



# AIR LINE PILOTS ASSOCIATION INTERNATIONAL

THE WORLD'S LARGEST PILOTS UNION • WWW.ALPA.ORG

535 Herndon Parkway • PO Box 1169 • Herndon, VA 20172-1169 • 703-689-2270 • 888-FLY-ALPA

November 25, 2014

Office of Regulations and Interpretations  
Employee Benefits Security Administration, Room N-5655  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

RE: RIN 1210-AB59 (Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans)

Ladies and Gentlemen:

The Air Line Pilots Association, International (ALPA) is pleased to respond to the request of the U.S. Department of Labor, Employee Benefits Security Administration's (EBSA) Request for Information Regarding Standards for Brokerage Windows in Participant-Directed Individual Account Plans.

ALPA represents over 50,000 pilots who fly for 30 passenger and cargo airlines in the United States and Canada. Of these 30 airlines, 21 are airlines located in the U.S. All 21 airlines sponsor a qualified 401(k) plan with participant-directed investments, and total assets in these plans exceed \$17 billion as of December 31, 2013. Qualified plans covering pilots represented by ALPA generally have a robust menu of investment options, which are carefully monitored by fiduciary committees. On average, plans covering ALPA-represented pilots have 25 investment options, ranging in level of investor involvement required from target date funds to brokerage accounts. In at least two of these plans, pilots and management serve on the investment committees that select and monitor investment options offered by the plans. Generally, these investment committees meet quarterly. In addition, at least four of these investment committees employ third-party fiduciaries to provide independent advice regarding the plan's investment options and performance.

Pilot plans provide participants with an array of investment options that allow access to investments along the risk/return spectrum. In some cases, pilots desire an "auto-pilot" investment option, such as a target date fund. Other pilots prefer to choose among investment options that are monitored by plan fiduciaries, to tailor their investments to their personal risk tolerance, age and other non-retirement investments. Then there are pilots who prefer to more closely and independently manage and choose their investments through a plan-based brokerage account. These pilots tend to be vocal in their plan preferences, and proactive, informed investors. Pilots who use the plan-based brokerage accounts might also be using an investment advisor to manage their funds on an informal basis, and some of the pilot plans permit pilots to delegate full investment control to a third-party. Plan-based brokerage accounts provide

additional diversification opportunities and flexibility, and in that regard, plan-based brokerage accounts are responsive to ALPA members' needs and preferences.

More than 32,000 ALPA members in more than seven of the plans covering ALPA-represented pilots have access to a brokerage account. This represents approximately two thirds of ALPA's U.S.-based membership. In these plans, from 4% to 57% of participants have opened a brokerage account, and brokerage assets range from 1% to 37% of total plan assets. None of these plans has brokerage accounts as the only plan investment option.

A significant portion of our membership is currently involved in negotiations in which they are attempting to obtain contract provisions which will require the plan sponsor to offer plan-based brokerage accounts. Plan-based brokerage accounts are viewed as a high value investment option within the retirement programs by those pilots presently eligible for the option, as well as other pilots negotiating to add the option to their plan.

Based on our experience as collective bargaining representative, advising pilots regarding their 401(k) plans' designs and investment options, ALPA believes that:

1. Current regulations provide sufficient guidelines and extensive detail for disclosure of fees and plan requirements for plan participants investing in a plan-based brokerage account. To date, ALPA has received few, if any, complaints from its members or been involved in any disputes concerning pilots who were confused about the fees charged or plan processes to follow concerning plan-based brokerage accounts covering pilots.
2. EBSA should not impose additional duties on fiduciaries to monitor investments and investment performance of assets held in plan-based brokerage accounts. Any additional duties to evaluate investments or investment performance of plan-based brokerage account assets would prove to be an insurmountable task given the universe of possible investments, and would unduly dampen the willingness of plan sponsors to offer plan-based brokerage options to plan participants. Further, in ALPA's experience, plan fiduciaries already carefully consider whether or not a plan-based brokerage option is appropriate for plan participants, and monitor brokerage account performance, as a whole within the plan.
3. If EBSA believes it necessary and appropriate to further regulate plan-based brokerage accounts, any such regulations should provide a safe harbor for plans that offer at least three other discrete investment options. ALPA shares the EBSA's concern that plans should offer a core group of investments that are monitored by responsible fiduciaries who are seasoned professionals (or who are assisted by seasoned professionals), so that inexperienced or disinterested participants have safe and reliable investment options. ALPA would not support selecting a plan-based brokerage option as a means of circumventing fiduciary duties to monitor investments offered under participant-directed retirement plans. Given our experience with plan-based brokerage options, it would make sense that these accounts should be offered as a means to expand diversification opportunities. Further, without a safe harbor, plan sponsors may withdraw their support and willingness to make plan-based brokerage options available to participants.

ALPA appreciates the opportunity to respond to the EBSA's Request for Information. If you should have any questions regarding this submission, please feel free to contact me by email at: [kenneth.binder@alpa.org](mailto:kenneth.binder@alpa.org).

Sincerely,

A handwritten signature in black ink, appearing to read "K Binder". The signature is stylized with a large initial "K" and a cursive "Binder".

F/O Kenneth Binder  
Chairman, National Retirement & Insurance Committee  
Air Line Pilots Association, International