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VIA ELECTRONIC DELIVERY

July 24, 2007

Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5669
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

Subject: DOL Request for Information on Participant Fee and Expense Disclosure

Dear Sir or Madam:

Vanguard appreciates the opportunity to provide these comments to the Department of Labor in response to the Department's recent Request for Information on the topic of fee and expense disclosures to retirement plan participants. Vanguard is one of the nation's largest providers of retirement plan services. For many years, we have advocated – and practiced – candid and effective disclosure of fees and expenses to plan sponsors and participants. As the Department itself has noted, plan fees and expenses have a significant impact on a participant's ability to accumulate retirement savings. All other things being equal, a plan participant paying lower expenses will accumulate larger retirement savings and achieve a higher level of retirement security than a plan participant paying higher expenses. We hope our practical experience in this area can be helpful to the Department as it considers this critically important issue.

From our perspective, the evolution of 401(k) and other participant directed individual account plans¹ has been a tremendous success in advancing retirement security in the US. The number of plans has grown steadily. Participation rates have grown since the inception of 401(k) plans in the early 1980s. Benefit levels achieved from defined contribution plans are expected shortly to exceed those available from private-sector defined benefit plans, according to recent academic studies. The automatic

¹ For simplicity's sake, we use the term 401(k) plan in this document but our comments are applicable to all participant-directed individual account plans.

enrollment incentives under the Pension Protection Act of 2006, will produce even greater levels of plan participation and higher aggregate retirement savings in the future. 401(k) plans have truly emerged as the cornerstone of the private sector retirement system in the US.

In this context, Vanguard very much appreciates and applauds the Department's recent multi-faceted initiative related to plan fees and fee disclosure—including enhanced participant disclosure, enhanced plan sponsor disclosure, and improved availability of fee and expense data on Form 5500. In our view, the 401(k) marketplace is already characterized by a vigorous level of price competition. Yet the Department's three-part program will encourage even greater scrutiny of retirement plan costs, which is certain to inure to the long-term benefit of plan participants. We anticipate in particular that the Department's regulatory efforts will encourage sponsors, service providers and the consumer finance media to develop benchmarks and other educational materials – in print and on the web – that will enhance participants' understanding of the role of costs in 401(k) plans.

Some analysts have confused the benefits of better participant disclosure with other questions that relate to the cost structure of 401(k) plans. For example, 401(k) plans are more expensive to operate than defined benefit or other institutional-type accounts because of the inherently higher costs of individual accounts. This is in essence the “cost of portability” arising from daily valuation of assets, individual recordkeeping, and participant direction. Similarly, small 401(k) plans typically pay higher fees than large plans because they lack economies of scale in assets or participants. Neither of these features of the cost structure of 401(k) plans will be affected by participant disclosure. This is not an argument against better disclosure to participants and beneficiaries. It is rather a recognition that participant disclosure as a policy approach will do little to reduce structural cost differences in the provision of sophisticated recordkeeping, participant and plan sponsor services to 401(k) plans.

Vanguard is committed to the principle of straightforward and helpful disclosure of plan fees and expenses to participants. We offer for the Department's consideration the following principles which underlie our own philosophy and thinking:

1. Fee and expense information should not be provided on a standalone basis, but should be presented along with risk and return characteristics for each investment option.

For many years now, Vanguard has been providing 401(k) plan participants simple and straightforward information on the fees and expenses associated with each investment option within their plan. Participants are provided fee and expense information for the purpose of helping them to make informed investment decisions. In doing so, participants must weigh three critical elements of each investment – the “eternal triangle” of risk, return and cost.

Vanguard plan participants first encounter fee and expense information on fund fact sheets (Exhibit 1), which are provided at the time of eligibility for enrollment in the plan. Fund fact sheets include concise information on each investment option, including data on risk, return and fees. The same information is available electronically on the participant's 401(k) plan website, both at the time of enrollment and on an ongoing basis. In addition, the Vanguard quarterly participant benefit statement provides return and fee information, with fund options grouped by asset class and listed in risk order. Our experience with retail investors demonstrates that this is the information that investors find most useful. Data gathered from the four million shareholders that use our retail website (www.vanguard.com) show that investors consistently look at the same information: fund descriptions, performance, fees and risks.

Focusing solely on fees – to the exclusion of risk and return – will likely lead participants to make portfolio construction errors. For example, typically the lowest expense options within a 401(k) plan are money market funds, stable value contracts and company stock funds. A less-sophisticated participant encouraged to focus solely on expenses might invest all of his or her assets in one or more of these categories, leading to obvious portfolio errors that result in assets that are too conservatively invested, or over-concentrated in single-stock risk. Similarly, many specialized asset classes such as international stocks and mid-or-small capitalization U.S. stocks incur higher fees. However, generally accepted investment principles suggest that participants should have some exposure to these asset classes in order to properly diversify their portfolios.

Our recommendation is that the Department encourage integrated information disclosure – of risk, return and fees – rather than focusing exclusively on fee-related information, in its effort to enhance participant decision-making.

2. Vanguard participant disclosure is focused on the “bottom line” – the total costs incurred by participants: this is the figure that is easiest to understand and it represents the costs that participants can directly control.

Most 401(k) participants are not experts in investment and portfolio construction, and thus need simple and easy to understand information. For example, in a 2001 survey of 401(k) plan participants, we found that 85% of participants described themselves as novices or as only somewhat experienced; only 15% described themselves as expert investors. Thus, Vanguard's focus in participant disclosure has been on the “bottom line” – the total expense ratio that the participant incurs by investing in a given investment option. This allows apples-to-apples comparisons among the various options based on a single metric, disclosing all fees and expenses associated with each investment option. The fee data is expressed as a

percentage of assets so that participants can make easy comparisons among different funds and can also compare fees with investment return data, which is also presented on a percentage basis.

Some commentators have suggested that participants should not only receive information on the total expense ratio for each option, but on the specific components that make up a given fee. Thus, in addition to seeing that a given fund option costs 0.50% per year, the participant might also receive information on the components of that fee, such as (hypothetically) 0.25% for investment management, 0.20% for 12b-1 or other distribution expenses, and 0.05% for accounting, legal and other costs. Given the number of services involved in administering a 401(k) plan, and depending on the level of granularity, some commenters have suggested fee disclosures should be broken out into as many as a dozen or so components.

This type of detailed disclosure would certainly overwhelm most participants and likely lead them to ignore the fee information entirely, given its complexity. We would strongly discourage the Department from taking this approach. Public policy should steer clear of approaches that would overwhelm the vast majority of less-experienced participants with voluminous and confusing information. Participant disclosure must strike the right balance between awareness and accessibility, so that individual account holders may actually understand and apply the information productively.

Equally important, it is critical to recognize that the components of the fund expense ratio are not under the control of the participant. Fee components are largely dictated by the types of investment vehicles selected by the sponsor. The components are often relevant to the plan sponsor in designing the plan menu, but are not relevant to the participant's decision, which is to choose among the available options offered by the plan.

We have attached a hypothetical participant disclosure statement as an example of the type of the information that would be appropriate for most participants (Exhibit 2). This type of statement, "Your Fund Fees and Expenses," could be provided once a year in print through participant statements, and updated more regularly on the internet. Again, our disclosure approach emphasizes a single "bottom line" for each investment – a percentage expense ratio – that can be readily compared among fund options, and also directly compared with percentage returns. The statement also provides summary information on the risk/return characteristics of the investment options to place the fee information in context. Lastly, the statement reminds participants of per-capita or per-transaction charges they may incur, such as recordkeeping or other administrative charges.

3. Disclosure should be consistent for all plan options regardless of the investment vehicle.

Vanguard-administered 401(k) plans include a wide range of investment vehicles subject to distinct regulatory regimes. They include open-end investment companies, commingled trust funds, institutional separate accounts, insurance contracts and other vehicles.

One of the principles that should guide the Department's approach is the idea of a level playing field: fee and expense disclosure should be of a similar nature and level of detail for all investment options, regardless of type of vehicle offered and regardless of the regulatory regime involved. Disclosure should be standardized and uniform, facilitating "apples-to-apples" comparisons among options by participants.

In our experience, this principle may pose a challenge for stable value and other group insurance contracts, which have historically been quoted as "net yield" products and so do not necessarily disclose underlying fee information. As a result, stable value issuers will need to develop such estimates in the future in order to provide such disclosure. Also, there are other vehicles, such as institutional separate accounts, where fees may not have been previously disclosed. The fact that past disclosure for these vehicles has been less transparent than for mutual funds should not be a reason to impose a less stringent regime on such investments going forward. Money managers and plan sponsors that offer such options should be required to generate a "total fee" estimate each year for participants, reflecting all expenses incurred by the participant with respect to the option.

4. Flexibility in delivery is critical – policies should encourage electronic delivery.

Many Vanguard plan sponsors employ technologically literate workforces and are increasingly shifting plan-related activities – from enrollment to ongoing education to plan distributions – to the internet. This change affects not simply retirement plan communications, but often is the main channel for all employee communications. Meanwhile, other plan sponsors with different workforce characteristics remain wedded to print, telephone support and quarterly statements. We would encourage the Department to continue to adopt a flexible approach in the distribution of fee and expense information, recognizing that some sponsors can readily accommodate plan participants with electronic delivery, while others will prefer a more traditional approach. Any expanded participant disclosure requirements will increase costs for plan sponsors and service providers. Electronic delivery will mitigate these costs because it is cheaper to distribute (thus lowering the additional costs) and easier to maintain (leading to more timely information).

* * *

Finally, we offer a few technical observations on the implementation of any disclosure policy. First, because information on fees and expenses is essential for all participants who have the responsibility to direct their investments, we urge the Department to make any required disclosure generally applicable so that the information is provided to participants in all participant-directed 401(k) plans, not just those plans seeking ERISA section 404(c) protection. Second, similar disclosure requirements must apply to all investment options, regardless of whether the investment is offered by a mutual fund company, bank or insurer or through a separate account or commingled fund. Finally, we urge the Department to make it clear that any new disclosure requirements are prospective only and that no negative inference should be drawn from prior practices.

Conclusion

We expect the main benefit of the Department's regulatory effort to be improved participant awareness of the role of fees in investment decision-making. As we noted earlier, the selection of investments is governed by an "eternal triangle," where investors must balance risk, return and cost in selecting investments. The availability of standardized fee information to participants will encourage greater awareness of fees and expenses over time and will enable more participants to factor this element into their portfolio decisions. As a result enhanced participant disclosure could, in our view, lead to better decision-making by plan participants.

Since it began servicing 401(k) plans in the early 1980s, Vanguard has been committed to providing value to plan sponsors through its offering of high quality, low cost investment products and a full array of administrative services. The plan sponsor, in its role as the principle fiduciary responsible for acting in the best interests of plan participants, strives to ensure that reasonable fees are being assessed. To help plan sponsors fulfill their fiduciary obligations, Vanguard has consistently supported the Department's efforts regarding fee transparency by service providers. We have regularly provided detailed "all in fee" reports to sponsors in order that they might fulfill these fiduciary duties.

For plan participants, the emphasis is somewhat different. Here, Vanguard believes that easily read and understood "bottom-line" fee disclosure is the best way to increase plan participants' knowledge of the role of fees and to improve their ability to make well-informed decisions about their overall investment allocations. Better investment decisions by plan participants will have a positive impact on the critically important policy objective of improving retirement security for workers and their

beneficiaries covered under 401(k) plans. Vanguard fully supports the Department's effort in this regard.
Thank you for the opportunity to comment on this important initiative.

Sincerely,

/s Bill McNabb

F. William McNabb
Managing Director
Institutional Investor Group

Exhibit 1



Vanguard[®]

Vanguard[®] Prime Money Market Fund

Investor Shares

Money market fund

Investment objective

Vanguard Prime Money Market Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

Investment strategy

The fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined by Vanguard to be of quality equivalent to those in the two highest credit-quality categories. The fund will invest more than 25% of its assets in securities issued by companies in the financial services industry. The fund will maintain a dollar-weighted average maturity of 90 days or less.

Who should invest

- Investors seeking interest income and a stable share price.
- Investors seeking liquidity (the ability to convert assets into cash).
- Investors seeking a "parking place" for cash while awaiting opportunities for longer-term investments.

Who should not invest

- Investors seeking long-term growth of capital.

Total net assets: \$75,479 million

Expense ratio: 0.29% as of August 31, 2006

Ticker symbol: VMMXX

Newspaper listing: VangPr

Inception date: June 4, 1975

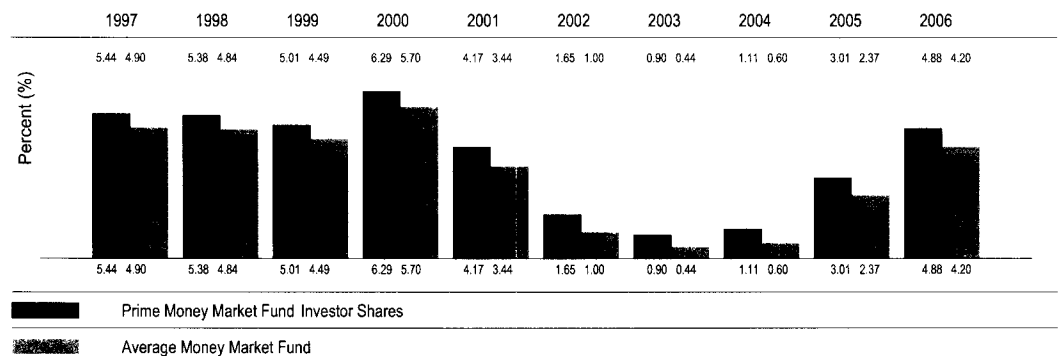
Fund number: 0030

Overall risk level:



Performance

Annual returns 1997–2006



Total returns

	Periods Ended March 31, 2007						
	7-Day Yield*	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Prime Money Market Fund Investor Shares	5.10%	1.26%	1.26%	5.11%	3.36%	2.46%	3.76%
Average Money Market Fund	—	1.10%	1.10%	4.43%	2.72%	1.88%	3.18%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns will fluctuate. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Average Money Market Fund: Derived from data provided by Lipper Inc.

*Seven-day current yield net of expenses. The yield return more closely reflects the current earnings of the fund than the total return quotation.

Vanguard Prime Money Market Fund

Investor Shares

Plain talk about risk

The fund is designed for investors with a low tolerance for risk; however, the fund's performance could be hurt by:

Income risk: The chance that the fund's income will decline because of falling interest rates. Because the fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.

Manager risk: The chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Credit risk: The chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be very low for the fund because it invests only in securities that are considered to be of high quality.

Industry concentration risk: The chance that there will be overall problems affecting a particular industry. Because the fund will invest more than 25% of its assets in securities of companies in the financial services industry, the fund's performance will depend to a greater extent on the overall condition of that industry.

Investment terms

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

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An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

For more information about Vanguard funds, visit www.vanguard.com, or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.



Vanguard

Vanguard® Intermediate-Term Investment-Grade Fund

Investor Shares

Bond fund

Investment objective

Vanguard Intermediate-Term Investment-Grade Fund seeks to provide a moderate and sustainable level of current income.

Investment strategy

The fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody's Investors Service, Inc., or another independent rating agency; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody's, or another independent rating agency. (Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody's.) The fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years.

See reverse side for fund profile.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Who should invest

- Investors seeking a high and relatively stable level of interest income.
- Investors seeking a bond investment to balance the risks of a portfolio containing stocks.

Who should not invest

- Investors unwilling to accept moderate fluctuations in share price.
- Investors seeking long-term growth of capital.

Total net assets: \$2,485 million

Expense ratio: 0.21% as of January 31, 2007

Ticker symbol: VFICX

Newspaper listing: ITIGrade

Inception date: November 1, 1993

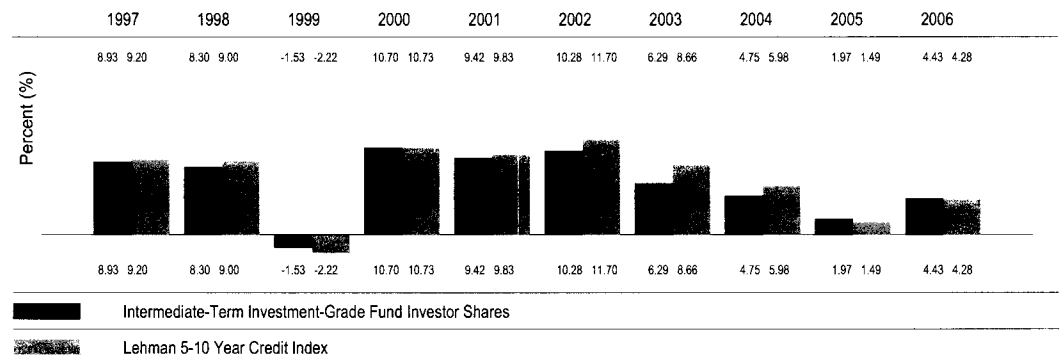
Fund number: 0071

Overall risk level:



Performance

Annual returns 1997–2006



Total returns

	Periods Ended March 31, 2007					
	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Intermediate-Term Investment-Grade Fund Investor Shares	1.69%	1.69%	7.21%	3.23%	5.86%	6.55%
Lehman 5-10 Year Credit Index	1.69%	1.69%	7.39%	3.18%	6.80%	7.06%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Lehman 5-10 Year Credit Index: Includes investment-grade (rated Baa3 or above by Moody's) corporate and international dollar-denominated bonds with maturities of 5 to 10 years.

Vanguard Intermediate-Term Investment-Grade Fund

Investor Shares

Plain talk about risk

An investment in the fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The fund's performance could be hurt by:

Income risk: The chance that the fund's income will decline because of falling interest rates.

Interest rate risk: The chance that bond prices overall will decline because of rising interest rates.

Call risk: The chance that during periods of falling interest rates, the issuer of a bond will repay—or call—securities with higher coupons, or interest rates, before their maturity dates. Forced to reinvest the unanticipated proceeds at lower interest rates, the fund would experience a decline in income and lose the opportunity for additional price appreciation associated with falling interest rates.

Credit risk: The chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.

Manager risk: The chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Investment terms

Bond: A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of March 31, 2007

Distribution by issuer—Bonds

Asset-Backed	6.8%
Commercial Mortgage-Backed	0.0
Finance	36.7
Foreign	2.1
Government Mortgage-Backed	2.2
Industrial	26.0
Other	0.1
Short-Term Reserves	1.3
Treasury/Agency	18.3
Utilities	6.5

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Vanguard

Vanguard® 500 Index Fund

Investor Shares

Growth and income stock fund

Investment objective

Vanguard 500 Index Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

Investment strategy

The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

See reverse side for fund profile.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Who should invest

- Investors seeking low-cost participation in the stock market through a broadly diversified portfolio.
- Investors with a long-term investment horizon (more than five years).

Who should not invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking to beat the market return on large-capitalization stocks, which dominate the S&P 500 Index.

Total net assets: \$70,353 million

Expense ratio: 0.18% as of December 31, 2006

Ticker symbol: VFINX

Newspaper listing: 500

Inception date: August 31, 1976

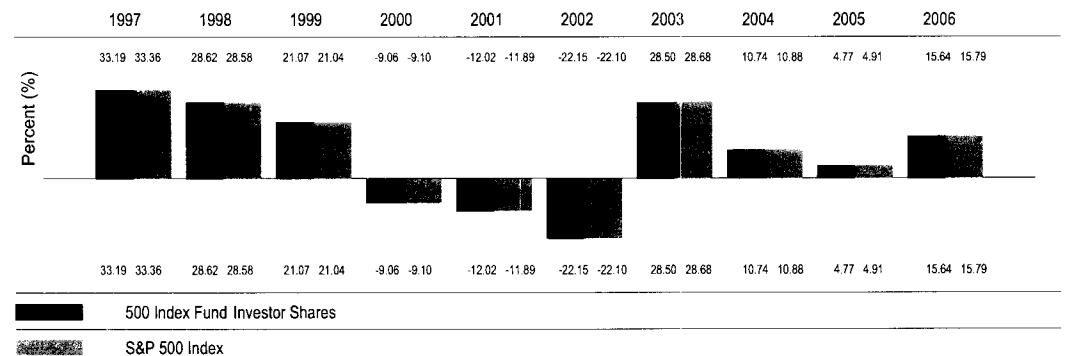
Fund number: 0040

Overall risk level:



Performance

Annual returns 1997–2006



Total returns

Periods Ended March 31, 2007

	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
500 Index Fund Investor Shares	0.60%	0.60%	11.67%	9.91%	6.14%	8.12%
S&P 500 Index	0.64%	0.64%	11.83%	10.06%	6.27%	8.20%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

S&P 500 Index: A widely used barometer of U.S. stock market performance; as a market-weighted index of leading companies in leading industries, it is dominated by large-capitalization companies.

Vanguard 500 Index Fund

Investor Shares

Plain talk about risk

The fund is subject to several kinds of risk, so an investor could lose money over short or even extended periods. The main risks of investing in the fund are:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

Investment style risk: The chance that returns from large-capitalization stocks will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

Investment terms

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of March 31, 2007

Top sector holdings—Stocks

Consumer Discretionary	10.5%
Consumer Staples	9.6
Energy	10.1
Financials	21.6
Health Care	11.9
Industrials	10.9
Information Technology	14.9
Materials	3.1
Telecommunication Services	3.7
Utilities	3.7

Ten largest holdings*

1. ExxonMobil Corp.	
2. General Electric Co.	
3. Citigroup, Inc.	
4. AT&T Inc.	
5. Microsoft Corp.	
6. Bank of America Corp.	
7. The Procter & Gamble Co.	
8. Altria Group, Inc.	
9. Pfizer Inc.	
10. American International Group, Inc.	
Top 10 as % of Total Net Assets	19.6%

*Fund holdings are subject to change. "Ten largest holdings" excludes any temporary cash investments and index products.

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Vanguard®

Vanguard® Target Retirement 2035 Fund

Balanced fund (stocks and bonds)

Investment objective

Vanguard Target Retirement 2035 Fund seeks to provide capital appreciation and current income consistent with its current asset allocation.

Investment strategy

The fund invests in other Vanguard mutual funds using an asset allocation strategy designed for investors planning to retire between 2033 and 2037. The fund's asset allocation will become more conservative over time. Within five years after 2035, the fund's asset allocation should resemble that of the Target Retirement Income Fund.

The fund's indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and international stocks. Its indirect bond holdings are a diversified mix of investment-grade taxable U.S. government, U.S. agency, and corporate bonds, as well as mortgage-backed securities, all with maturities of more than 1 year.

See reverse side for fund profile.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Who should invest

- Investors seeking long-term growth of capital and income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and bonds that will gradually become more conservative in its allocation.
- Investors planning to retire between 2033 and 2037.

Who should not invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking significant current income.
- Investors expecting a guaranteed level of income upon retirement.

Total net assets: \$4,124 million

Expense ratio: 0.21%* as of September 30, 2006

Ticker symbol: VTTHX

Newspaper listing: TgtRe2035

Inception date: October 27, 2003

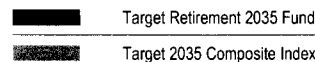
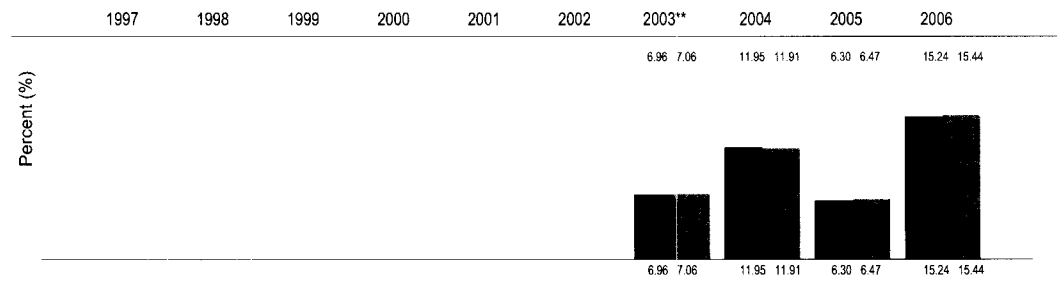
Fund number: 0305

Overall risk level:



Performance

Annual returns 2003–2006



Total returns

	Periods Ended June 30, 2007				
	Quarter	Year to Date	One Year	Three Years	Since Inception
Target Retirement 2035 Fund	5.66%	7.64%	20.42%	12.61%	13.24%
Target 2035 Composite Index	5.71%	7.65%	20.53%	12.76%	13.36%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses. Target 2035 Composite Index: Derived by applying the fund's target allocation to a series of unmanaged benchmarks. The index is currently made up of four unmanaged benchmarks, weighted 72% MSCI US Broad Market Index, 15% MSCI EAFE Index, 10% Lehman Aggregate Bond Index, and 3% MSCI Emerging Markets Index. The MSCI US Broad Market Index replaced the Dow Jones Wilshire 5000 Index on April 23, 2005. The MSCI Emerging Markets Index replaced the Select Emerging Markets Index on August 24, 2006. The composite index changes over time with the fund's asset allocation.

*The average weighted expense ratio of the underlying funds.
**Partial return since fund started, October 27, 2003.

Vanguard Target Retirement 2035 Fund

Plain talk about risk

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, based on the fund's current allocation between stocks and the less volatile asset class of bonds, the fund's overall level of risk should be higher than those funds that invest the majority of their assets in bonds, but lower than those investing entirely in stocks. As the fund's allocation between underlying funds gradually changes, the fund's overall level of risk also will decline. In addition to the risks inherent in the asset classes of the underlying funds, the fund also is subject to *asset allocation risk*, which is the chance that the selection of underlying funds and the allocation of fund assets will cause the fund to underperform other funds with a similar investment objective. For further details on all risks, please refer to the fund's prospectus.

Investment terms

Bond: A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of June 30, 2007

Allocation of underlying Vanguard funds[†]

Vanguard Total Stock Market Index Fund	71.8%
Vanguard European Stock Index Fund	10.5
Vanguard Total Bond Market Index Fund	10.1
Vanguard Pacific Stock Index Fund	4.7
Vanguard Emerging Markets Stock Index Fund	2.9

[†]Fund holdings are subject to change.

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For more information about Vanguard funds, visit www.vanguard.com, or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.



Vanguard®

Vanguard® Wellington™ Fund

Investor Shares

Balanced fund (stocks and bonds)

Investment objective

Vanguard Wellington Fund seeks to provide long-term capital appreciation and reasonable current income.

Investment strategy

The fund invests 60% to 70% of its assets in dividend-paying, and, to a lesser extent, non-dividend-paying common stocks of established medium-size and large companies. In choosing these companies, the advisor seeks those that appear to be undervalued but to have prospects for improvement. These stocks are commonly referred to as value stocks. The remaining 30% to 40% of fund assets are invested mainly in investment-grade corporate bonds, with some exposure to U.S. Treasury and government agency bonds, as well as mortgage-backed securities.

See reverse side for fund profile.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Who should invest

- Investors seeking long-term growth of capital and income.
- Investors with a long-term investment horizon (at least five years).
- Investors seeking moderate dividend income.

Who should not invest

- Investors unwilling to accept significant fluctuations in share price.

Total net assets: \$29,806 million

Expense ratio: 0.30% as of November 30, 2006

Ticker symbol: VWELX

Newspaper listing: Welltn

Inception date: July 1, 1929

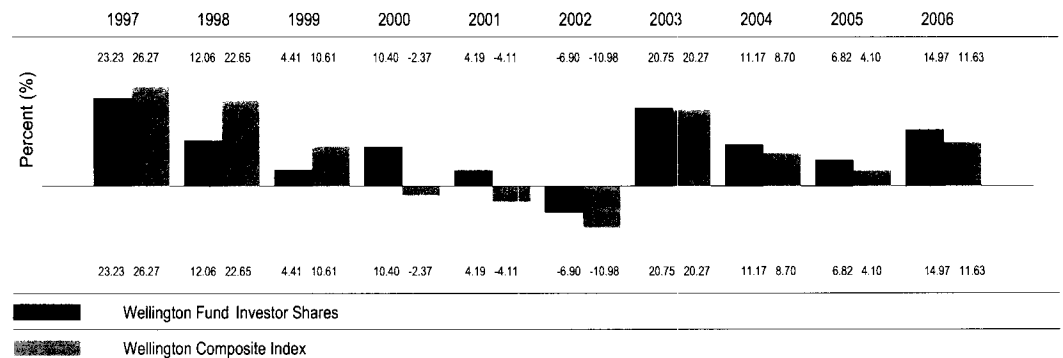
Fund number: 0021

Overall risk level:



Performance

Annual returns 1997–2006



Total returns

Periods Ended March 31, 2007

	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Wellington Fund Investor Shares	1.14%	1.14%	12.90%	10.56%	8.49%	9.87%
Wellington Composite Index	0.92%	0.92%	10.11%	7.64%	6.38%	8.04%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses. Wellington Composite Index: 65% S&P 500 Index and 35% Lehman Long Credit AA or Better Index through February 29, 2000; 65% S&P 500 Index and 35% Lehman Credit A or Better Index thereafter.

Vanguard Wellington Fund

Investor Shares

Plain talk about risk

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, because stock and bond prices can move in different directions or to different degrees, the fund's bond and short-term investment holdings may counteract some of the volatility experienced by the fund's stock holdings. The fund's performance could be hurt by:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

Investment style risk: The chance that returns from large- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Interest rate risk: The chance that bond prices overall will decline because of rising interest rates.

Income risk: The chance that the fund's income will decline because of falling interest rates.

Credit risk: The chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.

Call risk: The chance that during periods of falling interest rates, the issuer of a bond will repay—or call—securities with higher coupons, or interest rates, before their maturity dates. Forced to reinvest the unanticipated proceeds at lower interest rates, the fund would experience a decline in income and lose the opportunity for additional price appreciation associated with falling interest rates.

Manager risk: The chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Investment terms

Bond: A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of March 31, 2007

Fund allocation

Stocks	64.9%
Bonds	33.0
Short-term reserves	2.1

Distribution by issuer—Bonds

Asset-Backed	11.9%
Commercial Mortgage-Backed	0.7
Finance	30.0
Foreign	7.1
Government Mortgage-Backed	8.5
Industrial	28.0
Other	2.6
Treasury/Agency	5.4
Utilities	5.8

Top sector holdings—Stocks

Consumer Discretionary	7.7%
Consumer Staples	10.5
Energy	14.4
Financials	18.0
Health Care	11.1
Industrials	11.6
Information Technology	8.0
Materials	7.6
Telecommunication Services	5.2
Utilities	5.9

Ten largest holdings*

1. AT&T Inc.	
2. Bank of America Corp.	
3. General Electric Co.	
4. Citigroup, Inc.	
5. Chevron Corp.	
6. ExxonMobil Corp.	
7. Total SA ADR	
8. International Business Machines Corp.	
9. Exelon Corp.	
10. Abbott Laboratories	
Top 10 as % of Total Net Assets	16.5%

*Fund holdings are subject to change. "Ten largest holdings" excludes any temporary cash investments and index products.

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Vanguard®

Vanguard® PRIMECAP Fund

Investor Shares

Aggressive growth stock fund

Investment objective

Vanguard PRIMECAP Fund seeks to provide long-term capital appreciation.

Investment strategy

The fund invests in stocks considered to have above-average earnings growth potential that is not reflected in their current market prices. The fund's portfolio consists predominantly of mid- and large-capitalization stocks.

See reverse side for fund profile.

Who should invest

- Investors seeking long-term growth of capital.
- Investors with a long-term investment horizon (at least five years).

Who should not invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking significant dividend income.

Total net assets: \$22,969 million

Expense ratio: 0.46% as of September 30, 2006

Redemption fee: 1% on shares held less than 1 year

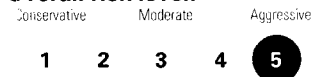
Ticker symbol: VPMCX

Newspaper listing: Prmcpx

Inception date: November 1, 1984

Fund number: 0059

Overall risk level:

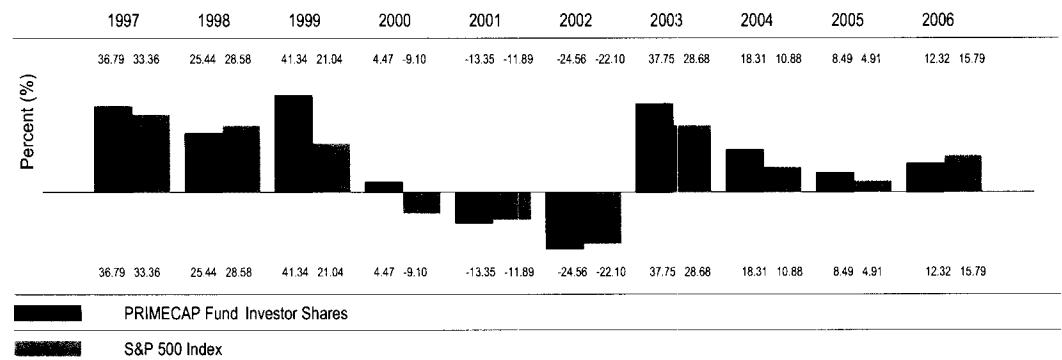


This fund charges a 1% redemption fee on shares held less than 1 year. Participants may be charged redemption fees if they execute exchanges, reallocations, and rebalances within a fund during the fund's redemption fee period. Performance data for periods of less than one year does not reflect the deduction of redemption fees. If it did, performance would be lower. All other performance data are adjusted for redemption fees, where applicable.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Performance

Annual returns 1997–2006



Total returns

	Periods Ended June 30, 2007					
	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
PRIMECAP Fund Investor Shares	8.66%	8.80%	17.74%	12.98%	14.25%	11.45%
S&P 500 Index	6.28%	6.96%	20.59%	11.68%	10.71%	7.13%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

S&P 500 Index: A widely used barometer of U.S. stock market performance; as a market-weighted index of leading companies in leading industries, it is dominated by large-capitalization companies.

Vanguard PRIMECAP Fund

Investor Shares

Plain talk about risk

An investment in the fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The fund's performance could be hurt by:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

Investment style risk: The chance that returns from large- and mid-capitalization growth stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Manager risk: The chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Investment terms

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of June 30, 2007

Top sector holdings—Stocks

Consumer Discretionary	11.6%
Consumer Staples	1.5
Energy	9.6
Financials	5.6
Health Care	21.3
Industrials	10.9
Information Technology	30.6
Materials	8.2
Telecommunication Services	0.7

Ten largest holdings*

1. FedEx Corp.	
2. Potash Corp. of Saskatchewan, Inc.	
3. Eli Lilly & Co.	
4. Texas Instruments, Inc.	
5. Novartis AG ADR	
6. Adobe Systems, Inc.	
7. Medtronic, Inc.	
8. Biogen Idec Inc.	
9. ConocoPhillips Co.	
10. Oracle Corp.	
Top 10 as % of Total Net Assets	32.1%

*Fund holdings are subject to change. "Ten largest holdings" excludes any temporary cash investments and index products.

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Vanguard®

Vanguard® FTSE All-World ex-US Index Fund

Investor Shares

International stock fund

Investment objective

Vanguard FTSE All-World ex-US Index Fund seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets around the world.

Investment strategy

The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the FTSE All-World ex US Index. The index includes approximately 2,200 stocks of companies in 47 countries, from both developed and emerging markets around the world. The fund invests in a broadly diversified sampling of stocks in the index that approximates the index's key risk factors and characteristics.

See reverse side for fund profile.

Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com® for your employer plans or contact Participant Services at 800-523-1188 for additional information.

Who should invest

- Investors seeking to further diversify a portfolio of U.S. securities.
- Investors seeking long-term growth of capital.
- Investors with a long-term investment horizon (at least five years).

Who should not invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking significant dividend income.

Performance

Total returns

	Periods Ended June 30, 2007	
	Quarter	Since Inception
FTSE All-World ex-US Index Fund Investor Shares	8.19%	11.65%
FTSE All-World ex US Index	8.83%	12.47%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

FTSE All-World ex US Index: Tracks approximately 2,220 large- and mid-capitalization stocks in countries around the world, including both developed and emerging markets, but excluding the United States. The index is administered by FTSE.

Total net assets: \$102 million

Expense ratio: 0.40% as of March 8, 2007

Purchase fee: 0.25%

Redemption fee: 2% on shares held less than 2 months

Ticker symbol: VFWIX

Newspaper listing: FTAIWIIn

Inception date: March 8, 2007

Fund number: 0770

Overall risk level:

Conservative Moderate Aggressive

1 2 3 4 **5**

Vanguard FTSE All-World ex-US Index Fund

Investor Shares

Plain talk about risk

An investment in the fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The fund's performance could be hurt by:

Stock market risk: The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices. In addition, investments in foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions.

Country risk: The chance that domestic events—such as political upheaval, financial troubles, or natural disasters—will weaken a country's securities markets. Country risk is especially high in emerging markets.

Emerging markets risk: The chance that the emerging markets will be substantially more volatile, and substantially less liquid, than the more developed foreign markets.

Currency risk: The chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

Investment terms

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

Fund profile

as of June 30, 2007

Geographic allocation

United Kingdom	16.9%
Japan	15.5
France	8.4
Germany	6.4
Canada	5.2
Australia	5.0
Switzerland	4.9
Spain	3.4
Italy	3.3
Netherlands	3.1
Total	71.5%

Ten largest holdings*

1. BP PLC	
2. HSBC Holdings PLC	
3. Total SA	
4. Vodafone Group PLC	
5. Toyota Motor Corp.	
6. GlaxoSmithKline PLC	
7. Royal Dutch Shell PLC Class A	
8. Nestle SA (Registered)	
9. Novartis AG (Registered)	
10. Siemens AG	
Top 10 as % of Total Net Assets	8.9%

*Fund holdings are subject to change. "Ten largest holdings" excludes any temporary cash investments and index products.

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Exhibit 2

Exhibit 2
Vanguard-Proposed Hypothetical Participant Disclosure

Your Fund Fees and Expenses

Along with risk and return characteristics of your investments, you should also consider the costs of investing.

The following table summarizes risk, return and cost for the investments you currently hold. For information on the other funds offered by your plan that you do not currently own, please click [here](#).

You should not consider investment expenses in isolation. By far, asset allocation—your mix among stocks, bonds and cash reserves—is your most critical investment decision. You should ensure that you have a broadly diversified portfolio of stocks and fixed income securities for retirement. To review your asset allocation, click [here](#).

[For plans offering company stock: PPA-related disclosure regarding risks of employer securities.]

Investment Fees for the Funds You Own

Fund Name	Asset Class / Management	Risk / Return Potential	Annual Fees and Expenses
Retirement Savings Trust	Stable Value / active	Low / Low	0.30%
Vanguard Total Bond Market Fund <i>Investor Class</i>	Bonds / passive (index)	Low / Low	0.20%
Vanguard Wellington Fund	Balanced (stocks and bonds) / active	Moderate / Moderate	0.30%
Vanguard Index 500 Fund <i>Investor Class</i>	Domestic Stocks / passive (index)	High / High	0.18%
ABC Equity Income Fund	Domestic Stocks / active	High / High	0.69%
Vanguard International Growth Fund	International Stocks / active	High / High	0.55%*

* Redemption fee: 2% if held less than 2 months

Administrative Fees and Expenses

In addition, your plan assesses the following additional charges: a \$10 annual recordkeeping fee; a \$40 loan origination charge if you take out a loan; and a \$25 loan maintenance charge for each year you have an outstanding loan balance.