

## NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS FEE STATEMENT

### **Purpose**

This plan fee statement is intended to assist participants and potential participants in the North Carolina Supplemental Retirement Plans (“Plans”) – the NC 401(k) Plan and the NC 457 Plan – in understanding the costs of participating in the Plans and comparing these costs with the fees charged by other providers, including providers that use different fee structures. The NC 401(k) Plan and the NC 457 Plan use the same 11 investment options (referred to as the “Funds”). Information on the Funds are available in the [Fund Fact Sheets](#) located on [myNCPlans.com](http://myNCPlans.com)

### **Summary**

<b>Fee Type</b>	<b>Annual Amount</b>	<b>How is the Fee Charged?</b>	<b>What Expenses Are Covered by the Fee?</b>
Administrative Fee	0.010% (1.00 bps)	Included in Fund’s Expense Ratio	Operating expenses of the Department and the Board (e.g., staff salaries, vendors)
Investment Management Fee	Varies by investment	Included in Fund’s Expense Ratio	Management of assets in a Fund
Trading Costs	Varies by investment	Reflected in Fund’s net return	Investment manager’s costs of buying and selling investments
Custodial Fee	Varies by investment	Included in Fund’s Expense Ratio	Custodial and related services
Trust Expenses	Varies by investment	Included in Fund’s Expense Ratio	Operational expenses of collective investment trusts
Recordkeeping and Communications Fee	\$26 per account	Quarterly deduction. Listed on participants’ statements.	Recordkeeping and communications services of Empower (formerly Prudential)

### **Where Can I Get Additional Information?**

- Remainder of this Fee Statement
- [Fund Fact Sheets](#) (available on [myNCPlans.com](http://myNCPlans.com))
- [N.C.G.S. § 135-91\(c1\)](#) and [20 NCAC 11 .0101](#) (administrative fees only)
- Participants’ quarterly statements (log in at [myNCPlans.com](http://myNCPlans.com))

## **Definitions**

**Asset-based fee.** An asset-based fee is charged as a percentage of a participant's account balance.

**Basis points (bps).** A basis point is one hundredth of a percent (0.01%).

**Collective investment trust.** A collective investment trust is a trust held by a bank or a trust company for the purpose of pooling and investing the assets of a qualified retirement plan (e.g., 401(k) plan) or a governmental retirement plan.

**Custodian.** The custodian is the bank retained by the Board and the Department to provide custody (i.e., safekeeping) of the Plans' assets. The custodian also provides other services, such as Fund valuation and performance reporting.

**Expense Ratio.** The Expense Ratio for a Fund includes the investment management fee, the custodial fee, the administrative fee, and, if applicable, the trust expenses. The Expense Ratio may be approximate due to rounding.

**Flat fee.** A flat fee is a fixed fee that is charged to a participant's account regardless of the account balance.

**Investment manager.** An investment manager is a firm that is retained by the Board and the Department to manage all or part of the assets in a Fund.

**Recordkeeper.** The vendor retained by the Board and the Department to provide recordkeeping and communications services for the Plans, including maintaining participants' accounts and providing account statements to participants. The recordkeeper is Empower (formerly Prudential).

## **Fee Administration**

The Plans are jointly administered by the North Carolina Supplemental Retirement Board of Trustees (the "Board") and the North Carolina Department of State Treasurer (the "Department"). All expenses are borne by participants in the Plans. The Plans do not receive funding from the state or from participating state and local governmental employers.

The custodian, recordkeeper, and other vendors (excluding investment managers) are selected pursuant to the [Vendor Selection Policy](#). Investment managers are selected pursuant to the [Policy and Procedures for Investment Transactions and Investment Manager Selection](#) and with the assistance of the investment consultant. Whenever possible, staff seeks "relationship pricing" from vendors who provide services for the Retirement Systems (i.e., the defined benefit plans administered by the Department) in addition to the NC 401(k) and NC 457 Plans.

A study is conducted biannually to review the fees in the NC 401(k) and NC 457 Plans, including benchmarking against a peer universe. The [most recent report](#) is available in the ["Reports and Disclosures" section](#) of the Board's page on [www.myncretirement.com](http://www.myncretirement.com).

In addition, the Board and Departmental staff review investment management fees quarterly and the administrative fee annually.

The Plans do not utilize revenue-sharing arrangements, which involve using payments from investment options to offset a plan's administrative fees.

## **Types of Fees and Other Expenses**

### **Expense Ratio**

The following fees are included in a Fund's Expense Ratio, which is available in the [Fund Fact Sheets](#) on [myNCPlans.com](http://myNCPlans.com). A Fund's Expense Ratio is accrued daily and transferred quarterly from a Fund's average net assets.

- **Administrative fee.** The administrative fees are asset-based fees that serve as the sole source of funding for the expenses of the Board and the Department in administering the Plans. The annual fee is 0.01% (or 1.00 bps) of the total assets in each account. See [North Carolina General Statutes § 135-91\(c1\)](#) and [North Carolina Administrative Code, Title 20, Chapter 11 .0101](#) for additional information on establishing the administrative fee.
- **Trust expenses.** Administrative and other expenses are asset-based fees charged by the collective investment trusts that are used in some of the Funds. Trust expenses vary by Fund
- **Custodial fee.** The custodial fee is an asset-based fee that covers the costs charged by the custodial bank to hold (or provide custody of) the Plans' assets and to provide related services, such as Fund valuation and performance reporting. The custodial fee varies by Fund.
- **Investment management fee.** The investment management fee, which varies by Fund, is an asset-based fee that covers the management of the assets in each Fund. There is no additional fee associated with the Plans' optional asset allocation service, GoalMaker.

### **Recordkeeping and communications fee**

Each account in the Plans is charged a flat fee of \$26 per year to cover recordkeeping and communications services provided by the recordkeeper. This fee is deducted in quarterly installments directly from the participant's account balance and is reported in a participant's quarterly account statement.

### **Trading costs**

Trading costs are incurred by an investment manager as part of buying and selling investments. These costs are subtracted from (and therefore reflected in) a Fund's net investment return, instead of being reported separately (e.g., in a Fund's Expense Ratio).

### **Processing fees**

Processing fees are flat fees that are charged to participants for certain optional transactions, such as loan origination, transfer benefit, and express mail, that are requested by participants. Fees for the most popular transactions are listed in Appendix 1.

## **Appendix 1 – Processing Fees for Certain Optional Participant Transactions**

Express mail: \$25

Loan origination: \$60

Loan coupon book and re-amortization following a participant's separation from employment:  
\$100

Transfer benefit. \$100

## Appendix 2 – Cost Calculation Example

The example assumes that the participant invests equal amounts in two Funds and that the amount invested in each Fund remains constant through the year. Specifically, in the example, \$10,000, \$40,000, and \$100,000 are divided equally between the NC Large Cap Index Fund and the NC Fixed Income Fund. The example does not include any processing fees for optional transactions, such as loans and express mail. The fees are on an annual basis as of June 30, 2023, except the administrative fee is as of September 1, 2023. Fees may be approximate due to estimation and rounding. All fees are subject to change.

<u>Fee Type</u>		<u>Fee Amount</u>	<u>Fee for Investment Amount</u>		
			<u>\$10,000</u>	<u>\$40,000</u>	<u>\$100,000</u>
<i>Investment in NC Large Cap Index Fund (50% of total)</i>			\$5,000	\$20,000	\$50,000
Investment management fee (a)		0.005%	\$0.25	\$1.00	\$2.50
+ Custodial fee and trust expenses (if appl.) (b)		0.002%	\$0.08	\$0.30	\$0.75
+ <u>Administrative fee (c)*</u>		0.010%	\$0.50	\$2.00	\$5.00
(1) Expense Ratio: NC Large Cap Core Fund (=a+b+c)		0.017%	\$0.83	\$3.30	\$8.25
<i>Investment in NC Fixed Income Fund (50% of total)</i>			\$5,000	\$20,000	\$50,000
Investment management fee (a)		0.123%	\$6.15	\$24.60	\$61.50
+ Custodial fee and trust expenses (if appl.) (b)		0.008%	\$0.38	\$1.50	\$3.75
+ <u>Administrative fee (c)*</u>		0.010%	\$0.50	\$2.00	\$5.00
(2) Expense Ratio: NC Fixed Income Fund (=a+b+c)		0.141%	\$7.03	\$28.10	\$70.25
(3) Recordkeeping and communications fee		\$26.00	\$26.00	\$26.00	\$26.00
<b>TOTAL</b>	Annual fee in dollars (=1+2+3)		\$33.85	\$57.40	\$104.50
	Annual fee as a percentage of assets		0.339%	0.144%	0.105%