



Discussion Guide prepared for Fairfax County Public Schools

Self Directed Brokerage Accounts & Legacy Group Annuity Contracts

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Self-Directed Brokerage Accounts

Action Item: Adding Self-Directed Brokerage Accounts (“SDBA”) to both the Corebridge and Empower platforms is being contemplated, and could be valuable to participants who want access to more options than the streamlined investment menu. The Committee will determine whether to offer the SDBA options to participants.

The table below provides key statistics about the cost and terms of the brokerage account offerings on each platform and Aon’s Self Directed Brokerage Window Dashboard evaluation is provided for each of the service providers on the following pages.

	Corebridge Financial	EMPOWER
Provider	Schwab Personal Choice Retirement Account	Schwab Personal Choice Retirement Account
Cost	\$50 annual account fee	\$60 annual account fee
Opportunity Set	Mutual Funds	Mutual Funds
Balance Requirements	Minimum balance of \$5,000 in core funds	Minimum balance of \$5,000 in core funds
Contribution Limits	Participants limited to 90% of payroll contributions into SDBA	Participants limited to 90% of payroll contributions into SDBA

Self-Directed Brokerage Window Dashboard Criteria

Evaluation Factors for Self Directed Brokerage Window


Structure (30%)		Fees (30%)	
	Score		Score
No transaction fees (NTF) or No load Funds (50%)	1 <500	Transaction Fees (60%)	1 \$51+
	2 500-999		2 \$36-\$50
	3 1000+		3 \$0-\$35
# Fund Families (25%)	1 <200	Annual Maintenance Fee (40%)	1 \$76+
	2 200-399		2 \$51-\$75
	3 400+		3 \$0-\$50
# of Funds Available (25%)	1 <2500		
	2 2500-4999		
	3 5000+		


Participant Experience (40%)		Score
Automation (50%)	1 Manual Contribution	
	2 Automatic Contribution	
	3 Automatic Contribution and Purchase	
Linked Website (50%)	1 Separate Website	
	2 Multi-Step Website Access	
	3 Linked/One-Step Website Access	

Self-Directed Brokerage Window Dashboard



Schwab PCRA via Corebridge Financial

Self-Directed Brokerage Window



Schwab Overall Score  3

Scale  1 → 3




Participant Experience = 40%

- Automation (50%)  2
- Linked Website (50%)  2

Fees = 30%

- Transaction Fees (60%)  3
- Annual Maintenance Fees (40%)  3


Structure = 30%


- NTF/No Load Funds (50%)  3
- # Fund Families (25%)  3
- # of Funds (25%)  3

Self-Directed Brokerage Window Dashboard



Schwab PCRA via Empower

Self-Directed Brokerage Window



Schwab Overall Score  2

Scale  1 → 3




Participant Experience = 40%

- Automation (50%)  2
- Linked Website (50%)  2

Fees = 30%

- Transaction Fees (60%)  3
- Annual Maintenance Fees (40%)  2

Structure = 30%

- NTF/No Load Funds (50%)  3
- # Fund Families (25%)  3
- # of Funds (25%)  3

Investment Policy Statement Update

Should FCPS decide to activate Self-Direct Brokerage Account optionality, Aon recommends updating the investment policy statements (two documents) for the 403b and 457 Plans with language in two key areas:

Within Investment Objectives:

Tier IV – Self-Directed Brokerage Window:

Designed for participants who prefer to choose from a broader universe of investments than what is offered in the core menu of the Plan.

Redlined versions of the documents have been provided for Committee review/approval.

As a new section in the document:

Self-Directed Brokerage Window

The **Committee** intends to periodically monitor the following aspects of the self-directed brokerage window and consider, among other things:

Whether the self-directed brokerage window is operating properly based on ad hoc feedback received from Plan participants, and updates provided by the Plan's **Recordkeepers** and the brokers/dealers offering the self-directed brokerage window.

Usage of the self-directed brokerage window as measured by:

- Number of plan participants using this option;
- Percentage of assets invested in this option;
- Fees and expenses; and
- Permitted investments classes and related reporting

The **Committee** notes that it is not responsible for the review of any particular underlying investment in the self-directed brokerage window or any participant's investment decisions with respect to such underlying investment.

Legacy Group Annuity Contracts

In addition to the mutual fund platform that is available within the 403(b) Plan, participants using the Corebridge Financial (formerly AIG) platform have also historically had access to annuity contract investment vehicles.

Currently there are about 350 accounts with allocations to legacy group annuity contracts and total values of approximately \$20 million.

Maintaining these group contracts:

- Allows participants continued access to additional choice
- Reduces the amount of upcoming change being communicated and potentially perceived negatively

Eliminating these group contracts:

- Removes lower conviction/higher cost investment choices in favor of the core menu, likely resulting in more favorable participant outcomes
- Reduces the fiduciary risk and oversight responsibilities of the Committee to monitor the legacy contracts

Legacy Group Annuity Contracts

Unfortunately, terminating these contracts and mapping assets into the core menu is not recommended, as Corebridge Financial has indicated that they are unable to waive the associated surrender charges, which may negatively impact individuals by up to \$18,000.

Given the Committee's new oversight role and the structural and investment manager changes taking place, Aon recommends evaluating the opportunity to freeze these contracts, preventing new money from flowing into them, for the following reasons:

- Mitigates fiduciary risk and oversight responsibilities related to the lower conviction investment options
- Participant outcomes and decision-making will be improved by streamlining the investment menu in favor of the mutual fund investments
- The mutual fund vehicles are generally more cost-effective and easier to evaluate and benchmark performance, risk management and expenses

Once the contracts have gone without new contributions for 5 years, the surrender charges will no longer apply and they can be eliminated and mapped. Corebridge representatives can also conduct a targeted effort to explain why participants with these legacy balances should move their investments into the core menu.

For participants who've elected ongoing contributions to these frozen contracts, we recommend mapping future contributions to the age-appropriate target date fund if a new election is not provided.

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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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