



MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Jeff Hancock, Director, Supplemental Savings Programs

DATE: August 24, 2023

SUBJECT: Adoption of administrative fee rule

At its May meeting, the Supplemental Retirement Board of Trustees (Board) approved the Supplemental Retirement Plans' (SRP) budget for fiscal year (FY) 2023-24 (July 1, 2023-June 30, 2024). As part of the budget review, the Board proposed reducing the administrative fee paid by participants from 0.0125% (1.25 basis points) to 0.01 (1 basis point).

The Board originally adopted the administrative fee as a formal rule in 2019 pursuant to the North Carolina Administrative Procedure Act (APA). The Board's proposed reduction in the administrative fee requires the adoption of a revised rule. However, under N.C.G.S. § 135-91(c1), which was enacted in 2021, the Board and the Department are authorized to adopt administrative fee rules through an alternative process to the APA. To comply with the procedural requirements of N.C.G.S. § 135-91(c1), on June 1 staff posted the revised fee rule on two of the Department's websites – the Board's webpage on www.MyNCretirement.com and the Department's rules webpage on www.nctreasurer.com. The website postings invited public comments. Comments on the revised fee rule will be accepted through August 23.

At the August 24 meeting, the revised fee rule, reducing SRP's administrative fee to 0.01% (1 basis point), will be before the Board for final adoption. If adopted, the new fee will go into effect on September 1. The revised fee rule is in Attachment 1.

Attachment 2 is a draft of the formal adoption by the Board and the Department of the revised fee rule, reducing the SRP's administrative fee to 0.01% (1 basis point).

Recommendation

Staff recommends the Board adopt the fee rule in Attachment 1.

Attachment 1 – Administrative Fee Rule

CHAPTER 11 – SUPPLEMENTAL RETIREMENT PLANS

SECTION .0100 – ADMINISTRATIVE FEES

20 NCAC 11 .0101 ADMINISTRATIVE FEES: NC 401(K) AND NC 457 PLANS

(a) The Board and the Department shall charge an administrative fee at an annual rate of 0.01 percent of the assets in each account in the Supplemental Retirement Income Plan of North Carolina and in each account in the North Carolina Public Employee Deferred Compensation Plan.

(b) The Board and the Department may waive the administrative fee in Paragraph (a) of this Rule for a period of up to 12 months based upon the following factors:

- (1) The balance of the administrative expense account for the plans;
- (2) Department projections of future expenses to administer the plans; and
- (3) Department projections of future receipts available for the administration of the plans.

(c) The Board and the Department shall provide notice of a fee waiver on the plans' website and on participants' quarterly statements.

*History Note: Authority S.L. 2021-75; G.S. 135-91(e); 143B-426.24(h2);
Eff. September 1, 2023.*

Attachment 2 – Adoption of the Administrative Fee Rule (Draft)

Supplemental Retirement Plans: Adoption of Administrative Fee Rule

The Supplemental Retirement Board of Trustees (the “Board”) and the Department of State Treasurer (“Department”) administer the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”) and the North Carolina Deferred Compensation Plan (the “NC 457 Plan” and with the NC 401(k) Plan, the “Plans”). The Board and the Department do not receive any appropriations to operate the Plans; instead, the Board and the Department charge an administrative fee to participants.

In 2019, the Board and the Department adopted a formal rule for the administrative fee pursuant to the North Carolina Administrative Procedure Act (the “APA”). The fee was set at an annual rate of 0.025% of the assets in each account in the Plans and was codified in the North Carolina Administrative Code (“NCAC”) at 20 NCAC 11 .0101 (the “Fee Rule”). On February 24, 2022, the Board and the Department amended the Fee Rule to reduce the administrative fee to 0.0125%.

On May 25, 2023, Departmental staff proposed, and the Board approved, a reduction of the administrative fee from 0.0125% to 0.01%.

A copy of the Fee Rule with the lower administrative fee is attached (the “Revised Fee Rule”).

The Board and the Department are authorized by N.C.G.S. § 135-91(c1), enacted in 2021, to adopt administrative fee rules for the Plans pursuant to an alternative to the APA. On June 1, 2023, the Revised Fee Rule was posted on two of the Department’s websites – the Board’s webpage on www.MyNCretirement.com and the Department’s rules webpage on www.nctreasurer.com. The website postings invited public comments. Comments on the Revised Fee Rule were accepted through August 23, 2023, and no comments were received. The Board adopted the Revised Fee Rule at its meeting on August 24, 2023.

Likewise, the Department hereby adopts the Revised Fee Rule.

The Revised Fee Rule will be posted on the Board’s webpage on www.MyNCretirement.com and published in the NCAC.

North Carolina Department of State Treasurer
North Carolina Supplemental Retirement Board of Trustees

By: _____
Dale R. Folwell, CPA
Treasurer of the State of North Carolina

Date: August ____, 2023

Attachment