network act as both sending and receiving recordkeepers.

Throughout the Auto Portability process, a recordkeeper actively supports both the sending and receiving recordkeeping responsibilities. Auto Portability data is shared through secure Application Programming Interfaces (APIs). This occurs at least monthly; Fidelity currently has a bi-weekly process.



Optional provision of Secure Act 2.0

What regulations apply to Auto Portability?

Auto Portability is a new plan feature that works in tandem with the pre-existing legal and regulatory framework allowing for the automatic rollover of terminated participants' balances generally equal to or less than \$7,000.

What regulatory actions made Auto Portability possible?

Auto Portability is made possible by two regulatory actions by the Department of Labor. In November 2018, the DOL issued Advisory Opinion 2018-01A, and in July 2019 the DOL issued Prohibited Transaction Exemption (PTE) 2019-02. Combined, the DOL action provides legal guidance for plan sponsors and guardrails for consumer protections that enable the widespread adoption of Auto Portability.

[Safe Harbor for Automatic Rollover to Individual Retirement Plans \(DOL, 2004*\)](#)

[DOL Advisory Opinion 2018-01A \(Auto Portability*\)](#)

[DOL Prohibited Transaction Exemption 2019-02 \(Auto Portability*\)](#)

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How does the SECURE 2.0 Act of 2022 impact Auto Portability?

Section 120 of SECURE 2.0 amended Code section 4975 to add a statutory exemption for the receipt of fees and compensation by an automatic portability provider for services provided in connection with an automatic portability transaction, specifically providing prohibited transaction relief if certain conditions are met. This class exemption helps facilitate Auto Portability by allowing firms like RCH to perform their services.

SECURE 2.0 also increased the maximum cash out threshold for distributions to \$7,000 in 2024 (Section 304), allowing more participants to benefit from Auto Portability.

How will proposed regulations effect Auto Portability?

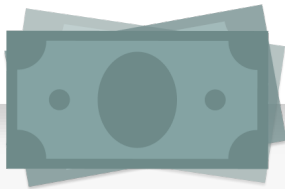
No new final regulations yet exist, however in January 2024, the Department of Labor released proposed Automatic Portability Transaction Regulations under Section 120 of SECURE 2.0, containing proposed regulations that would implement SECURE 2.0's prohibited transaction class exemption for automatic portability transactions. In response, Portability Services Network (PSN) and its members, including Fidelity, participated in the creation of a comment letter submitted by PSN in March 2024. PSN's comment letter focused on keeping barriers to adopting Auto Portability for a plan low and maintaining consistency in the role of the Plan Sponsor. PSN's comment letter generally aligns with comment letters from other industry groups and is publicly available. You can review the comment letter [here](#).



Fiduciary handovers in the Auto Portability process

The Auto Portability process consists of three key components:

A "transfer out" that initiates a mandatory distribution.



An IRA established to receive the distribution via a rollover transaction.



A "transfer-in" of the distribution from the IRA when an IRA owner match is found with an eligible employer sponsored plan at their new employer.



The transfer out transaction is already governed by mandatory distribution and automatic rollover provisions for which conditional fiduciary and prohibited transaction relief for automatic rollover safe harbor regulations exists. Prohibited transaction relief exists when certain conditions are met, including the provider's acknowledgement of fiduciary status with respect to the IRA, among other requirements.

The general fiduciary principles regarding an individual's default investments in the transfer-in plan will govern the transfer-in plan sponsor's responsibilities once the assets are transferred from the individual IRA into the transfer-in plan. Plan sponsors are encouraged to consult with their legal counsel before amending their plan.

What does PSN do to reduce the risk of incorrect matches?

There are systematic checks completed throughout the Auto Portability process before any money would roll over. This includes participant accuracy checks and money source checks. As required by the Prohibited Transaction Exception (PTE) by the DOL, PSN is liable for ensuring the rollover in eligibility of money to the receiving plan (qualified source and type, such as non-Roth).

Per PSN agreements and processes, each month PSN runs a "Locate and Match" process for eligible participants received from recordkeepers. PSN uses a match score, which is a confidence score based on matches of participant indicative data, such as SSN, date of birth, and address, to validate that both accounts belong to the same individual. If addresses are different, the account will likely either not be matched or be a "tentative match" and require further participant verification before money can be moved through AP.

What happens if there is an error made in the match process that results in money rolled over into another participant's account?

The plan sponsor is responsible for accuracy of the sending participant data. Portability Services Network is responsible for any error when matching accounts. Per the PSN-plan sponsor agreement, PSN will indemnify for an incorrect match as long as the information provided to them was valid.

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