

**Additional Submission for Record
to
Statement of
Barbara Fallon-Walsh
Principal
The Vanguard Group**

**United States Department of Labor
April 21, 2008**

As a follow-up to our testimony to the Department on April 1, 2008 on the proposed amendment to section 408(b)(2) regulation, Vanguard submits the following supplemental information for the record of the public hearing. During the hearing, Deputy Director of the Office of Regulations and Interpretations Joseph Canary asked Ms. Fallon-Walsh how Vanguard develops expense-ratio type disclosures for its proprietary non-mutual funds. We are pleased to provide the Department with additional information regarding these disclosures.

SEC requirements for mutual fund disclosures serve as the starting point. In general, Vanguard looks to guidance issued by the Securities and Exchange Commission (“SEC”) when determining the expense ratio disclosure we provide for our proprietary non-mutual fund investment products. A good example of such a product is our stable value collective trust, the Vanguard Retirement Savings Trust (the “Trust”). We have provided an example of a fund fact sheet for the Trust that provides an expense ratio-equivalent disclosure.

Using the mutual fund expense ratio requirements of the SEC as a guide¹, we add up the annual operating expenses of the Trust and express these expenses as a percentage of average net assets. The annual expenses include portfolio and investment advisory fees, administrative fees (audit, legal, accounting, etc.), shareholder account maintenance and marketing-related fees. Our experience is that these fees are standard types of fees charged by virtually any pooled investment fund, whether the fund is legally structured as a mutual fund, a separate account, collective trust or other pooled investment option.

In addition, there are certain portfolio transaction-related costs that are not included in the expense ratio, but should be disclosed to investors. For example, you will notice that stable value fund wrap fees, the inherent transaction-based costs charged to stable value funds by issuers of wrap guarantees, are not included in the expense ratio of the Trust. In our view, these fees should be treated similarly to transaction commissions for mutual funds, which are the inherent transaction-based costs charged to mutual funds by brokerage firms. The SEC does not require inclusion of such costs in the expense ratio, but the mutual fund’s performance is net of these costs. The wrap fees are disclosed to participants on the fund fact sheet (see the note on the left side of the first page) similar to how brokerage costs are disclosed in a mutual fund’s statement of additional information. As with the transaction-based costs for mutual funds, the stable value fund’s performance is net of the wrap fees.

Please let us know if we can be of additional assistance to the Department in this regard.

¹ Registration Form Used by Open-End Management Investment Companies: New Form N-1A Adopting Release; Investment Company Act Release No. 23064 (February 10, 1998).