

MEMORANDUM

TO: NC Supplemental Retirement Board of Trustees

FROM: Jeff Hancock, Director

DATE: February 26, 2026

SUBJECT: Administrative Fee Reserves

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.

At the February 2025 SRP Board of Trustees meeting the Board voted to implement a 12-month fee holiday on the administrative fee (i.e. no fee assessed during this time).



North Carolina Retirement Systems

NC 401(k) & NC 457 Plans

SRP staff has reviewed the administrative fee expense accounts for the NC401k and NC457. The combined administrative expense account balances for the NC 401(k) and NC 457 Plans are approximately \$8.2 million as of January 31, 2026.

Recommendation

Staff recommends continuing the fee holiday for another 12-month period and reviewing the administrative fee expense reserves again at the Q1 2027 SRP Board of Trustees meeting. In addition to the fee holiday, staff also recommends picking up one quarter of recordkeeping fees on behalf of participants (estimate of \$2,250,000) to further reduce the fee reserves.