

2021 Advisory Council on Employee Welfare and Pension Benefit Plans

Understanding Brokerage Windows in Self-Directed Retirement Plans

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Brokerage windows allow plan participants to select investment options beyond those specifically designated by the plan's fiduciary. The 2021 Advisory Council will examine brokerage windows in participant-directed individual account retirement plans that are covered by ERISA to gain a better understanding of their design, prevalence, and usage. The examination will focus on the number and types of plans that offer a brokerage window and the extent to which assets are invested in brokerage windows. The Council also will study the nature and extent of disclosures that plan participants receive, which plan participants use brokerage windows, and in what manner.

In 2012, the Department issued a revised Field Assistance Bulletin that clarified what information related to a brokerage window needs to be disclosed under the participant-level disclosure regulation and that a brokerage window is not in and of itself a designated investment alternative. Apart from the specific requirements of the participant-level disclosure regulation, the guidance did not address ERISA's fiduciary standards.

The Department issued a Request for Information in 2014 ("RFI") to increase its understanding of the prevalence and role of brokerage windows in participant-directed individual account plans. The RFI focused on why and how often brokerage windows are offered and used in ERISA-covered plans. The Department was interested in whether guidance would be appropriate and necessary to ensure that plan participants and beneficiaries with access to a brokerage window are adequately informed and protected under ERISA. The work of the Council is intended to assist in this effort.