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Office of Regulations and Interpretations
Employee Benefits Security Administration (EBSA)
RIN 1210-AB59
Room N-5655
U. S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
Attn: Brokerage Windows RFI

Re: Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans

Dear Sir or Madam:

Charles Schwab & Co., Inc. appreciates the opportunity to comment on the Department of Labor's (DOL) Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans (RFI for Brokerage Windows.) The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 300 offices and 9.3 million client brokerage accounts, 1.4 million corporate retirement plan participants, 974,000 banking accounts and \$2.44 trillion in client assets.¹ We welcome the opportunity to assist the DOL in its review as to whether guidance is appropriate or necessary for such plan options given the lack of information currently available.

Schwab Supports the DOL's Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans

Schwab is supportive of the approach taken by the DOL in its issuance of the RFI for Brokerage Windows and appreciates the opportunity to provide information to assist the DOL in its review in advance of any rulemaking.

Schwab provides services to over 330,000 brokerage window accounts. Over time we have seen that the on-going participation in such brokerage windows has increased and remains an important option

¹The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services. Through its operating subsidiaries, The Charles Schwab Corporation provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC, www.sipc.org), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; compliance and trade monitoring solutions; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at www.schwab.com and www.aboutschwab.com.

available to plan sponsors as they work to support the overall goal of helping workers secure and protect retirement benefits. Our experience indicates a strong desire on the part of plan fiduciaries to make brokerage windows available to plan participants.

Because there is a lack of formal guidance related to brokerage windows, we welcome this review by the DOL. Our comments are provided to help address the questions raised, to the extent appropriate, and assist the DOL in its evaluation. Our comments below reflect the following: information related to areas that are applicable to Schwab as a service provider to participant-directed individual account plans; the requirements that are in place today for plan fiduciaries when establishing such brokerage accounts² and the robust disclosure requirements that must be met related to such accounts.

Conclusion

Schwab appreciates the opportunity to provide information in response to the Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans. We welcome the opportunity to work with the DOL on this important matter. Should you have any questions about this letter, please contact the undersigned at (720)418-2196 or at Larry.Bohrer@schwab.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Bohrer", with a horizontal line extending to the right.

Lawrence Bohrer
Vice President
Schwab Corporate Brokerage Retirement Services

² When plan fiduciaries make the election to include a brokerage window under the plan there are obligations they must meet under ERISA. DOL Field Assistance Bulletin 2012-02R, Q&A 39 July 30, 2012 states in part: fiduciaries of plans with platforms or brokerage windows, self-directed brokerage accounts, or similar plan arrangements that enable participants and beneficiaries to select investments beyond those designate by the plan are still bound by ERISA section 404(a)'s statutory duties of prudence and loyalty.

Charles Schwab & Co., Inc. Responses to the Department of Labor’s Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans

Charles Schwab & Co., Inc. (“Schwab”) appreciates the opportunity to comment on the Department of Labor’s (DOL) Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans (RFI for Brokerage Windows). Schwab has provided comments to the questions where it has direct experience and information as a brokerage window provider and also as a retirement plan recordkeeper. As such, there are some questions in the RFI where Schwab did not provide a comment.

1. What are the various brokerage window, self-directed brokerage account, and similar arrangements that are made available in 401(k) plans, and which one (or more) is the most common? What are the benefits and drawbacks of these various arrangements?

At Schwab, there are two distinct models from which employers choose when using a self-directed brokerage window arrangement with respect to the defined contribution retirement plans that they sponsor. The first is when employers offer the brokerage window as a feature, in addition to the designated investment alternative lineup they make available to plan participants as core investment options within the retirement plan.

Benefits:

- Although each investment that may be selected through the brokerage window is not reviewed by the plan sponsor, there is a level of oversight required. Plan sponsors must review the overall brokerage option itself and make a determination that the brokerage window feature is appropriate under ERISA with respect to the plan and participants. Under the Schwab model, plan sponsors may limit the investments that are available to plan participants by defining a menu of investments (either specific investments or categories of investments) within the brokerage window.
 - Allows plans to focus due diligence on a manageable number of designated investment alternatives
 - Provides plan participants access to a wide array of investments beyond those selected by the plan sponsor, including mutual funds, exchange traded funds (ETFs), stocks, fixed income and FDIC insured CDs through a brokerage window.
- Where the plan sponsor permits, plan participants may elect to hire an investment adviser to further assist them as they work toward their retirement goals.
- Participants who elect the brokerage window may have additional access to investment education, tools and considerable research reports that otherwise might not be available.

Drawbacks:

- The brokerage window arrangement may be offered through a brokerage platform that is separate from the participant recordkeeping platform. Therefore, the records and custody of assets are on different systems and require additional aggregation.

The second model is where plan sponsors adopt a brokerage window only approach for plan investments. This model is generally adopted by smaller companies in the “micro plan” space, which is defined as total plan assets under \$1 million. Often the brokerage only option allows smaller employers to offer a 401(k) plan to its employees because plan recordkeeping costs typically are less than under a fully “bundled” service approach.

Benefits:

- Allows smaller companies to offer a 401(k) plan without costly recordkeeping fees.
- Allows the employer to establish a plan to help participants save toward retirement.
- Through a brokerage window platform, participants may now have access to investment research, education and advice that may not be offered through a traditional plan in this segment of the market.
- Participants have access to a wide selection of investments in multiple categories (stocks, ETFs, mutual funds and fixed income).
- If the plan sponsor permits, plan participants may elect to hire an investment adviser to further assist them as they work toward their retirement goals.

Drawbacks:

- This brokerage window only approach may have limited features available to plan participants as contrasted to the features available to participants in plans serviced through institutional recordkeepers and other plan service providers (e.g., certain features such as loans, auto enrollment, auto deferral increases etc. may not be available.)

2. If a more specific definition of a “brokerage window” is provided, as a regulatory or interpretive matter, how should it be defined?

The DOL should consider reviewing and defining “brokerage window” in a bifurcated manner. The first would be defining brokerage window as a feature added to a plan following review and a determination by the plan sponsor. Schwab encourages the DOL to review the obligations that are in place today for plan sponsors in making this feature available.

Second, the DOL should review and analyze the use of “brokerage windows” as an overall plan design versus a simply an optional feature elected by plans. This is a common approach in the small plan market. Providers would be open to the discussion as to what factors, reasonably, may be considered important to maintain brokerage accounts as a plan design option. The DOL should review this option in the context of the typical plan sponsor that adopts this plan design. To the extent there are additional obligations contemplated, Schwab encourages the DOL to work closely with service providers and plan sponsors to identify obligations that are not overly burdensome and costly. This approach will help balance risk mitigation with the goal of preserving the ability of participants to continue to save toward their retirement goals.

3. Should the fiduciary, disclosure, or other standards that apply to brokerage windows (and which are raised in more detail below) vary depending on the type of arrangement, or perhaps the ultimate number of investment options available to participants (e.g., a mutual fund window that offers access to fifty mutual funds vs. an open brokerage structure that offers access to many thousands of stocks, mutual funds, and other securities) and, if so, how?

Schwab has been and remains a strong supporter of the DOL's long-term endeavor to increase transparency for plan sponsors and plan participants.

The DOL should again review "brokerage windows" in the context of whether it is a plan feature or the overall plan design. Schwab encourages the DOL to review the obligations of the plan sponsor when adding a brokerage window as a feature to the plan solely in the context of its fiduciary obligations.

Plan fiduciaries must always:

- Act solely in the interest of plan participants and beneficiaries with the exclusive purpose of providing benefits to them
- Carry out their duties with skill, prudence, and diligence
- Follow the plan document
- Pay reasonable expenses for the administration of the plan and investing its assets; and

Although such requirements are in place today, Schwab welcomes further discussions on how best to help a plan sponsor understand its obligations in making such a feature available. Factors that may be of importance to a plan sponsor in determining whether to provide such a brokerage window would likely include the investment sophistication of the workforce, the availability of investment research and investment advice solutions, coordination of the brokerage window with overall plan recordkeeping systems (as applicable), costs and trade execution.

Schwab does not believe that the DOL should expand the obligations of plan sponsors to extend beyond the overall prudence of offering the brokerage window feature based on factors such as those delineated above. Through the Schwab brokerage window, participants in a retirement plan have access not only to a wide selection of investment options, but also investment research, investment education, and other resources on the investments that are available to them.

In addition, Schwab has been and remains highly supportive of the recent DOL initiatives related to the expansion of fee disclosures (including description of services) to both plan sponsors and participants. Current disclosures are provided in contemplation of the broad requirements under each disclosure regime.

Given the already required and robust level of disclosure, Schwab does not feel there needs to be expansion of what is required when a brokerage window is adopted as a plan feature.

In the case of a brokerage window being used as the overall plan design, the plan fiduciary making the decision to adopt such a plan design is held to the same overall fiduciary obligations under ERISA.

Plan Investment Offerings--Brokerage Windows and Designated Investment Alternatives

4. What are the characteristics of plans that offer brokerage windows?

Self-directed brokerage accounts are adopted by many plan types across all plan sizes. The ability to offer an open architecture solution for those participants looking to diversify their portfolio is common for all plans.

5. Is the number of plans offering brokerage windows increasing, decreasing, or remaining relatively constant? If the number is changing, why?

In our experience, the number of plans offering brokerage windows increases each year. Once a plan sponsor makes the decision to offer a brokerage solution, it is uncommon for the plan sponsor to reverse that decision and remove the brokerage window from the participant elections, indicating a general satisfaction with the window.

Plan Sponsors may add a self-directed brokerage option while making changes to the plan investment line-up, while changing recordkeepers or at the request of plan participants.

6. What is a typical number of "designated investment alternatives" offered by a 401(k) plan? Are plans increasing, decreasing, or holding constant the number of designated investment alternatives that they offer? If the number is changing, why?

Schwab observes that plans that provide a set of plan sponsor selected designated investment alternatives provide an average of 21.5 designated investment alternatives. Anecdotally, when plan sponsors began to provide 401(k) plan participants with the ability to direct investment selection, plan sponsors provided a choice of 3 funds: equity, income, and capital preservation. Over time as plans have provided for greater choice, plans have added asset categories and investment styles to their list of designated investment alternatives. Participant demand for greater access to investment opportunities will likely increase, leading plan sponsors to increase the number of sponsor selected designated investment alternatives. However, the rate at which plans increase the number of designated investment alternatives may be dependent on the availability of a brokerage window in the plan.

7. Is there any correlation between the trends observed in the preceding two questions, and if so, what is the correlation?

Sponsors cite the desire to provide plan participants with expanded investment diversification opportunities, while maintaining a manageable number of sponsor selected designated investment alternatives, when determining the appropriateness of offering a brokerage window. Therefore, there exists a negative correlation between an increase in the adoption of brokerage windows and the rate of increase in the number of sponsor selected designated investment alternatives, for plans that have, or add, a brokerage window option.

8. At what point might the number of investment options available to plan participants warrant treating the options as a "brokerage window" of some variety, rather than as a menu of "designated investment alternatives?" Does the detailed investment-related information required by the Department's participant-level disclosure regulation for designated investment alternatives (vs. brokerage windows) affect the answer to this question and, if so, how?

Schwab encourages the DOL to not focus solely on the number of investments that may be available to plan participants who are eligible to participate in a brokerage window feature. Please review our response to answer number 3 above, which is also responsive to the question raised here.

Participation in Brokerage Windows

9. How many participants, or what proportion of participants, typically use their plan's brokerage window? What proportion of a plan's total assets typically is invested through the brokerage window?

Schwab serves over 800 401(k) plans through its Schwab Retirement Plan Services, Inc. bundled recordkeeping platform, representing in excess of \$92B in 401(k) plan assets. 61% of these plans include a brokerage window as an option in addition to the plans' designated investment alternatives. 4% of participants use the brokerage window in plans that offer a brokerage window as an option in addition to the designated investment alternatives. In such plans, 11.8% of plan assets are invested in assets through the brokerage window.

11. Of the participants that use their plan's brokerage window, do these participants typically invest all of the assets in their plan account through the window, or some proportion of their assets?

With respect to participants in the plans described in question 9, most participants invest a portion of their plan account through the brokerage window. On average, participants that use a brokerage window invest 63.9% of their account balance through the brokerage window.

12. What types of restrictions, if any, are typically made on brokerage window participation (e.g., minimum account balances, minimum dollar amounts that may be transferred to a brokerage window, maximum percentage of account balance that may be invested through a brokerage window, etc.)?

The brokerage window platform provider at a platform level can operationally support a variety of restrictions, as directed by the plan sponsor. Typically plan sponsors have the ability to restrict the types of investments that participants can purchase (i.e., restrict the purchase of limited partnerships, options, foreign securities etc.) In addition to restricting certain types of investments, plan sponsors can establish access for only certain classes of investments. For example, a plan sponsor can establish a mutual fund only, or ETF and mutual fund only brokerage window.

14. What benefits accrue to participants that invest through brokerage windows? Do participants who do not invest through the brokerage window benefit from having a brokerage window option in their plan, and if so, how?

Employers who offer a self-directed brokerage account have the benefit of offering plan participants an expanded selection of stock, bonds, mutual funds, exchange traded funds (ETFs) and more. Offering a brokerage window allows plan sponsors to keep the employer selected investment options to a reasonable number while providing access to investments that the more hands on investor may request. In addition, plan participants that would like to hire a fee based registered investment adviser can delegate trading authority and have their account professionally managed with respect to assets beyond the designated investment alternative options.

In addition, if participants who are not utilizing the brokerage window decide at a later date to either seek advice from a registered investment adviser or are interested in diversifying outside of the designated investment alternatives, the brokerage window would be available.

Selecting and Monitoring Brokerage Windows and Service Providers

16. Do plan recordkeepers typically require the use of their own or affiliated brokerage services, or are plan fiduciaries able to shop for brokerage windows provided by multiple vendors? Are there ways in which brokerage window providers favor or encourage investment in proprietary funds or products through brokerage windows?

In its service offering, Schwab provides brokerage window services to plans both in a bundled model and as a separate vendor for the brokerage services.

In the bundled service model, the majority of plan services (i.e., recordkeeping, trust and custodial services, and brokerage services) are all provided by Schwab or a Schwab affiliate.

Separately, Schwab works with non-affiliated Third Party Administrators as a provider of brokerage window services to plans that are mutual clients.

Participants in Schwab's brokerage window platform have access to an open architecture platform of thousands of investment choices. The brokerage window is not designed to drive participant investment of assets into specific proprietary investments.

19. When a plan fiduciary selects a brokerage window feature for a plan, does the plan fiduciary typically enter into a contract for this service, on behalf of the plan? If so, who are the parties to the contract? If not, why not?

At Schwab, typically, the plan fiduciary completes a plan application to establish the plan brokerage window relationship with Schwab. This form is executed by the plan sponsor, plan trustee, and plan recordkeeper. All three parties have authority to act on behalf of the plan and may interact with Schwab related to the overall servicing of the brokerage window.

20. Do plan participants themselves commonly contract with the vendor when they choose to participate in the brokerage window (either in lieu of, or in addition to, a contract with a plan official) and, if so, what role, if any, does a plan fiduciary play in this process?

At Schwab, after the plan application is completed by the appropriate plan fiduciaries and service providers, participants electing to establish a brokerage account under the plan enter into an agreement directly with Schwab, allowing them to trade on their accounts. As part of the plan application, plan fiduciaries direct Schwab to permit participants to direct their investments by establishing their own contractual relationship with Schwab.

Fiduciary Access to Information about Brokerage Window Investments

22. How do plan fiduciaries monitor investments made through their plan's brokerage window, if at all? For example, do plan fiduciaries have access to information about specific investments that are selected or asset class or allocation information?

Schwab provides plan sponsors with a variety of participant investment related reports for the brokerage window, including balances, positions, asset allocations etc. Plan Sponsors also have access to

participant statements, trade confirmations, and trust reports. Recordkeepers also make available a variety of reports to plan sponsors about all of the investment options under the retirement plan, including information about the self-directed brokerage account.

23. Do fiduciaries view this information as important to effectively monitoring the inclusion of a brokerage window feature in their plan? If applicable, how often do plan fiduciaries request and review such information?

Plan Sponsors typically request general information about the brokerage window such as:

- Number of Accounts
- Number of New accounts (quarterly)
- Assets
- Asset transfer amounts

Additional information varies by plan sponsor but may include positions, asset allocations, adviser usage, and trading statistics.

24. What, if any, technological or other challenges exist that may reduce the feasibility, or increase the cost, of compiling this type of information for plan fiduciaries? Can respondents quantify such costs?

We believe the robust disclosures, reports, and other information provided to or made available to plan fiduciaries is sufficient to meet their current needs. As such, no additional technology is apparently necessary. However, in our experience, to produce additional disclosure reports in an automated fashion for the 320,000 brokerage window accounts serviced through Schwab would be complex and cost prohibitive.

Brokerage Window Costs

25. What are the most common costs associated with participation in a brokerage window (e.g., account fees, brokerage commissions, etc.), and what dollar amounts are typically charged? Are there costs to including a brokerage window that usually are borne by the plan sponsor or by the plan, rather than by individual participants who use the brokerage window?

As a brokerage window provider, Schwab does not impose fees for the establishment or maintenance of the brokerage window account. However, the plan sponsor or recordkeeper may impose such fees either: (i) at the plan level or (ii) on a per-participant basis for participants who elect to use the feature. These fees may range from basis point fees, to specific per account fees. Similar to an IRA account, participants may also pay trading commissions and fees based on the investments they buy and sell.

27. How do the costs of investing through a brokerage window typically compare to investing in a plan's designated investment alternatives? How do the costs compare to investing outside of the plan, e.g., in an IRA?

A brokerage window that is part of a retirement plan is very similar to a retail brokerage account. Therefore, similar fees would apply and are generally comparable to an IRA account. Given the wide range of investments available in the brokerage window, participants can manage costs by investment

selection and have access to a wide selection of low cost index mutual funds and ETFs. The costs associated with a plan's designated investment alternatives can vary from plan to plan depending on several plan factors including the amount of assets in the plan or investment.

Disclosure Concerning Brokerage Windows and Underlying Investments

29. Is the information required to be disclosed about brokerage windows by the Department's participant-level disclosure regulation sufficient to protect plan participants? Is this required information more or less than plans disclosed prior to the effective date of the regulation? Does this information usually come from plan administrators or from a third party, such as plan service or investment providers? What additional information, if any, is or should be disclosed to participants?

We believe the disclosures provided today are sufficient to protect plan participants. The FAB 2012-02R provided clarity on the disclosure requirements relative to brokerage windows. Disclosures must provide:

- A general description of any such brokerage window and must provide sufficient information to enable participants and beneficiaries to understand how the window works (how and to whom to give investment instructions; account balance requirements, if any; restrictions and limitations on trading, if any; how the brokerage window differs from the plans' designated investment alternatives) and whom to contact with questions.
- An explanation of any fees and expenses that may be charged against the individual account of a participant or beneficiary on an individual, rather than on a plan-wide basis in connection with any such brokerage window including:
 - any fee or expense necessary for the participant or beneficiary to start, open, or initially access such a window, account, or arrangement (such as enrollment, initiation, or start up fees), or to stop, close or terminate access;
 - any ongoing fee or expense (annual, monthly, or any other similarly charged fee or expense) necessary for the participant to maintain access to the window, account, or arrangement, including inactivity fees and minimum balance fees;
 - any commissions or fees (*e.g.*, per trade fee) charged in connection with the purchase or sale of a security, including front or back end sales loads if known; but would not include any fees or expenses of the investment selected by the participant or beneficiary (*e.g.*, Rule 12b-1 or similar fees reflected in the investment's total annual operating expenses); and
 - Further general statements, in lieu of information that could inundate participants and beneficiaries, that additional fees may exist and that they may be charged against the individual account of the purchasing or selling participant or beneficiary, and directions as to how the participant can obtain information about such fees in connection with any particular investment, including directing the participant to ask the provider about any fees, including any undisclosed fees, associated with the purchase or sale of a particular security.
- A statement of the dollar amount of fees and expenses that actually were charged during the preceding quarter against their individual accounts in connection with the brokerage window. The statement must include a description of the services to which the charges relate.

The above information provides a plan participant with sufficient information to make an informed decision regarding the use of a brokerage window in advance of opening a brokerage account and further provides information to a participant regarding actual fees and expenses to be charged against the participant's account. Once the participant opens a brokerage account, the brokerage window service

provider delivers additional information regarding fees and expenses during the time of purchase of investments, both online and through trade confirms. Additionally, participants have access to investment screener tools and specific investment information including expenses and fees.

The information that is currently provided to plan participants is highly detailed and informative. Schwab believes that disclosures in addition to what is provided today are not necessary.

30. Is different or additional information disclosed to participants after they elect to participate in a brokerage window and, if so, what information?

Consistent with current DOL regulations, participants utilizing a brokerage window will receive a quarterly report of the actual fees incurred in the brokerage window account for the previous quarter. In addition, participants investing in a Schwab brokerage account will also receive all required SEC/FINRA required regulatory documents.

31. The Department has said that disclosures regarding brokerage windows or similar arrangements under the participant-level fee disclosure regulation must, at a minimum, provide sufficient information to enable participants and beneficiaries to understand how the brokerage window works (e.g., how and to whom to give investment instructions; account balance requirements, if any; restrictions or limitations on trading, if any; how the brokerage window differs from the plan's designated investment alternatives) and who to contact with questions. See FAB 2012-02R at Q&A 13. Do these disclosures regarding how the brokerage window differs from the plan's designated investment alternatives typically include a description of the different risks and costs of investing through a brokerage window compared to investing in a designated investment alternative? Also, do the disclosures typically include a description of differences in fiduciary duties owed to participants investing through a brokerage window compared to investing in a designated investment alternative?

The disclosure that Schwab makes available for use by plan sponsors that retain Schwab Retirement Plan Services, Inc. for plan administration and recordkeeping services includes a description of the different costs associated with investing through a brokerage window as well as the different costs associated with investment using the plan sponsor selected designated investment alternatives. The descriptions of these costs are not illustrated in a comparative format, but they are detailed for each alternative.

Finally, the disclosure that Schwab makes available for use by plan sponsors that use Schwab Retirement Plan Services, Inc. for plan administration and recordkeeping services provides a general statement informing participants of the need to monitor and evaluate their own investments made through a brokerage window.

The Role of Advisers

34. How often do plan participants use an adviser or a provider of managed account services to help them make investments through a plan brokerage window?

At Schwab, with respect to those plans where the participant also has access to sponsor selected designated investment alternatives, approximately 10% of participants using a brokerage window are

working with an adviser. This population of participants represents approximately 30% of all plan assets invested through a brokerage window.

Where the plan does not provide sponsor selected designated investment alternatives, approximately 43% of participants using a brokerage window have an adviser. This population of participants represents approximately 62% of plan assets invested through a brokerage window.

35. Do plans generally make advisers or managed account providers available to participants for this purpose and, if so, do the advisers or managed account providers typically contract with the plan or with the participant?

The ability to allow participants to hire an investment adviser to assist them with their brokerage window assets is subject to the terms of the retirement plan and is a plan sponsor decision. Not all plans or plan sponsors permit participants to hire advisers. To the extent the plan or plan sponsor allows participants to engage an adviser, the participant would contract directly with their selected adviser.

36. How often do plan participants independently select advisers or other providers to assist with their investments through the brokerage window? Are plan fiduciaries, recordkeepers, or other service providers generally aware of these arrangements?

At Schwab, approximately 10% of plan participants who have elected to use the brokerage window have hired an adviser. This represents approximately 30% of all assets invested through all brokerage windows for retirement plans at Schwab. Plan sponsors determine whether or not participants are allowed to retain an adviser. In addition, adviser information, including fees paid to advisers, is included on various reports that are sent to the plan sponsor.

Annual Reporting and Periodic Pension Benefit Statements

38. The annual reporting requirements contain a special provision for plans with brokerage windows. Specifically, subject to certain exceptions, the Schedule H allows plans to report certain classes of investments made through a brokerage window as an aggregate amount under a catch-all "other" category rather than by type of asset on the appropriate line item from the asset category, e.g., common stocks, mutual funds, employer securities, etc. Should this special provision be changed to require more detail and transparency regarding these investments? If so, what level of transparency is appropriate, taking into account current technology and the administrative burdens and costs of increased transparency?

Schwab remains a proponent of transparency when it comes to disclosing and reporting plan related fees and expenses. Plan sponsors currently have access to the investment details associated with brokerage windows across participant accounts, therefore, plan sponsors have the transparency contemplated by question 38. Schwab produces reports to assist plan sponsors with the completion and filing of Form 5500 and the relevant schedules. By necessity this is an automated process built to help streamline the production of such reports. Any updates or changes from a technological standpoint would have significant costs. This may impact what service providers like Schwab are able to provide to plan sponsors to assist them with their reporting obligations and the assistance with audit requests. Therefore, the costs associated with modifying technology to accommodate additional reporting should be heavily

weighed against the intended benefits. Such costs may potentially be passed on to plan sponsors and ultimately plans/plan participants.

39. ERISA section 105 requires plans to furnish benefit statements at least quarterly in the case of participant-directed individual account plans. How do these benefit statements typically reflect investments made through brokerage windows?

Participants who have a brokerage window at Schwab receive a monthly statement with detailed information about the activity within the account. Schwab statements include monthly and year-to-date account value summaries and investment details including: quantity, market price, cost basis, market value and estimated annual income. Statements also include transaction details which include buys, sells, contributions, withdrawals and dividends and interest paid.