

# Policy Statement Regarding Account Transactions



## Participants



## **A. Account Security and Participant Responsibilities**

### **1. *Maintaining Your Account security***

Participants will receive an initial PIN letter, which allows them to access their online account after creating a User ID and Password. Participants must retain this information so they can access their account at any time. If a participant loses or forgets their login codes, special instructions can be found at the participant login areas of our website (u.bpas.com) for regaining access. Participants can call our Participant Service Representatives for personalized assistance. While BPAS has procedures for remedying a lost password, these procedures are subject to our SSAE 16 audit and other privacy/confidentiality measures.

It is the responsibility of each participant to maintain the utmost security of their login credentials. This includes using strong passwords, changing the password frequently, not writing the access codes in any public location, and protecting access to the computer(s) used to gain account access (including a password for the computer itself and disabling auto-capture features which may store passwords). If a participant fails to take any of these steps or otherwise allows their login information to be compromised, BPAS will not be bear financial responsibility for any events that occur as a result.

Participants must protect the security of their user ID and password at all times. If a participant suspects that their login codes may have been compromised, they should change their login credentials immediately through the participant portal. If a participant suspects that another individual may have accessed their account, they should notify their Human Resources department and BPAS immediately. BPAS will bear no financial responsibility resulting from a participant's failure to protect the security of their login credentials, whether it concerns account trading, a request for a loan, hardship, withdrawal, or any other transaction made using the website or voice response system. Naturally, in the event that unauthorized access or fraud is suspected to occur, BPAS will work with legal authorities, the plan sponsor, banks, and other interested parties in an attempt to pursue maximum corrective/restorative action. (This work can include civil or criminal action in the event of fraud, as driven by facts and circumstances).

Participants should not access their account from a public computer outside of their home or workplace (internet café, library computer, airport kiosk, or other locations) where the security of the underlying device cannot be guaranteed, including "auto-capture" features of many web browsers, which can retain such information.

### **2. *Providing Your Account Credentials to Other Individuals***

There are cases where a participant may decide to provide their account access information to another individual, such as their spouse, a family member, or a financial advisor. While certain participants may be more comfortable seeking the assistance of others in financial matters, allowing another party to enter transactions in one's account exposes the participant to an increased risk of user error. For example, the other party would not have participated in education or enrollment meetings concerning the plan; they would not have received the array of literature and communications from the provider and Human Resources; they would not have been educated on the plan's fund menu or plan provisions; and they would not know what the exact procedure is for such matters as enrollment forms, contribution rate changes, investment changes, model portfolios, and numerous other matters. Any participant who allows another individual to access their account voluntarily assumes any risk of user error caused by a lack of understanding of their retirement plan, investments, and administrative policies in general.

### **3. *The Importance of Maintaining Current Participant Addresses and Email Addresses***

For the vast majority of plans administered by BPAS, a complete set of current addresses for active employees is received from Human Resources on each incoming census file (payroll submission). This data will over-write the

previous address for each participant, allowing us to capture address changes communicated by the employer through payroll. If a participant experiences a change of address or sees that the address maintained by BPAS is not current, they should immediately notify Human Resources, so the correct address can be captured in the payroll system and updated to BPAS. If a participant does not receive certain correspondence (quarterly statement, confirmations, etc.), they should access the portal immediately to view the address we have on record.

Terminated participants are also required to keep their mailing address at BPAS current. If a participant fails to do so, BPAS will not be responsible for a participant's failure to receive statements, confirmations, or other important reports, including any delay in making us aware of a question or issue regarding their account because they failed to keep their address current. The participant should call the PSC team at BPAS to provide the updated address over the phone. BPAS will make the corresponding changes in our system. A terminated participant can also update their address directly in the participant portal.

If a participant (active or terminated) does not receive certain correspondence (quarterly statement, confirmations, etc.), they should access the portal immediately to view the address we have on record. If the address held at BPAS is not current, the participant should take the appropriate action as noted above to have their address corrected. Transaction confirmations and quarterly statements are available within the participant portal in the My Account menu.

It is also essential that participants enter a current, valid email address in the BPAS participant portal and keep this information up to date over time. While the portal gives participants various options to "Go Green" for statements, confirmations, and/or regulatory notices, a valid email address is critical in the process of data and account security. For example, when a participant requests loan, hardship, or withdrawal paperwork (or requests many *other* transactions), an email will be sent to their email address of record confirming this request. If this request were an erroneous transaction or somehow not submitted by the participant personally, it would be an immediate flag for the participant to call the BPAS call center and notify us of the situation so we could take the appropriate action. Along with maintaining the privacy and security of their user credentials and password, maintaining a current accurate email address in the participant portal is a vital obligation of retirement plan participants. Failure to do so can limit the liability of BPAS, the plan sponsor, and/or financial intermediaries for errors or other disputes associated with account activity.

#### ***4. Duty to Review Confirmations and Quarterly Statements and Promptly Notify BPAS in the Event of an Error (including when using portal or voice response system)***

Participants have an affirmative obligation to review all confirmations, quarterly statements, and other correspondence provided to them by BPAS and to notify us promptly of any error, question, or dispute. In addition, if a participant should encounter an error when using the participant portal or voice response system (regardless of the cause or source of the error), the participant must notify BPAS immediately (by calling our Participant Service Center) so the matter can be investigated and corrected. Failure to notify BPAS immediately of any suspected error will limit any potential liability of BPAS, the financial intermediary, and/or the plan sponsor to the time period between date on which BPAS was notified and the date on which the error was corrected. Participant statements, confirmations, the website, and other communications will contain other notices in regards to required notification for any error or suspected error.

Additional note: In the event of a trade dispute (e.g., a trade or transaction was entered but was rejected or did not take place for any reason, regardless of the potential cause), upon discovering the error, the participant must access the website immediately and enter an alternate transaction, account transfer or realignment request.

Failure to do so will limit any potential liability of BPAS, the financial intermediary, and/or the plan sponsor to the time period between the error itself and the date the error (or potential error) was discovered. This is a critical

point. Researching a potential error can take several business days for the BPAS team; however, the manner in which a participant's account is invested remains in that participant's sole control at all times through the participant portal (and voice response system).

#### **5. *Provisional Versus Final Confirmations***

Whenever a participant enters a transaction through the website or voice response system, an initial confirmation (and confirmation number) will be generated. This initial confirmation is a **provisional confirmation** – meaning that it was generated **before** any of the nightly trading activity or preparation work was commenced by BPAS, and before BPAS would have any way of knowing whether any fund- or industry-level event may impact our ability to execute that transaction. **To confirm that a transaction was completed, the participant must log onto the portal the next business day to view their account information. If there is any question or concern about a particular transaction when viewing their account, the participant must:**

- a. call our PSR team immediately to notify us of the situation, and
- b. if the matter pertains to a change in investments or elections and the transaction was not processed, **immediately submit an alternative trade or transaction** using the portal.

While BPAS will take all reasonable steps to identify and reprocess any failed transactions (whether or not we are contacted by a participant), a participant's failure to login to our website the next business day and notify us immediately of any problems in effecting that transaction and submit an alternative transaction will limit any window of liability for BPAS to one business day. See the section regarding "Trading on a Best Efforts Basis" for information and caveats regarding daily trading activity as there are a number of circumstances outside of our control that can cause a given transaction to fail which will not be the financial responsibility of BPAS.

Once a given transaction settles and has been verified, a final confirmation will be mailed to the participant's address of record (or available online for Go Green participants). Note: The appearance of a confirmation in the participant portal does not in and of itself constitute it a final confirmation.

#### **6. *Duty to Review and Realign Account at End of Blackout Period***

When participants receive a initial welcome letter with their PIN they are required to login to their account, review their account information, and make any desired investment changes. It includes changing the way in which existing balances are invested (if desired) as well as changing the investment direction on file for new contributions. As stated prominently in the website and other materials, these are two separate elections within the participant portal, and entirely up to the participant to maintain.

If participants have questions about their account when after logging in, including questions about realigning their current balances or re-directing future contributions, they should call our Participant Service Representative (PSC) Team at 1-866-401-5272. (See [u.bpas.com](http://u.bpas.com) for more information about the PSC).

## **B. Investments and Trading**

### **1. *Investment Options Under Daily Valuation Platform***

BPAS is a daily valuation recordkeeper. Like all daily recordkeepers, we trade funds through the National Securities Clearing Corporation (NSCC), a wholly-owned subsidiary of the Depository Trust and Clearing Corporation, which creates and enforces operating rules for member firms. Mutual funds and daily valued collective funds must meet **certain operational** criteria to be listed on our platform, including:

- a. They must participate in same-day/late-day trading through the NSCC (T+0 trading with T+1 settlement).
- b. They must operate free of front- and back-end loads, including any contingent deferred sales charges (CDSCs).
- c. They must deliver daily prices through commercially available pricing services (e.g., Yahoo Finance, MorningStar, etc). Daily prices must be available by 6:30 PM ET.
- d. They must report dividends, capital gains, and other applicable fund actions through NSCC.
- e. Investment performance data must be available by the 7th business day of each month through S&P (this drives fund performance data as reported in our websites and participant statements). (A fund family may make other arrangements with BPAS to provide this data as long as it is provided reliably each month).
- f. They must agree to participate in our trade block methodology for any funds with frequent trading restrictions (in lieu of assessing redemption fees).
- g. They must operate in a daily environment with minimal incidence of broken or incorrect prices, failing to submit timely prices, trade rejects, or other operational defects which disrupt daily valuation processing.
- h. They must agree to contract under reasonable terms.

These operational protocols help ensure seamless processing of daily transactions across thousands of participants on a daily basis. While these rules may have been problematic for certain funds several years ago, as of today, the *vast majority* of mutual funds and collective funds across the industry are able to meet these requirements. BPAS is currently trading over 4,100 tickers, from some 340 fund families in total, with new funds constantly being added to our platform.

**Same-day trading is supported on a best efforts basis – it is not a guarantee.**

At all times, the ability of BPAS to operate with same-day/late-day trading across funds and fund families is contingent on a variety of factors. Disruptions could include the NSCC trading platform or other trading applications, events at fund families, the Federal Reserve, the NSCC, the banking industry, acts of God and forces de majeure, significant outage of hardware, software, critical programs or other significant or unforeseen events. If the ability to submit trades is disrupted on a given day, it will be performed on the next business day or as soon as administratively possible by BPAS.

As it relates to daily trading, fund families may occasionally reject trades based on a variety of factors. In the case of a trade rejected by a fund family coincident with any plan or participant-level transaction, BPAS will process trades as soon as administratively feasible and as permitted by the fund families in question, even if that begins on a future trade date. In no event will BPAS bear financial responsibility for delays in various transactions caused by a fund family's inability to support a given transaction due to fund liquidity, missing prices, trading rejections, or other fund-family level practices that are outside the control of BPAS.

Automation is the key of any daily valuation business. It allows us to deliver daily services to thousands of retirement plans and their participants while minimizing the risk of error from manual trading or intervention. For

this reason, the assets we support at BPAS are limited to the NSCC-traded assets listed above, the assets that can be traded through the automated SDBA window, participant loans, company stock (when approved by BPAS and traded in one of our four methodologies) and select assets if pre-approved by BPAS (e.g., frozen life insurance policy where no new policies are allowed to be purchased moving forward). Each plan's administrative policies will determine which investment sources can be directed by plan participants (self-direction of investments). In all circumstances, this will be subject to the funds offered by the plan, the assets that can be traded by BPAS (as described above), and other administrative policies adopted by BPAS over time. Plan sponsors also have the authority to place limits on certain assets – such as a percentage limit on the amount a participant can invest in company stock, the self-directed brokerage account, etc.

## 2. *Daily Cutoff Time*

Because BPAS operates in a same-day/late-day trading environment for mutual fund and collective fund investments as a general rule, transactions must adhere to a daily cutoff time for processing. This time is the moment at which transactions for a given day can no longer be accepted for that day's trading and must be pushed to the next business day. While this time is generally 4:00 PM ET, the cutoff time for any given day coincides with the close of the stock market for that day. All transactions entered into the system are time and date stamped using global digital time standards as described below. For participant transactions, a transaction request entered by the participant is *provisional* and is not deemed "submitted" until it is actually confirmed by the participant in the website, at which point a confirmation number is generated and the trade is included in that day's trading activity for the plan. Based on a variety of factors, a short delay can occur between entering a provisional transaction and the presentation of a confirmation screen by our portals.

Since it can take time for a participant to review their account information, make decisions, and enter and confirm a transaction, and because the local time reflected by participants may differ from the NTP standard time maintained at BPAS, participants are advised to initiate their request well before the day's cutoff time if they wish to enter a transaction for processing that day. Attempting to make transactions close to market close leaves a participant exposed to the chance that they will be unable to complete all steps in time, including accounting for system slowness, broadband issues, connectivity, or other technology disruptions (on either side of the transaction) and will have their transaction effectuated the next business day as a result. All such risks are assumed entirely by the participant as they use the participant portal.

Trades entered before the daily cutoff time will generally be processed at that evening's updated prices, except in the case of employer securities (in which case, actual procedures depend on the trading methodology used for that particular client), or in the case of certain events. Trades entered at or after the daily cutoff time will generally be processed the next business day. A refresh of each day's prices and trading activity appears at approximately 3:00 AM ET on the day following trade date.

**Note:** There are certain days of the year when the markets may close early (e.g., 1:00 PM ET). On these days, our web and voice response unit (VRU) cutoff time will be the time of market close.

To establish the official time, BPAS uses NTP, an industry standard protocol for time stamping over computer networks which is standard within the financial services industry. The NTP time is gathered from atomic clocks on an hourly basis and pushed to all servers on the BPAS network, so all systems use the correct published time.

If a participant encounters any problems when initiating a transaction using our website or Voice Response Unit (VRU), they should call our Participant Service Center (PSC) **immediately** for assistance. In most cases, our representatives can quickly rectify the issue. Failure to call our Participant Service Center to alert us to a problem before the daily cutoff time will greatly limit (or eliminate altogether) liability of BPAS for the transaction in question. Read more in section 6. Additionally, since incoming call volume and average speed to answer can vary,

participants must allow sufficient time when calling our PSC for the matter to be discussed and addressed well before the time of market close.

### 3. *Same-day Trading on a Best Efforts Basis*

As stated above, our program is designed for same day/late day trading across funds. In the vast majority of transactions (i.e., 99%+), mutual fund sales and purchases are performed as of the same evening – using closing prices from that day – and a fully settled trade is reflected on the participant website the next morning. However, there may be cases where an outage, disruption or delay occurs, whether it is caused by an external party or a combination of internal and external factors (failure of mutual fund pricing service, failure of mutual fund(s) to submit timely prices, system errors, NSCC outages, forces de majeure, etc.) which disrupts our ability to process all or a portion of a given evening’s trading activity for certain plans and/or participants. This can also include ‘fund closings’ or other trading policies as set by mutual fund families, which can be subject to change over time with little advance notice, and for which the level and quality of communication may vary among fund families.

While disruptions to the daily trading process are relatively rare, disruptions for one or more funds *can* occur from time to time, especially in an open architecture environment where so many fund families are available for trading. In these situations, BPAS will take all reasonable measures to ensure the timely execution of transactions, but when an error, delay or reject occurs, we will revert to a sequential trading environment for the transaction in question (described below). Where applicable, this includes resubmitting trades (or a portion thereof) the next business day, working with fund families in an attempt to restore the price from trade date if possible, and other measures as appropriate. As a general rule, the failure of one or more funds to submit prices on a timely basis will cause contributions and/or transfer activity for the entire plan to be disrupted that evening, resulting in trading activity being commenced the next business day.

Participants submit trade instructions under the understanding that while the BPAS program is designed for same-day/late-day trading across funds, circumstances can occur in which a given trade is rejected or otherwise delayed (from a variety of factors). If a trade reject occurs, participants acknowledge that:

- a. it will generally force BPAS to process the transaction on a sequential, rather than ‘same day’ basis (redemptions first, followed by purchases the next business day, followed by settlement), and
- b. participants authorize BPAS to continue processing the transaction until it is complete, notwithstanding the fact that this may require two or more business days for complete settlement.

BPAS liability for daily trading activity is subject to the above limitation of trading on a best efforts basis. In addition, there may be cases where certain assets (e.g., company stock, the self-directed brokerage account window, etc.) will operate in a *sequential* trading environment rather than same-day/late-day across fund families due to the fundamental way that these assets are traded and administered. This can be further driven by the market supply of the asset in question.

**Note regarding unique trading days:** There are certain days of the year, including Columbus Day and Veteran’s Day, when U.S. stock markets are open while the Federal Reserve Bank is closed. On these days, certain fixed income or money market funds may not issue updated prices, or may issue prices so late that they cannot be used in that evening’s trading activity. Under such circumstances, the execution of trades for impacted fixed income or money market funds may be delayed until the following business day (assuming all fund prices are available at that time).

### 4. *Transfers vs. Account Realignment*

The participant portal allows a participant to perform an Investment Transfer (transferring a certain dollar or

percentage amount between investments within the plan), or a complete Account Realignment, which is the more commonly used feature. Following are some important notes:

In the **Investment Transfer** option, the participant designates a dollar amount to transfer from one investment to other investments (e.g., "Redeem \$5,000 from Fund A and transfer 40% of it to Fund B and 60% to Fund C"). When making this type of transaction, the participant runs the risk that the transfer may be rejected if there are not sufficient assets in their account to honor the request. For example: Assume that a participant has \$10,000 invested in Fund A on Monday (using Friday's closing prices), and requests that all \$10,000 be transferred from Fund A to other investments that evening. However, the value of Fund A declines during Monday evening's valuation, so that the participant's holdings in fund A decline to less than \$10,000. In this case, the transfer will be rejected since there are not sufficient assets to honor the transaction that was entered. (Since mutual fund prices are not determined until approximately 2 hours after market close, there is no way for us to provide advance notice of this event). Participants will assume any investment risk associated with Investment Transfers if there are not sufficient assets in their account to honor the transaction that was entered. This risk may be avoided by electing to transfer a percentage amount (100%, for example) instead of a dollar amount, or by using the Account Realignment feature (explained below).

**Account Realignment** allows a participant to designate what percentage of their account should be invested across the entire menu of funds on a percentage basis (e.g., "Invest 25% of my account in Fund A, 40% in Fund B, etc."). Since this option is based entirely on percentages, realignments will be made regardless of the closing account values by fund, and will not be subject to rejection due to fluctuations in mutual fund prices. The Account Realignment option also provides a convenient for the participant to automatically apply these same elections to future contributions as well.

For all transactions entered into the participant portal, participants should to login to their account the next morning to confirm that the changes they made were consistent with their intentions. Therefore, if the participant makes a mistake, corrective action can be taken immediately.

**Important notes for plans offering a self-directed brokerage account (SDBA) feature:** Within the SDBA program, there is a liquid cash portion of the account (uninvested cash in a money market fund) and invested assets (funds invested in various securities). In the event of an account realignment or transfer request submitted in the BPAS participant portal or VRU, only the assets in the liquid cash portion of the SDBA account will be used for this transaction. If a participant wishes to use other SDBA assets in any transaction or transfer request, these securities must be sold and moved to the liquid cash portion of the SDBA account **first** – after which they become eligible for use in a transaction or transfer request.

In addition, each retirement plan that uses the SDBA program will establish a percentage limitation for the SDBA account, such as 25%, 50% or 90% of the participant's total balance. This is the maximum percentage that a participant can direct to the SDBA from the core funds side of the plan (note that all fees are generally charged within the core funds side of the plan, so this rule ensures there is sufficient liquidity for the processing of fees). BPAS takes all reasonable steps to prevent this limit from being exceeded; this includes messages in the participant website and the possibility of rejecting a trade after hours if it is determined that a participant has exceeded the permissible amount. Any participant who uses the SDBA program acknowledges that:

- a. it is possible to have an SDBA transfer request failed if the percentage limitation is exceeded and/or the dollar amount requested is no longer available due to market value changes, and
- b. if a participant exceeds the allowable percentage in the SDBA program, BPAS reserves the right to transfer assets from the SDBA to the core funds as needed to comply with the plan's percentage limitation rule.

As outlined in this policy statement, the BPAS participant portal includes an automatic rebalancing feature. If



selected, this feature will realign the participant's existing account balance, with a subsequent realignment to these weightings every 90, 180 or 360 days thereafter (as elected by the participant). Please note that the automatic rebalancing feature will apply to the core investments portion of a participant's account which offers daily liquidity. It will not include assets in the self-directed brokerage window. For example, if a participant has 20% of their account in the self-directed brokerage account and 80% in the core fund menu, then initiates automatic rebalancing, this automatic realignment will be applied to the 80% of their account in the core funds side of the plan only.

#### **5. *Current balances versus future contributions***

When realigning their account, participants can choose to realign their current balance only, current balance and future contribution, or just their future contributions. We recognize that some participants wish to direct future contributions in a different manner than their existing balances, while others wish to invest both in the same manner. This feature allows us to accommodate the needs of both groups.

One of the most common mistakes we see among participants is re-directing future contributions instead of realigning their entire account balance. Participants must use care when making investment changes within their account to ensure they select the intended option.

#### **6. *Frequent Trading Restrictions and Related Rules***

In response to market volatility and a variety of industry/regulatory events in recent years, many mutual funds have adopted policies to prevent frequent trading or market timing in their mutual funds portfolios. Since such activity can be detrimental to overall portfolio management activities and can reduce returns for other shareholders, the response of most mutual fund families was to begin imposing redemption fees for opposite way transactions made within a defined window of time. For example, a typical redemption fee policy might impose a 2% redemption fee for opposite way transactions made by a participant within a 30, 60 or 90-day window of time. Note that all such policies are set by mutual fund families as a way to deter or discourage frequent trading; these policies are not set or maintained by BPAS.

Rather than assessing redemption fees to participants for opposite way transfers or realignments made within their account (which we felt could be problematic for clients), BPAS devised a novel solution to this problem. We created a program that would impose a "trade block" on opposite way transfers or realignments in impacted funds for the defined window of time (e.g., preventing frequent trading activity in the first place), rather than allowing this activity to occur but assessing redemption fees after the fact. The specific policy for each fund is set by the fund manager and monitored by BPAS.

Here is an example of how this works. Assume that a Participant makes a realignment of their account on Monday, July 1, and transfers \$10,000 into each of five funds. Three of these funds have no opposite way trading restriction; the fourth fund has a 10-day opposite way restriction, and the fifth fund a 30-day opposite way restriction. If the participant were to access his account on July 2 and attempt to make opposite way transfers or realignments in these funds, he would be able to do so in the first three funds immediately. However, the fourth fund would not permit this activity to occur until its 10-day restriction had lapsed, and the fifth fund would not permit this activity until its 30-day restriction had lapsed. This may be reflected by the fourth and fifth funds not appearing on the realignment page during this window or time, or by the funds showing on the page but with a restriction noted.

The participant portal provides a full list of the investments available in each plan along with the trading restriction applicable to each investment option. Participants need to review this information before making any trading activity in their account.

Note that participant-initiated transfers and realignments are the primary activity counted in the BPAS trade block– not new contributions, loans or loan repayments, distributions, allocations of employer contributions, fees or other ancillary activity. It is important to note that automatic rebalancing (both the initial entry and subsequent realignments) generally is considered as a “participant-initiated transfer” by fund mutual families. In addition, for plans that use model portfolios, many fund families consider periodic model realignments as “participant activity” as well, which means that a restricted trading period may follow normal (quarterly) model realignments if the models use one or more funds with a trading restriction. In this case, if a participant wishes to make investment changes during the restricted period, they should do so using the individual investment transfer option, rather than selecting a model portfolio or performing a complete account realignment, so that restricted fund(s) can be avoided until their holding period has expired.

**Important note:** With more fund families adding restrictions or increasing their duration, it has become necessary for BPAS to *include* plan-level fund changes in the programming to monitor for frequent trading at the participant level. Therefore, if a fund is added to a plan as a map-over fund and this fund has a 30-day trading policy, participants will generally be prevented from realigning **out** of that fund until the 30-day period has expired. While BPAS has taken a novel approach in constructing our trade-block methodology, from time to time we may encounter fund families who insist on charging a redemption fee, either for individual participant activity, plan-level activity or a combination. When this occurs, we will communicate with the fund family in an attempt to have the fee waived, but if we are unsuccessful and no other party is willing to pay the fee, the fee will need to be charged against plan assets (e.g., allocated to the participant or participants pro-rata based on the transfers made).

#### **Stable Value Funds**

Many plans have elected to use a stable value fund (either a GIC stable value collective fund or a stable value contract) as an alternative to a money market fund. These two types of funds (stable value funds versus money market funds and *other* fixed income funds with a short-term duration) are considered *competing funds*, subject to various restrictions imposed by the stable value fund managers. These rules are primarily designed to mitigate problems that can occur in rising interest rate environments when participants transfer from a stable value fund to a competing investment, which can be detrimental to overall performance of the stable value fund.

The standard approach offered by BPAS is to allow clients to offer either a stable value fund OR a money market fund/competing fund, but not both options in the plan’s fund menu. In this case, participants will not be bound by competing fund transfer restrictions between stable value funds and money market or other short term bond funds. This eliminates many potential problems associated with transfers or realignments involving these funds and a range of potential questions or disputes associated with such transactions.

For employers who feel this is not an acceptable solution and feel they need to offer both options (a stable value fund and a money market fund or other competing fund), BPAS has created “equity wash” programming. This will prevent participants from transferring directly between competing investments to comply with the rules set forth in the fund’s prospectus. These restrictions apply to both the participant website and the VRU.

#### **Transactions Involving Competing Funds:**

For *investment transfers*, participants will be restricted from transferring directly between the stable value fund and the competing fund or fund(s). Restrictions will be applied to both directions. For example, a participant who seeks to transfer \$50,000 of the stable fund into other funds will be given a list of all funds EXCEPT the competing fund(s) to transfer these assets into (1% increments).

For *account realignment* transactions, participants using this feature will not be able to elect a *different* allocation percentage in the stable value fund or any competing funds; it will be carried over to the realignment elections area as-is. However, the rest of the account rebalance will be conducted according to the participant’s elections.

In addition, competing funds will be listed separately on the investment transfer or account realignment pages, so participants can identify them as such. For more questions and clarification on this matter (for plans using competing funds), please see the participant portal Investments section.

#### **7. Asset allocation models (for plans that offer this feature)**

Some retirement plans offer asset allocation models created by the financial intermediary. This allows the Advisor or Corporate Trustee to take the menu of core funds offered within a plan, and then create “predefined mixes” of these funds as a set of portfolios, to give participants a convenient and easy way to invest their account assets.

Through model portfolios, participants can make a “one-click” election in the website and have their entire account automatically invested in a given strategy, and rebalanced back to that strategy over time.

Following is a summary of how asset allocation models work. Any participant who selects a model must understand these terms before selecting a model within the plan.

- a. Generally speaking, the participant has a choice between selecting one asset allocation model (at 100% of their balance) OR selecting among an array of underlying investments in 1% increments. (They can’t “mix and match” between the two).
- b. If a plan offers a self-directed brokerage account option (SDBA) and a participant chooses to invest in this option, the models realignment functionality for that participant becomes disabled. If a participant in this situation would like to invest in a model portfolio, they should use the automatic rebalancing feature of the website – setting up rebalancing for the core funds portion of their account similar to the desired model portfolio. (This is a recordkeeping system limitation, not one created by BPAS).
- c. Selecting a model through the website or voice response unit: A participant can select Choose a Model to either switch from one portfolio model to another or to move their balance out of individual investments and into a portfolio model. Selecting this option will realign the participant’s current balances into that model immediately (subject to the daily cutoff time) and apply the model weightings for new contributions as well.
- d. If a new participant selects a model on an enrollment form (for a plan that is already live on our system), once that form is processed by BPAS, the participant’s new contributions will be invested in the mix of funds as held in the model moving forward. **However, their existing balances will not be swept into the model holdings until the next model realignment is conducted.** (As a general rule, this is normally done during the third month of each calendar quarter, unless the financial intermediary instructs otherwise).
- e. Models are managed by the Trustee or Advisor that services the retirement plan. The specific funds and weightings used within the model will vary over time, as driven by the manager’s research process (which the firm will communicate via email to BPAS through our model weightings form). Model changes can take place at any time without prior notification of plan participants. If model changes are made, an ad hoc realignment of the models may be performed at any time.
- f. The previous point notwithstanding, any participant who selects a model accepts that their entire account balance will be realigned into the current model allocation and realigned to the model’s new weighting with each quarterly rebalancing period.
- g. Unless BPAS was instructed not to allow this feature, a participant in a plan that offers models can opt out of the model and select a custom mix of the underlying investments available within

the plan.

If a participant wishes to develop a custom strategy (e.g., investing 80% of their account in the growth portfolio and spread the remaining 20% among four different funds), they can opt out of the model realign their account the **automatic rebalancing feature** in the participant portal. The participant can determine the corresponding percentages for each investment (rounding as necessary) to derive a desired mix of funds. The automatic rebalancing feature allows the employee to select the rebalancing frequency (e.g., every 90, 180 or 360 days).

## 8. *Mutual fund actions*

As an open architecture platform, BPAS is asked by clients to trade a large number of funds and fund families. This includes large, “household name” firms as well as smaller, boutique organizations. As BPAS interacts with outside fund families and makes various transactions in their funds, we are entirely at the mercy of fund family policies, such as fund openings and closings, fund mergers, fund family acquisitions, fund liquidations, name changes, ticker or CUSIP changes, manager and strategy changes, fund or share class minimums, changes to redemption fee or frequent trading policies, and handling of accounts with no assets invested or other changes. These policies vary dramatically by fund family and can change with little or no advance notice.

In all cases, BPAS will work to manage fund actions that take place across our plans to administer such changes in our client accounts. However, BPAS will not bear financial responsibility for mutual fund actions, especially when such events are not properly communicated by mutual fund families to BPAS. When we learn or are notified of a mutual fund action (whether or not it was communicated to BPAS in advance), we will work to manage the process as quickly as possible to mitigate any impact to plan sponsors and participants.

## C. **Loans and Withdrawals**

### 1. *Loan and Withdrawal Processing*

For plans that offer loans, our participant portal supports loan availability and modeling. When a participant determines a desired set of loan parameters, they can generate and print the loan paperwork or request that it be mailed to their home address. Similarly, withdrawal paperwork can be generated and printed through the portal or mailed to the participant’s home address.

Requesting loan or withdrawal paperwork in and of itself does not initiate a loan or distribution, nor does it create any immediate trades within the participant’s account. The participant must complete and sign the paperwork, then fax or mail it back to BPAS to begin the process.

Our standard turnaround time for initiating a loan or withdrawal check is 5 - 7 business days after we receive completed paperwork from the participant. (Note: This is a general rule only. If additional research or follow-up is required, more time may be needed. For example, in many loan requests, the plan sponsor must verify the participant’s actual payroll frequency before the loan can be processed since this impacts the amortization schedule.) In addition, BPAS processes withdrawal trades all on the same evening, once we have received updated values for all assets held in the participant’s account. In the case of a plan holding a nonstandard asset that is valued less frequently than daily, the entire withdrawal will be suspended until we receive a proper valuation for the non-standard asset, at which point the mutual funds *and* nonstandard asset will be sold on the same evening.

Since it takes some time to process a loan or withdrawal request, the value of a participant’s account can vary (positively or negatively) between the date the request is submitted and the date the loan or disbursement trades are processed. However, participants have the ability to control the investment of their account at all times using the participant portal or voice response unit. If a participant is concerned about the precise value of their account when requesting a loan or withdrawal, he or they should consider realigning their existing balances to the money

market or stable value fund when the loan or withdrawal paperwork is initiated. Participants can request an Investment Transfer transaction from the Make Changes tab in the Investment section of the My Account menu in the portal.

Other notes about loans and withdrawals:

- a. Loans and distributions are processed on a “first in, first out” basis, and processed as quickly as possible after they are received by BPAS. If a participant does not want a loan or distribution processed immediately, they should wait until the desired date to retrieve the paperwork from the website and submit the application to BPAS. If it is submitted to BPAS, it will be processed immediately. BPAS will not be responsible for situations where a participant submits paperwork asking that it not be processed until a certain date.
- b. The participant must read the entire set of loan or distribution paperwork before submitting the paperwork to BPAS. These documents contain important information that must be taken into account.
- c. For security purposes, withdrawal/rollover checks are generally sent directly to the participant’s home address rather directly than to the successor trustee or IRA custodian. The participant would forward the check to the successor trustee or IRA after receiving it when appropriate, along with any additional paperwork the successor firm may require. (This process ensures secure handling of the distribution or rollover check and helps reduce the chance that the new firm will not know how to process it).
- d. If a participant submits a loan request but this loan amount is no longer available by the time the request is being processed, the loan cannot be processed (per IRS regulations). The participant can either re-submit the loan request or modify the loan amount.

## **2. Payout of Trailing Contributions and Earnings**

Once a month, trailing contributions and earnings allocated to a participant’s account subsequent to a full distribution are distributed. If a participant had a full disbursement within the last 180 days (not due to death), hasn’t been rehired, and has a current vested account balance greater than zero (due to contributions and/or earnings posted to the account after the initial disbursement), the remaining vested account balance will be paid to the participant if greater than \$10.00 (without a fee). Rollover and withholding instructions from the original disbursement are applied to this subsequent disbursement. The non-vested portion, if any, is swept to the plan’s forfeiture account. If the vested account balance is less than \$10.00, the entire account balance will be swept to the Forfeiture Account in the plan (recognizing *de minimus* rules and the \$75 distribution fee). If there is no Forfeiture Account in the Plan (all sources are 100% vested), such accounts with a value of less than \$10.00 are swept into a Miscellaneous Earnings account to be allocated to the remaining participants (recognizing *de minimus* rules and the \$75 distribution fee).

Like all other parts of our business, BPAS continues to review fee processing practices. As we identify ways that the process can be further enhanced or streamlined, we will make changes accordingly.

## **3. For withdrawals from plans that offer the MyPlanLoan loan program or the Self-Directed Brokerage Account (SDBA), these accounts must be closed out before the final withdrawal can be processed by BPAS.**

If a participant is using an SDBA account and requests a loan from their plan, they must have sufficient proceeds in the core funds side of the plan to support the loan request.

## D. Error Correction

### 1. Errors and Error Correction

In a complicated business, where data and instructions from a variety of parties must be processed consistent with the constantly changing nuances of IRS and DOL regulations, from time to time errors or delays will occur.

Between the plan sponsor, the payroll provider, outside legal counsel or consultants, the trustee or advisor, the accounting firm and BPAS, errors can be made by various parties, individually or in combination. When an error or delay is suspected to have occurred, the participant or plan sponsor must notify BPAS promptly of the situation. BPAS will take all reasonable steps to research the matter to determine whether an error or unreasonable delay occurred, the extent of any financial impact on the plan or individual participants, the party or parties that were responsible for the error, and the potential methodologies available for correcting the error. We will discuss these matters with the client to determine an appropriate course of action.

In any potential dispute related to participant or plan-level account values, the beginning point of any analysis is to determine whether an error or a delay occurred. An error occurs when *“What happened is not what should have happened.”* For example, if a participant’s elections were to invest in Fund A, but assets were instead invested in Fund B, that would clearly be an error (regardless which party or parties were responsible for the error). In the case of a delay, *the correct transaction was effected, but it was processed later than it should have been* (regardless which parties were responsible). In the case of errors, the remedy used by BPAS will be to follow the EPCRS process (as outlined below) and determine the financial impact to individual participants, including daily market value changes and considering other factors as outlined below. In the case of a delay, since the transaction itself is not in question but rather the date on which it was processed, participants are entitled to the *time value of money*, as determined by the stable value, money market or lowest risk investment in the plan for the time period in question. Therefore, even in declining investment markets, a delay will result in restorative payments to be made to participant accounts reflecting their lost access to the assets in question for a period of time.

When required due to the nature or scope of an error, BPAS follows the terms of the IRS Employee Plans Compliance Resolution System (EPCRS) to correct errors. This program includes the Self-Correction Program (CAP), the Voluntary Correction Program (VCP) and the Audit Closing Agreement Program (Audit CAP) and other governmental programs which may evolve over time. A basic tenet of the EPCRS program in correcting most errors is to *create the result that would have occurred if the error had not taken place*. This involves recovering any undue gain experienced by certain participants as a result of the error and using these funds to restore any undue financial harm experienced by other participants, with any remaining financial impact being borne by the party (or parties) responsible for the error. If the aggregate result of an error across all participants produced net financial harm to the plan, BPAS and other involved parties would be responsible for funding a pro rata portion of the difference to make impacted participants whole. BPAS and other involved parties would be responsible for funding a pro rata portion of the difference to make impacted participants whole. Recognizing the inherent liabilities that attend to this business, if it is found that after fully correcting an error and making all participants whole that an aggregate gain was experienced (due to timing differences or other factors), BPAS and other involved parties will be entitled to retain the difference (in a proportionate share) as a loss reserve against future errors which attend to the retirement plan business.

While errors can often have multiple contributing parties who may each bear financial responsibility, BPAS will use this standard as the beginning point for any discussion of liability concerning any error or suspected error. The methodologies for recovering funds may be different for active participants, terminated participants and former participants who have already taken a distribution. Outside counsel may be involved as necessary for errors that are substantial in size or scope. For full details of the IRS EPCRS program, please visit [www.irs.gov](http://www.irs.gov).

## E. Enrollment

### 1. Enrollment forms

If traditional paper enrollment forms are used, BPAS supports this practice as an administrative accommodation, covering the temporary period of time between the date BPAS receives a completed enrollment form from a participant and the date the participant receives a PIN. When a participant receives a PIN, they should login to the portal, create their user credentials, review their account investments and investment elections, and make any desired changes. Any liability on the part of BPAS for processing enrollment forms will be limited to the window of time between the date that BPAS receives a duly executed form and the date the participant receives their PIN.

The following are important guidelines that apply to the processing of enrollment forms:

- a. Handwriting must be legible.
- b. Percentages must add up to 100%.
- c. Participants must complete their form in their entirety and sign and date it.
- d. Participants should submit their enrollment forms to their plan sponsor, who in turn remits them to BPAS.
- e. Enrollment forms are processed under the first in, first out (FIFO) method. It is important to note that, unlike when a participant enters a transaction in the website or voice response system, **enrollment forms are an entirely manual process**. This includes the receipt and logging of the form in our system, a queue of forms to be processed at any time (forms are processed on a FIFO basis), review time, entering new contribution codes in our recordkeeping system and other steps. Due to the number of steps involved in processing enrollment forms, our standard is to have them processed within 5 to 7 business days after they are submitted to BPAS. While we may be able to process many forms more quickly, our operating standard takes precedent before any discussion of liability will be considered. For this reason, if enrollment forms are faxed or electronically delivered to BPAS on Tuesday, it is not likely that they will be entered in time for that Friday's payroll. When they are entered, they will apply to all new contributions made prospectively from the date they are entered into our system.
- f. Except in the case of plans using asset allocation models created by the Trustee or financial intermediary, enrollment forms will drive the investment of new contributions only and will not automatically realign existing balances. (The map-over strategy used for each plan conversion will drive the way in which existing balances are invested). While this impact may be somewhat *de minimus* for most participants (new contributions are often only a fraction of existing balances), it can have an exaggerated effect in the case of an incoming rollover, both for plans with models and those without. **Participants must be aware that the investment election percentages on file on the BPAS recordkeeping system will apply to all new contributions made within their account, including incoming rollovers sent to BPAS.** (This is the case whether the plan offers individual funds and/or portfolio models created by the financial intermediary.).
- g. Only one enrollment form per participant may be submitted. (If a participant changes their mind in terms of the desired asset allocation, this change can be made immediately once they receive a PIN in the mail rather than by submitting a new enrollment form).
- h. If a participant submits more than one enrollment form, BPAS will not be liable for any damages that might result from coordination issues between forms. This includes BPAS

rejecting one or more enrollment forms, processing forms in a different order than they were submitted, or delays from contacting the plan sponsor for clarification.

- i. Once a participant's PIN has been issued, all investment elections from that point forward (whether they pertain to current balances or new contributions) are to be made using the website or voice response system. If a new enrollment form is delivered to BPAS for a participant who has already been issued a PIN (and the form is dated *after* the day the PIN was issued), the form will generally be rejected. The only exception is for enrollment forms that were dated prior to the date the PIN was issued where timing issues resulted in an overlap of dates.
- j. Plan sponsor should retain original copies of all beneficiary forms; do not send these forms to BPAS.
- k. Participants can review how their account balance is invested anytime in the participant portal (or voice response system). In addition, each quarterly statement provided by BPAS details the investment of the participant's account – including both current balances and the direction of future contributions. Participants must read quarterly statements, confirms, and other correspondence and notify BPAS promptly about any suspected error. This includes if a participant suspects that there was an error or delay in the processing of their enrollment form.

## **F. Other**

### **1. Automatic/Forced Rollovers**

Many qualified plans provide for forced rollovers of terminated participant accounts with vested balances less than \$5,000. The specific terms and dollar ranges are established in each plan's plan document. If a plan contains these provisions and the Plan Sponsor has executed an agreement with Hand Benefits & Trust (a BPAS company) to custody the IRAs for the forced rollovers, terminated participants with a vested account balance of greater than a minimum amount specified in the plan document (typically \$200) and less than \$5,000 (excluding rollover money) are sent notification of the pending forced rollover. If the participant does not make an election with regard to the distribution of their account within 2 months after receipt of the notification and if the participant has not been rehired, their vested balance is automatically rolled over into an IRA at BPAS in their name. Automatic rollover transactions generally take place on the third week of each month. At the same time, rollovers of trailing contributions and earnings from previously rolled accounts are rolled into existing IRA accounts, and notices are mailed to terminated participants who meet the criteria for a forced rollover and have not previously been sent notification.

If a participant terminates with a vested account balance greater than the forced cash out/rollover amount, the account balance remains in the plan until the participant requests distribution of his/her account. The withdrawal forms necessary to request a payout may be obtained through their online account at [u.bpas.com](http://u.bpas.com) or by calling the BPAS Participant Service Center (866-401-5272, option 3).

### **2. Forfeiture of Non-Vested balances**

The non-vested account balance of a participant who has requested a distribution of their account is swept to the forfeiture account in the plan when the distribution takes place. If the Sponsor has adopted the BPAS "Automatic Rollover" program, once a month, the account balances of non-vested participants who have been terminated for at least 90 days are also swept the forfeiture account. In addition, those participants who have been terminated





for more than 90 days with vested account balances less than the forced rollover minimum are automatically paid their vested account balance (if greater than \$10) and their non-vested balance is swept to the forfeiture account. Under de minimus rules and recognizing the \$75 distribution fee, vested amounts of less than \$10 are swept to the forfeiture account. Forfeitures are allocated or applied to future contributions based upon each plan's provisions.

#### **G. Disclaimer**

This Policy Statement Regarding Account Transactions establishes standard policies and protocols for the daily valuation business of BPAS. In the administration of daily valuation plans, we will occasionally encounter situations that are difficult to anticipate in advance of any policy statement (including plans with unusual provisions, assets, features, money sources, business events and other circumstances). In such cases, BPAS reserves the right to take a different approach if warranted by circumstances; our goal is to provide seamless plan administration while complying with the numerous financial, legal, investment, audit and trust considerations that attend to our business.

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