

# Charles Schwab PCRA Self-Directed Brokerage Account Option



## Self-Directed Option

**INFORMATION AS OF:** 12/31/2023

**INCEPTION DATE\*:** 10/1/2009

**ANNUAL ADMINISTRATIVE FEE\*:** \$50

### IMPORTANT INFORMATION:

PCRA transactional fees will also apply. For more information, including specific PCRA pricing details visit the Schwab website at [www.schwab.com/pcra](http://www.schwab.com/pcra).

# Indicates the date the brokerage was offered in the Plan.

\* Please note that there is no charge from Schwab to open or maintain a PCRA. This is the fee charged by your Plan provider. This fee is deducted from your core investment options pro rata on a quarterly basis.

## What is a Schwab PCRA?

The Schwab Personal Choice Retirement Account® (PCRA) is a self-directed brokerage account offered through Charles Schwab & Co., Inc. (Member SIPC). Through a PCRA, you can access more than 8,700 no-load mutual funds from over 600 well-known fund families. Of the 8,700 mutual funds available, all are offered without loads and more than 3,800 are offered without transaction fees as part of the Schwab Mutual Fund OneSource®<sup>1</sup> service; in addition more than 2,700 are institutional funds. All listed ETFs, stocks and base options on the U.S. exchanges are commission-free<sup>2</sup> across all mobile, automated phone and web trading channels. Other investments also include bonds and other fixed income investments, Certificate of Deposits and money market funds. You can also use Schwab Stock Slices™, a service that lets you own fractional shares (slices) of any of America's leading companies in the S&P 500® for as little as \$5 each, even if their shares cost more. You can purchase a single stock slice or up to 10 different stock slices at once, and you can hold slices of as many S&P 500 companies in your portfolio as you want through multiple purchases. Click on "Trade-Schwab Stock Slices" in your PCRA to get started<sup>3</sup>. For a list of available securities, please visit the Schwab website at [www.schwab.com](http://www.schwab.com). The PCRA is designed to complement your "core" investments in Horizons, which include Horizons Target Date Funds and Asset Class Funds.

## For Whom is This Investment Appropriate?

PCRAs are for knowledgeable and experienced investors who acknowledge and understand the risks associated with many of the investment choices available through each PCRA. They are designed for individuals who seek more flexibility, increased diversification and a greater role in managing their retirement savings.

By utilizing a PCRA, you acknowledge that none of the available options in the PCRA have been reviewed for suitability by the County of Los Angeles, the Plan Administrative Committee (PAC) or Empower, your service provider. You are solely responsible for determining the suitability of the options that are available through the PCRA. You agree to fully indemnify and hold harmless your employer, the Plan sponsor, the PAC, Empower and any and all service providers to the Plan against any claims, losses, damages or other possible causes of actions resulting from any investment decisions you make with regard to the PCRA.

## Are There Minimum Balance Requirements or Transfer Amounts?

To participate in a PCRA you must maintain a minimum balance of \$25,000 in your Horizons core investment option. The minimum balance requirement can be reduced to \$1,000 for those who meet the criteria set forth in the Participant Certification Self-Directed Brokerage Option Religious Exemption Form located on the brokerage page through your account at [www.countyla.com](http://www.countyla.com). Transfers into a PCRA will also be subject to a \$1,000 minimum transfer restriction. If your transfer request does not meet the minimum amount, your transfer will not be completed. You have two options to consider when making a transfer: (1) the dollar amount transferred from a core investment option to the PCRA cannot exceed 95% of the core option's balance and (2) if you want to transfer the entire balance out of a specific core investment option into the Schwab PCRA, you can instead select 100% in the transfer screens. The plan's core minimum requirement will still apply.

## What Is the 95% Rule?

The 95% Rule applies to transfers to and from a core investment option or to a PCRA. Under 457(b) Horizons Plan rules, if you transfer a dollar amount (instead of a percentage), the dollar amount cannot exceed 95% of the fund's balance. In other words, 5% of the core investment option's balance at the time of your transfer must remain in the core investment option to help offset a potential drop in the fund's value. Simply stated, because your transfer doesn't officially occur until after the day's fund pricing becomes final, the amount of money you actually have in the core investment option at the end of the day (when the transfer actually occurs) could be less than the fund balance earlier in the day (when you initiated the transfer). The 5% balance can then be used to offset any difference between the beginning and end-of-day fund balance in order to fulfill your transfer request. If you want to zero out your balance in a core investment option, you could transfer the remaining balance to another core investment option using a percentage, 100%, in a subsequent transfer.

The same concept applies to transfers from a core investment option to a PCRA. Keep in mind that transfers from a core investment option to a PCRA can only be transacted in dollars (not percentages). If the dollar amount you try to transfer to a PCRA is more than 95% of the fund's

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value, you'll receive an error message informing you that your transfer didn't occur. If you repeat your request to transfer a dollar amount that is 95% or less of the fund's value, your transfer should be successful (as long as you maintain the applicable core minimum balance in your 457(b) Horizons account). If you have questions about the 95% Rule, please call the County of Los Angeles Service Center at **(800) 947-0845**.

## How Do I Get Started?

The PCRA is a web-based feature only. You can open an account by logging in to your account at **www.countyla.com**. Select your account, then under *Investments* click on *Brokerage*.

After you submit the online application, you will receive a Schwab PCRA account number online. Follow the instructions to activate your account. Immediately following this step, you will be able to initiate your first transfer into the PCRA. Schwab will mail you a PCRA Welcome Brochure and new account confirmation letter within a few days of your account activation. You can also view the PCRA "how-to" video with step-by-step instructions on how to research, trade and monitor your investments at [www.schwab.com/pcrahowto](http://www.schwab.com/pcrahowto).

## How Do I Transfer Money into My PCRA?

To initiate transfers into the PCRA, log in to your account at **www.countyla.com**. When you transfer money from your core investment option into the PCRA, the money will be automatically allocated to the Schwab cash sweep feature<sup>4</sup> within approximately two business days. Thus, by electing to invest in a PCRA, you are electing to initially invest your money in the Schwab cash sweep feature. Once you see the transferred money in your Schwab cash sweep feature, you may then purchase securities in your PCRA. Payroll contributions to the PCRA are not permitted.

## How Do I Make Changes to My PCRA?

Visit the Schwab website at [www.schwab.com](http://www.schwab.com) and via mobile applications; use Schwab's touch-tone telephone service, Telebroker®, voice ID, or voice-activated telephone service, Schwab by Phone™, or call the dedicated PCRA Call Center at (888) 393-PCRA (7272) to access your account and change your investments in your PCRA. PCRA registered representatives are available from 5:00 a.m. to 4:30 p.m. Pacific Time, Monday through Friday.

## How Do I Transfer Money from a PCRA Back to Horizons Core investment option?

To return your PCRA balance back into your Horizons core investment option, visit the Schwab website at [www.schwab.com](http://www.schwab.com), use Telebroker or Schwab by Phone, or call the dedicated PCRA Call Center at (888) 393-PCRA (7272) and instruct Schwab to liquidate the securities in your PCRA.

1. Wait for the proceeds to settle and be invested in your Schwab cash sweep feature.
2. Log in to **www.countyla.com** and transfer cash from your Schwab cash sweep feature to your Horizons core investment option.

Partial transfers from your Schwab cash sweep feature will be allocated to the Horizons core investment option you have indicated within approximately two business days.

For full liquidation of your Schwab cash sweep feature, use the *Transfer All* button on your Plan's website. Money transferred into the Horizons core investment option you select will be allocated to that fund within approximately four business days (or such longer period as may be commercially reasonable under the circumstances). Additional time is needed for this transaction in order to transfer any accrued interest or dividends.

**Direct distributions from a PCRA to you are not permitted. Refer to the "How Do I Make a Withdrawal?" section below for more information.**

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## How Do I Make a Withdrawal?

Distributions can only be made through the Horizons core investment option. If you are requesting a payout option, you must transfer money from your PCRA back to your Horizons core investment option. If you have requested a voluntary payout but have insufficient money in your Horizons core investment option, the request will be canceled. If the payout is due to a required minimum distribution, and you have insufficient money in your Horizons core investment option, your PCRA may be liquidated on your behalf and the account closed. You will be responsible for any losses or expenses associated with the liquidation.

You may not withdraw money using a Visa card, ATM, electronic fund transfer, cash withdrawal, debit card or check transaction. You also may not receive a direct distribution from a PCRA or a MoneyLink transfer, and you also will not be able to transfer among brokerage accounts.

In order to take a distribution, you must transfer money from your PCRA back to your Horizons core investment option AND submit the necessary Distribution Form. Both steps are required in order to take a distribution. Once the proceeds are credited back to your core account, the distribution will be processed according to the instructions you provided on the form.

If you transfer 100% from your Schwab PCRA back to your Plan's core options and no balance remains invested in the Schwab PCRA, residual dividends will automatically sweep back to the core options that were used in your last full transfer request until additional money is deposited into the Schwab PCRA at a later date.

Your distribution or loan request may be processed for a smaller amount if you don't have or don't transfer sufficient funds from your Schwab PCRA back to your core to cover the amount of the request. You may also request an in-kind rollover of your PCRA securities to another retirement plan or IRA rollover account.

A beneficiary is not authorized to trade and, therefore, cannot access your PCRA. Beneficiaries should contact the County of Los Angeles Service Center at **(800) 947-0845** for assistance.

## Who Will Send Me Statements?

The Empower quarterly statements that reflect all assets in your 457(b) Horizons account will simply include the overall balance in your PCRA. Schwab will send you a monthly statement reflecting your assets in the PCRA and including any underlying activity and investments.

Note: The account balance on your Empower and Schwab statements may be slightly different due to different period-ending dates (for example, one may be as of the last day of the quarter while the other may be as of the last business day).

*Please consider the investment objectives, risks, fees and expenses carefully before investing. You can request a prospectus by calling Schwab's dedicated PCRA Call Center at (888) 393-PCRA (7272). You may also request a prospectus online at [www.schwab.com/prospectus](http://www.schwab.com/prospectus). Read them carefully before investing.*

## What Authority Does the PAC Have Related to PCRA's?

The PAC has the discretion to discontinue PCRA's at any time and may liquidate some or all of your PCRA when such action is necessary for the administration of the Plan (for example, to maintain your minimum core investment balance, comply with a Qualified Domestic Relations Order (QDRO) or complete a required distribution when you have not voluntarily transferred sufficient money). You will be responsible for any losses or expenses associated with such a liquidation.

## What Does It Mean If My Plan Restricts Securities That Pay Income Via a Schedule K-1?

Certain securities are structured for tax-reporting purposes as partnerships and report income via a Schedule K-1. Such partnerships can create what is known as Unrelated Business Taxable Income (UBTI) for otherwise tax-exempt entities that hold interests in those partnerships. For example, an otherwise tax-exempt plan may have to report and pay taxes if it receives UBTI. In order to avoid UBTI, your Plan prohibits the purchase and trading of any securities identified as a publicly traded limited partnership and any securities that report income via a Schedule K-1 Form (which may include certain ETFs, royalty trusts and other possible securities). From time to time, securities may change characteristics. This may mean that a once-permissible security you hold can become prohibited. If your Plan administrator becomes aware that a security in your account has become impermissible (for example, if the Plan receives a K-1 Form with regard to that security), the Plan administrator may determine that the impermissible security must be sold within a certain time frame. If this occurs, your Plan administrator or retirement service provider will inform you of the need to liquidate and the process for liquidating the security. Any tax on UBTI generated by a security held in your account may be charged against your account.



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## Footnotes and Risk Information

*Please consider the investment objectives, risks, fees and expenses carefully before investing. Additional disclosure documents can be obtained from your registered representative or Plan website. Read them carefully before investing.*

This material has been prepared for informational and educational purposes only and is not intended to provide investment, legal or tax advice.

- 1 For participants who utilize the Personal Choice Retirement Account (PCRA), the following fees and conditions may apply: Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term trading. Trades in no-load mutual funds available through Mutual Funds OneSource service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses. Charles Schwab & Co., Inc., member SIPC, receives remuneration from fund companies for record keeping, shareholder services and other administrative services for shares purchased through its Mutual Fund OneSource service. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.
- 2 The standard electronic \$0 commission does not apply to over-the-counter (OTC) equities, transaction-fee mutual funds, futures, fixed-income investments, or trades placed directly on a foreign exchange or in the Canadian market. Service charges apply for trades placed through a broker (\$25). Exchange process, ADR, and Stock Borrow fees still apply. See the Charles Schwab Pricing Guide for Retirement Plan Accounts for full fee and commission schedules. See the Pricing Guide for Retirement Plan and Health Savings Accounts for full fee and commission schedules. Trades in no-load funds available through Schwab's Mutual Fund OneSource service (including Schwab Funds®), as well as certain other funds, are available without transaction fees when placed through Schwab.com or our automated phone channels. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses. Schwab's short-term redemption fee will be charged on redemption of funds (except certain Schwab Funds) bought through Schwab's Mutual Fund OneSource program (and certain other funds) with no transaction fee and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds, which may charge a separate redemption fee, and funds that accommodate short-term trading.
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- 4 Your cash balances are swept into a multiple-bank cash feature product providing up to \$500,000 FDIC insurance to your cash balance. Settled cash balances are swept to one or more Affiliated Banks after the close of business and begin earning interest on the following Business Day. Interest is compounded daily and credited on the 15th of each month (or the following Business Day if the 15th is not a Business Day). A "Business Day" is any Monday through Friday that is not a Federal Reserve Bank or New York Stock Exchange holiday. Bank Sweep for Benefit Plans deposits are held at one or more FDIC-insured banks ("Affiliated Banks") that are affiliated with Charles Schwab & Co., Inc. ("Schwab"). Investment products and services (including unswept or intra-day cash, net credit or debit balances, money market funds, and assets held in a Schwab Personal Choice Retirement Account®) are not deposits or obligations of the Affiliated Banks, are subject to investment risk, are not FDIC insured, may lose value, and are not Affiliated Bank-guaranteed. The Affiliated Banks, Schwab Retirement Plan Services, Inc., and Schwab are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

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**Brokerage Products: Unless otherwise noted: NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE**

ETFs are a type of exchange-traded investment product that must register as either an open-end investment company (generally known as "funds") or a unit investment trust. ETFs are not mutual funds.

Unlike mutual funds, individual shares of ETFs are not redeemable directly with the issuer. ETF shares are a collection of securities bought and sold at market price, which may be higher or lower than the net asset value (NAV). Investment returns will vary based on market conditions and volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETFs are subject to risks like those of their underlying securities.



**COUNTY OF LOS ANGELES**  
Deferred Compensation and Thrift Plan