

COMPUTER MODEL CERTIFICATION

FIDELITY BROKERAGE SERVICES LLC

HSA Investment Recommendation Tool

Personal Investing

December 1, 2021





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Opinion Letter

Begonya Klumb and Chris McDermott
Fidelity Brokerage Services LLC
245 Summer Street, V2A
Boston, MA 02210

December 1, 2021

Dear Ms. Klumb and Mr. McDermott:

We have evaluated the HSA Investment Recommendation Tool computer model provided by Fidelity Brokerage Services LLC and offered to personal investors, to determine if it meets the requirements to be used as a Certified Computer Model as defined by the Employee Retirement Income Security Act of 1974, as amended [“ERISA”] Section 408(g) and Internal Revenue Code [“IRC”] Section 4975(f)(8)(C)(iii).

Based on evaluations that include all material modifications made to HSA Investment Recommendation Tool as of December 1, 2021, it is our opinion that:

- Fidelity Brokerage Services LLC, using the HSA Investment Recommendation Tool computer model to provide investment advice to a participant or beneficiary through either a self-directed interaction or with a Fidelity associate “facilitator” is in compliance with ERISA Section IRC Section 4975(d)(17) and (f)(8).

Detailed findings from our evaluations will be available from DALBAR and may be obtained from its website.

Information used to form this opinion was provided by Fidelity Brokerage Services LLC and confirmed through public sources where possible. Any material change or discrepancy in this information could reverse our opinion.

Very truly yours,

DALBAR, Inc.



Investment Model Provider Fact Sheet: Fidelity Investments / Fidelity Brokerage Services LLC¹

Company History: Founded and privately held since 1946	Number of Customer Reps: 10,000+	Affiliated Firms: See Page 8
Background Check Clear²	Total Assets under Management/Administration: \$3.5 trillion / \$8.8 trillion	Primary Business of Firm: Broker/Dealer Services, Personal and Workplace Retirement Services
Primary Compensation Sources: Various	Customer Accounts: 75 Million⁺	Broker/Dealer Name: Fidelity Brokerage Services LLC
Geographic Coverage National provider of brokerage and retirement services	Clients and customers: 22,000+ employers managing employee benefits 32 million+ customers investing with Fidelity	RIA Name: N/A
Previously Certified: Initial Certification of HSA Personal Investing Tool	Material Changes since Last Certification: N/A	
Web Sites www.fidelity.com www.netbenefits.com		

¹ Firm Metrics as December, 2020. Sources:

<https://sp.fmrcloud.com/sites/ourcompany>

https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/about-fidelity/corporate-statistics-infographic.pdf

² Disclosure events exist, but nothing unusual or concerning for a firm this size.



Investment Model Fact Sheet: HSA Investment Recommendation Tool

Investment Model Characteristics						
Inputs	Age	✓	Time Horizon	✓	Risk Tolerance	✓
	Current Investments	N/A	Other Assets	✓	Sources of Income	✓
					Investment Preferences	✓
Outputs	Explanation of Asset Classes	✓	Allocation by Asset Class	✓	Allocation by Investment	✓
	Risk Category Selected	✓	Allocation Graphic	✓	Method of Acceptance	✓
Defaults	Time-based Target Asset Mix, cohort data for certain unanswered questions, Percentage equity of other assets					
Implementation	Execution of Advice is performed outside of the tool at customer discretion					

Long-Term Asset Allocation Mixes				
	Domestic Stock (%)	Foreign Stock (%)	Bonds (%)	Short Term (%)
Short-Term	0	0	0	100
Conservative	14	6	50	30
Moderate with Income	21	9	50	20
Moderate	28	12	45	15
Balanced	35	15	40	10
Growth with Income	42	18	35	5
Growth	49	21	25	5
Aggressive Growth	60	25	15	0
Most Aggressive	70	30	0	0



Fee Structure

Usual fees charged for services:

No fee is charged to the investor for this advice service.

Contractual arrangements that could result in direct or indirect compensation to manager or affiliates on the basis of investment decisions if clients take actions on the basis of advice given:

Fidelity Brokerage Services LLC and its affiliates receive revenue from proprietary products and third parties in the form of commissions, revenue sharing, sales loads, 12b-1 fees, finders' fees, sub-transfer agent fees, management fees, infrastructure fees, servicing fees, distribution fees, etc., that may present a material conflict of interest.

Fidelity has multiple relationships with other financial institutions that also provide securities products and services that FBS may recommend to retail clients which may cause an actual or potential material conflict of interest. In addition, financial institutions themselves may be clients of FBS or an affiliate or may provide products and services to Fidelity or its clients. Relationships with associates at these firms, or associate incentives such as entertainment by these firms, may result in an actual, potential or perceived material conflict of interest. Associate incentives such as gifts or entertainment provided by associates at the firm or third parties, or relationships with associates at the firm or third parties, may lead to a conflict of interest.

Testing of the model revealed no signs of bias stemming from these potential conflicts.

Sources of compensation:

Fidelity Investments receives compensation that varies based on the products or services chosen by their clients. Due to this, Fidelity will receive variable compensation in connection to the recommendation to buy, sell or hold certain products and services. Fidelity also receives compensation that does not vary based on the products and services chosen by clients, such as platform and start-up fees, infrastructure and maintenance fees, and marketing program fees. Where sales loads, finder's fees, and other commission-based compensation apply, the more transactions entered into, and/or the greater their value, the more compensation Fidelity Investments receives. Fidelity also receives investment advisory and wrap fees associated with advisory services that they recommend to clients.

Other factors or suggestions from others that could improperly influence investment decisions or the advice given to clients:

None.



Investment Model Provider Disclosures

The following important disclosures follow:

- DALBAR Certification
- Scope of Evaluation
- Acceptance of Fiduciary Responsibility
- Adviser Affiliations
- Additional Disclosures



DALBAR has evaluated the **HSA Investment Recommendation Tool** offered by **Fidelity Brokerage Services LLC** to personal investors, to determine compliance with United States Department of Labor and DALBAR standards for Fiduciary Advisers as defined by the Employee Retirement Income Security Act of 1974, as amended [ERISA] Section 408(g) and Internal Revenue Code [IRC] Section 4975(d)(17), (f)(8) and associated regulations.

The following evaluations were performed:

Due Diligence Requirements

Objective process to assess:

- Adviser qualifications ✓
- Quality of services offered ✓
- Reasonableness of fees charged for the service ✓
- Avoidance of self-dealing ✓
- Avoidance of conflicts of interest ✓
- Avoidance of other improper influence ✓

Process that takes into account:

- Use of generally accepted investment theories ✓
- Experience and qualifications of the adviser ✓
- Adviser's registration in accordance with applicable federal and/or state securities law ✓



Adviser Affiliations

Fidelity Brokerage Services LLC has disclosed that it is affiliated with the following firms:

- ✓ DIGITAL BROKERAGE SERVICES LLC
- ✓ FIDELITY INSTITUTIONAL WEALTH ADVISER LLC
- ✓ FIDELITY PRIME FINANCING
- ✓ FIDELITY PERSONAL AND WORKPLACE ADVISORS LLC
- ✓ LUMINEX TRADING & ANALYTICS LLC
- ✓ IMPRESA MANAGEMENT LLC
- ✓ FIDELITY BUSINESS SERVICES INDIA PRIVATE LIMITED
- ✓ FIDELITY SELECTCO, LLC
- ✓ FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED
- ✓ FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED
- ✓ FIDELITY CLEARING CANADA ULC
- ✓ FIDELITY (CANADA) ASSET MANAGEMENT ULC
- ✓ FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY
- ✓ FIDELITY PERSONAL TRUST COMPANY, FSB
- ✓ FIAM LLC
- ✓ BALLYROCK INVESTMENT ADVISORS LLC
- ✓ FMR CO., INC.
- ✓ FMR LLC
- ✓ NATIONAL FINANCIAL SERVICES LLC
- ✓ FIDELITY DISTRIBUTORS CORPORATION
- ✓ FIDELITY GLOBAL BROKERAGE GROUP, INC.
- ✓ FIDELITY INVESTMENTS CANADA ULC
- ✓ FIDELITY INVESTMENTS INSTITUTIONAL SERVICES COMPANY, INC.
- ✓ FIDELITY INVESTMENTS MONEY MANAGEMENT, INC.
- ✓ FMR INVESTMENT MANAGEMENT (UK) LIMITED
- ✓ FIDELITY MANAGEMENT & RESEARCH COMPANY
- ✓ FIDELITY MANAGEMENT TRUST COMPANY
- ✓ STRATEGIC ADVISERS, INC.

Additional Disclosures

None.



Investment Model Certification Results

DALBAR has evaluated the **HSA Investment Recommendation Tool** computer model offered by **Fidelity Brokerage Services LLC** to personal investors to determine if it will meet the requirements to be used as a Certified Computer Model as defined by the Employee Retirement Income Security Act of 1974, as amended [“ERISA”] Section 408(g) and Internal Revenue Code [“IRC”] Section 4975(f)(8)(C)(iii).

The methodologies used for the evaluation are presented in the following sections. The methodologies applied were consistent with each specific requirement of the regulations. There were no limitations or restrictions imposed on DALBAR in the selection or application of the methodologies used.

DALBAR has a 30-year history recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and performance due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting its evaluations from the testimonial rule. Given its history, reputation and our extensive involvement in fiduciary adviser training, we believe that DALBAR meets or exceeds the expertise and proficiency required to conduct certifications required by 29 CFR 2550.408g-1(b)(4)(iii) and IRC Section 4975(f)(8)(C)(iii)(III).

Based on the results of the evaluation it has been determined that the HSA Investment Recommendation Tool computer model meets the requirements, including specifically the requirements of IRC Section 4975(f)(8)(C)(ii).



Specific Findings

METH = Evaluation of Methodology documentation
TEST = Model Test
COMP = Compared to Comparable Models
NOT = Review of notifications/disclosures/ final recommendation document

APP = Through written statement via application
WS = Through written statement or interview
INT = Through interview with key personnel
RPP = Review of rep policies and procedures

COMPLIANCE TEST	METHOD OF EVALUATION	RESULT	COMMENT
Is investment theory recognized as being generally accepted?	METH TEST WS INT	✓	<p>Target Asset Mixes are constructed using generally accepted investment variables such as risk and expected returns based on historical patterns.</p> <p>Target Asset Mixes are assigned to investors based on the generally accepted variables of time horizon, risk tolerance, outside assets and financial situation.</p> <p>Screening and selection methodologies used to select investments exhibit a structured and objective approach that applies the generally accepted investment variables of cost, performance, asset class alignment, and fund consistency with respect to people and process.</p> <p>Methodology with respect to strategy recommendations (Target Date Funds, Target Allocations Funds, Model Portfolios, or Health Savings Fund) was also evaluated and found to be objective and reasonable.</p>
Cost	COMP	✓	No fee will be charged for the use of the model.
Other specific requirements and best practices:			
Takes fees and expenses into account	METH TEST	✓	Examination of the Funds to Consider universe and the methodology underlying its creation demonstrated that lower cost investment options will be favored. Screening methodologies seek investment options with net expense ratio in bottom half of relevant peer group.
Requests and utilizes investor information about age, time horizons, risk tolerance, current investments, other assets, sources of income and investment preferences.	METH TEST RPP	✓	<p>The Model Test demonstrated that the information requested from investors meet industry best practices. This includes inputs of age, time horizons, risk tolerance, sources of income, investment preferences, and other assets.</p> <p>The model does not take into account current investments in the HSA account because the tool assumes all assets in an account will be liquidated and the strategy applied to all such assets, which is disclosed in the Methodology.</p> <p>Processes and procedures related to rep-led interactions are reasonably designed to ensure that such input is properly requested, explained, and recorded.</p>



<p>Utilize objective criteria to select and allocate designated plan investments.</p>	<p>METH TEST WS INT</p> <p style="text-align: center;">✓</p>	<p>Target Asset Mixes are constructed using generally accepted investment variables such as risk and expected returns based on historical patterns.</p> <p>Target Asset Mixes are assigned to investors based on the generally accepted variables of time horizon, risk tolerance, outside assets and financial situation.</p> <p>Screening and selection methodologies used to select investments exhibit a structured and objective approach that applies the generally accepted investment variables of cost, performance, asset class alignment, and fund consistency with respect to people and process.</p> <p>Methodology with respect to strategy recommendations (Target Date Funds, Target Allocations Funds, Model Portfolios, or Health Savings Fund) was also evaluated and found to be objective and reasonable.</p>
<p>Does not:</p>		
<p>Favor investments that compensate investment model provider or affiliates.</p>	<p>METH TEST</p> <p style="text-align: center;">✓</p>	<p>The Model Test demonstrated that the tool does not favor investments that compensate Fidelity Brokerage Services LLC or its affiliates.</p>
<p>Favor investments that result in greater compensation to investment model provider or affiliates.</p>	<p>METH TEST</p> <p style="text-align: center;">✓</p>	<p>The Model Test demonstrated that the tool does not favor investments that compensate Fidelity Brokerage Services LLC or its affiliates.</p>
<p>Base investment selection on criteria that cannot be expected to persist.</p>	<p>METH</p> <p style="text-align: center;">✓</p>	<p>Funds are screened and selected on generally accepted criteria including, but not limited to cost, performance, asset class alignment, and fund consistency with respect to people and process.</p>
<p>Considers all designated investments except those noted below</p>	<p>METH WS</p> <p style="text-align: center;">✓</p>	<p>All investments options within the Funds to Consider universe are considered by the computer model in the investment selection process.</p>



Explanation of Methods Used

METHOD	DESCRIPTION OF PROCESS
Evaluation of Methodology Documentation	All methodology documentation is evaluated to determine the investment approach used by the computer model.
Model Test	The standard DALBAR test of investor profiles was used. An allocation was established by answering all questions in a likely manner of that hypothetical investor. These hypothetical investors are (1) new to the workforce, (2) at the investment threshold, (3) a highly compensated employee (4) a pre-retiree and (5) a retiree.
Comparison to Comparable Models	The cost and functionality of computer models that are known to be used for investment selection and asset allocation are compared to the computer model being evaluated.
Written Statement	Additional written statements were requested and provided by the fiduciary adviser.
Interview	Fiduciary adviser was interviewed to clarify questions raised during the evaluation process.
Evaluate notifications/disclosures	Notifications and disclosures were reviewed to ensure compliance with regulations. Notifications must contain all required content, in a manner that is calculated to be understood.
Review of Associate Policies and Procedures	For certification of the computer model that utilizes a “facilitator” in the advice process, policies and procedures are examined to ensure the facilitator’s inclusion in the process does not affect the design and operation of the computer model.



Previous Certifications Related to HSA Personal Accounts

Previous Certification Date	HSA Personal Account Change
N/A – Initial Certification	N/A

Material Changes to HSA Personal Accounts since Last Certification

Current Certification Date	HSA Personal Account Change
December 1, 2021	Initial Certification