



Colleen C. Davis
State Treasurer

Tel: 302.672.6700
Fax: 302.739.2274

MEMORANDUM

To: Audit & Governance Committee (Committee)
From: John Meyer, Director of Contributions and Plan Management
Sent: May 14, 2019
Subject: 457 State Administration Fee

Background

The 457 plan had \$864,775 in “legacy fees” that were deducted from the plan prior to the transfer of recordkeeping to Voya Financial. In May 2018, the Committee discussed options concerning the fees, including possible reimbursement of legacy fees to participants. Based on Ice Miller’s advice and concerns related to such reimbursement, the Committee decided to recommend that (a) legacy fees be used to offset future plan expenses and (b) state administration fees on the 457 plan be suspended for four calendar quarters starting in June 2018. The legacy fee balance was projected to cover two years of expenses (June 2018- June 2020) and leave a budget reserve of approximately \$200,000. In June 2018, the Plans Management Board (Board) approved using 457 legacy fees to offset future plan expenses and suspend the state administration 457 fee through June 2019

Update

The initial projections that legacy fees will cover two years of expenses and leave a budget reserve of approximately \$200,000 are still valid. The current suspension of state administration 457 fee should continue for another four calendar quarters starting in June 2019. Future updates will be provided in the Committee November 2019 and February 2020 meetings.

Recommendation

We recommend to the Committee to continue the state administration 457 fee suspension for another four calendar quarters starting in June 2019.