



MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Jeff Hancock, Director, Supplemental Retirement Plans

DATE: May 25, 2023

SUBJECT: NC 401(k) and NC 457 Plans: Recommendation of fee for 2023-2024 Fiscal Year

Background

Currently, the operational expenses of the Board and the Department are funded through an administrative expense fee charged to participants who opt to enroll in the Supplemental Retirement Plans. For participants in the NC 401(k) and NC 457 Plans, the annual administrative expense fee is 0.0125% (1.25 basis points) 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 DST - SRP to adopt an administrative fee outside of the formal rulemaking process within certain limits.



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The combined administrative expense account balances for the NC 401(k) and NC 457 Plans are projected to be approximately \$8 million as of July 1, 2023.

Recommendation

Staff recommends setting the Administrative Fee at 1.0 Bp (**reducing fee by .25 bp**) for 2023 -2024 Fiscal Year and moving forward with an annual review to ensure target reserves are still being met.



Recommendation – 1.0 bps for 2023-2024 and forward and with an annual review

Administrative Fee Analysis for 2023-24						
	2024	2025	2026	2027	2028	Target reserves 18-months expenses
401(k)	1	1	1	1	1	
Flat AUM 2023-24	1	1	1	1	1	
\$ 12,800,000,000.00						
Administrative Acct Bal. Proj at 7.1	\$ 7,364,680.00	\$ 6,676,357.00	\$ 5,803,917.00	\$ 4,931,477.00	\$ 4,059,037.00	
Annual Administrative Account additions	\$ 1,280,000.00	\$ 1,280,000.00	\$ 1,280,000.00	\$ 1,280,000.00	\$ 1,280,000.00	
SVF Crediting Rate@2.5%	\$ 184,117.000	\$ 166,908.925	\$ 145,097.925	\$ 123,286.925	\$ 101,475.925	
Projected Expenditures	\$ 2,152,440.00	\$ 2,152,440.00	\$ 2,152,440.00	\$ 2,152,440.00	\$ 2,152,440.00	
Administrative Acct Bal Proj at 06.30	\$ 6,676,357.00	\$ 5,803,917.00	\$ 4,931,477.00	\$ 4,059,037.00	\$ 3,186,597.00	\$ 3,228,660.00
457	1	1	1	1	1	
Flat AUM 2023-24	1	1	1	1	1	
\$ 1,700,000,000.00						
Administrative Acct Bal. Proj at & 7.1	\$ 1,045,014.00	\$ 949,529.35	\$ 827,919.35	\$ 706,309.35	\$ 584,699.35	
Annual Administrative Account additions	\$ 170,000.00	\$ 170,000.00	\$ 170,000.00	\$ 170,000.00	\$ 170,000.00	
SVF Crediting Rate@2.5%	\$ 26,125.350	\$ 23,738.234	\$ 20,697.984	\$ 17,657.734	\$ 14,617.484	
Projected Expenditures	\$ 291,610.00	\$ 291,610.00	\$ 291,610.00	\$ 291,610.00	\$ 291,610.00	
Administrative Acct Bal Proj. at 06.30	\$ 949,529.35	\$ 827,919.35	\$ 706,309.35	\$ 584,699.35	\$ 463,089.35	\$ 437,415.00



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