



## MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Jeff Hancock, Director, Supplemental Retirement Plans

DATE: February 22, 2024

SUBJECT: NC 401(k) and NC 457 Plans: Recommendation of Fee Holiday

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### Background

Currently, the operational expenses of the Supplemental Retirement Board of Trustees (Board) and the North Carolina Department of State Treasurer (Department) are funded through an administrative expense fee charged to participants who opt to enroll in the Supplemental Retirement Plans (SRP). For participants in the NC 401(k) and NC 457 Plans, the annual administrative expense fee is currently 0.01% (1.0 basis point) of a participant's account balance. The Board and the Department use the administrative expense fee receipts to fund the administration of the plans, including Departmental personnel costs, investment consulting fees and auditing fees.

The administrative expense fee is accrued daily and collected monthly. Once collected, the money is deposited into the NC Stable Value Fund (for the NC 401(k) and NC 457 Plans) where it earns the current prevailing yield. Withdrawals are made, as needed, to cover expenses.

The administrative expense fee is asset-based; therefore, annual receipts fluctuate with performance of the financial markets.

### Administrative Fee

The North Carolina General Assembly passed into legislation House Bill 168 / SL 2021-75 ("Retirement Administrative Changes Act of 2021") on July 2, 2021. This allows for the Department to adopt an administrative fee outside of the formal rulemaking process within certain limits.



**North Carolina**  
Total Retirement Plans



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The combined administrative expense account balances for the NC 401(k) and NC 457 Plans are projected to be approximately \$9 million as of January 28, 2024.

### **Recommendation**

Staff recommends implementing a Fee Holiday for the remainder of 2024 and review the fee reserves again at the Q1 2025 Board meeting.