



# Schwab Bank Collective Trust Funds

## Explanation of Fees and Services

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# Introduction

The Employee Retirement Income Security Act of 1974 as amended (“ERISA”), requires employee benefit plan fiduciaries to act solely in the interests of, and for the exclusive benefit of, plan participants and beneficiaries. As part of that obligation, plan fiduciaries should consider cost, among other things, when choosing investment options for the plan and selecting plan service providers.

The information in this report is provided by Charles Schwab Bank (“Schwab Bank”) to the fiduciaries of plans that invest in the Schwab Bank Collective Trust Funds (the “Schwab Bank Funds”). As a Covered Service Provider, Schwab Bank is required under ERISA Section 408(b)(2) and US Department of Labor (“DOL”) regulation 408b-2 to provide this information to assist the responsible plan fiduciary in making informed cost-benefit decisions with respect to your plan. This report is not legal advice nor a summary of regulatory requirements, and is subject to update or change.

In general, a Covered Service Provider is a service provider that enters into a contract or arrangement with a plan and reasonably expects \$1,000 or more in compensation, direct or indirect, to be received in connection with the following services:

- Services provided directly to a plan as a fiduciary or registered investment advisor
- Services as a fiduciary to an investment contract, product or entity that holds plan assets (e.g., a collective trust fund) in which a plan has a direct equity interest
- Certain recordkeeping or brokerage services
- Other services for indirect compensation such as audit, accounting, legal and valuation

Compensation is anything of monetary value (for example, money, gifts, awards and trips), but does not include non-monetary compensation valued at \$250 or less, in the aggregate, during the term of the contract or arrangement.

Direct Compensation is compensation received directly from the plan. Any fees paid directly from plan assets are considered direct compensation, as is any compensation that is paid by the plan sponsor but is later reimbursed from the plan.

Indirect Compensation is compensation received from any source other than the covered plan, the plan sponsor, the covered service provider, or an affiliate. Compensation received from a subcontractor is indirect compensation, unless it is received in connection with services performed under the subcontractor’s contract or arrangement. The compensation outlined in this document is indirect compensation. Schwab Bank charges an annual trustee fee equal to the expense ratio on all assets within the Fund (“Expense Ratio”).

This report details the fees your plan currently pays for services provided by Schwab Bank, as trustee and manager of the Schwab Bank Funds, and provides disclosure regarding certain sub-advisory arrangements.

We have tried to make the report as comprehensive and easy to understand as possible. Please remember that fees can change based on changes made to your plan investments, services we provide, transactions that take place in your plan and other factors. We will notify you of changes to the Expense Ratio compensation as soon as practicable, but not later than 60 days after a change has occurred.

## Schwab Entities

The following Schwab entities may work together to provide services for your plan and may share the proceeds of the compensation received for those services. Unless specifically noted, the term “Schwab” refers to these companies and their affiliates:

- Charles Schwab & Co, Inc. (EIN 94-1737782)
- Charles Schwab Bank (EIN 42-1558009)
- Charles Schwab Investment Management, Inc. (EIN 94-3106735)
- Windhaven Investment Management (EIN 27-3763801)

Schwab Bank is a federal savings bank. Charles Schwab Investment Management, Inc. and Windhaven Investment Management, Inc. are registered investment advisors. The entities are affiliates of Charles Schwab & Co., Inc. and each other.

## SERVICES PROVIDED BY SCHWAB & ITS AFFILIATES

### Trustee and Investment Management Services

Schwab Bank, as sponsor and trustee, earns compensation for trustee services, which includes management and administrative services performed for the Schwab Bank Funds.

Charles Schwab Investment Management Inc. (CSIM) is paid compensation by Schwab Bank for non-discretionary investment advisory services, research and fund administration services performed for the Schwab Bank Funds.

Windhaven Investment Management, Inc. (“Windhaven”) provides investment advisory services to the Schwab Bank Diversified Allocation Trust Funds.

Please refer to your participation agreement and declaration of trust for more information and visit our website at <http://www.schwabbankfunds.com>.

## STATUS AS A FIDUCIARY

Schwab Bank is a fiduciary of the Schwab Bank Funds as discretionary trustee of each of the Schwab Bank Funds and manages each Fund in accordance with its Declaration of Trust.

CSIM provides non-discretionary advisory services with respect to the Schwab Bank Funds. Windhaven provides non-discretionary advisory services to Schwab Bank for the Schwab Diversified Conservative Allocation Trust Fund, the Schwab Diversified Growth Allocation Trust Fund and the Schwab Diversified Aggressive Allocation Trust Fund. Assets held by the Fund are deemed to be plan assets under Sections 3(42) and 401 of ERISA and DOL Reg. §2510.3-101) and therefore Schwab Bank is a fiduciary with respect to each plan’s assets invested in the Schwab Bank Funds solely on account of such investment. If the Plan participates in the Schwab Diversified Conservative Allocation Trust Fund, the Schwab Diversified Growth Allocation Trust Fund or the Schwab Diversified Aggressive Allocation Trust Fund, Windhaven provides fiduciary services to the Funds. CSIM and Windhaven are registered investment advisors.

## COMPENSATION ARRANGEMENTS

Set forth below is specific information regarding compensation.

Please note that when the Schwab Bank Funds access investment strategies through other collective trust funds, including collective trust funds which it sponsors, mutual funds and exchange-traded funds the trustees and advisors to these vehicles are not Covered Service Providers under the DOL 408 b-2 regulations.

Name of Fund (s)	Unit Class	Trustee Fee
Schwab Institutional Core Plus Fixed Income Trust Fund	I	0.55%
	III	0.35%
Schwab Institutional Large Cap Value Trust Fund	Select	0.42%
	Retirement <sup>1</sup>	0.63%
	Institutional <sup>1</sup>	0.38%
Schwab Institutional Large Cap Growth Trust Fund	Retirement	0.74%
	Institutional	0.54%
Schwab Institutional Small Cap Trust Fund <sup>1</sup>	Institutional	0.65%
Schwab Diversified Allocation Trust Funds	Retirement	1.20%
	Institutional	0.85%
Schwab Indexed Retirement Trust Funds (SIRT)	I	0.08%
	II <sup>2</sup>	0.08%
Schwab Managed Retirement Trust Funds (SMRT)	I	0.89%
	II	0.69%
	III	0.54%
	IV	0.45%
	V	0.35%
Schwab Institutional Diversified International Trust Fund	Retirement	1.04%
	Institutional	0.79%

Schwab Bank Funds may utilize sub-advised separate accounts or invest in third party collective trust funds or mutual funds. For separate accounts of Schwab Bank Collective Trust Funds and some third party collective trust funds, fees are paid directly by Schwab Bank to the sub-advisor. Pursuant to the Funds' Declaration of Trust, fees already accounted for in the NAV of an underlying fund are offset (reduction) in the trustee fee paid to Schwab Bank. Performance information does not reflect externally negotiated investment management fees or other external fees, expenses, and/or costs not charged by Schwab Bank.

<sup>1</sup>Schwab Institutional Large Cap Value Trust Fund Retirement and Institutional Unit Classes and Schwab Institutional Small Cap Trust Funds Institutional Unit Class are closed to new investors.

<sup>2</sup>Schwab Indexed Retirement Trust Funds Unit Class II is closed to new investors.

Typical sub-advisory or third party fund fee range percentages by investment type:

Active Equity:	0.20% - 1.50%
Active Fixed Income:	0.05% - 0.40%
Index:	0.01% - 0.35%
Cash Equivalents:	0.05% - 0.25%

This information is being provided by Schwab Bank even though the information may not constitute a required disclosure item under DOL 408b-2 regulations.

### **Non-monetary Compensation**

Schwab policy prohibits employees from accepting non-monetary compensation, as that term is defined under ERISA 408(b)(2). For purposes of 408(b)(2), non-monetary compensation does not include gifts or other items of value received by Schwab employees directly from the plan sponsor. As a result, it is not anticipated that non-monetary compensation received by Schwab as a covered service provider for your plan will exceed the minimum threshold of \$250 over the term of the contract or arrangement which would require disclosure under the regulation. In the event Schwab employees receive non-monetary compensation which is required to be disclosed under the regulation, such amounts will be disclosed accordingly.

## **DESIGNATED INVESTMENT ALTERNATIVE**

If your Plan has selected one or more Schwab Bank Funds as a designated investment alternative, and to the extent such information is reasonably available to Schwab Bank, such information about the Schwab Bank Fund(s) which is required for the covered plan administrator to comply with the participant-level disclosure obligations can be found at <http://www.schwabbankfunds.com>.

### **Termination of Fees**

There are no termination fees.

## **NOTES REGARDING INFORMATION ON THIS REPORT**

The information provided above is obtained from sources deemed to be reliable. However, its accuracy cannot be guaranteed. Errors and omissions can occur. The information provided is not intended to be investment or tax advice. None of the information constitutes a recommendation by Schwab or a solicitation of an offer to buy or sell any securities.

The Schwab Managed Retirement Trust Funds,<sup>™</sup> Schwab Indexed Retirement Trust Funds,<sup>®</sup> and Schwab Institutional Trust Funds<sup>®</sup> are collective trust funds maintained by Charles Schwab Bank ("Schwab Bank"), as trustee of the Funds. They are available for investment only by eligible retirement plans and entities. Schwab Bank Collective Trust Funds ("Funds") are not insured by FDIC or any other type of deposit insurance; are not deposits or other obligations of, and are not guaranteed by Schwab Bank or any of its affiliates; and involve investment risks, including possible loss of principal invested. The Funds are not mutual funds and are exempt from registration and regulation under the Investment Company Act of 1940 ("1940 Act"), and their units are not registered under the Securities Act of 1933, or applicable securities laws of any state or other jurisdiction. Unit holders of the Funds are not entitled to the protections of the 1940 Act. The decision to invest in the Funds should be carefully considered. The Funds' unit values will fluctuate and may be worth more or less when redeemed, so unit holders may lose money. The Funds are not sold by prospectus and are not available for investment by the public; Fund prices are not quoted in newspapers. All returns greater than 1 year are

annualized. Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance shown. Fund returns reflect all items of income, gain and loss and the reinvestment of dividends and other income and are calculated in US dollars. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.