



MEMORANDUM

To: Members of the Plans Management Board (PMB)
CC: Members of the Audit & Governance Committee
From: John Meyer, Director of Contributions and Plan Management
Date: February 20, 2018
Re: ABL State Administration Fees

I. Introduction

This memo provides a synopsis of National ABL Alliance (“Alliance”) state administration fees. These fees are distinguished from other Alliance fees in that the proceeds go to the agency administering the respective plan.

II. State Administration Fees

The Alliance’s governing document provides for a state administration fee. It comes in two versions: one for in-state residents and another assessed on plan participants from other states. The fee is a \$1.25 per-account, per-quarter fee (\$5 annually). The Alliance requires each state to assess a fee on out-of-state accounts. (This was intended to maintain parity among Alliance plans in competition for out-of-state accounts.) However, states have the ability to decide whether to charge a fee to in-state residents. Thus far, about half of Alliance states (six of thirteen) have elected to have an in-state fee.

III. OST Recommendation

OST is recommending that the Board not charge a state administration fee for Delawareans in the DEpendABLE program. This is primarily because: 1) a fee would deny us a good marketing tool and 2) it would not generate enough funds to be worthwhile in any scenario.

Having an in-state fee would deprive us of having the marketing tool of a fee waiver for Delawareans. A fee waiver for in-state residents is a good way to make the home state plan more attractive to prospective participants, by reinforcing the notion of home state affinity. The second reason for our opposition is the fee is too small to generate a meaningful amount of funds. (For example, even 1,000 Delaware accounts would provide only \$5,000 in annual revenue.)

IV. Conclusion

For the foregoing reasons OST recommends that Delaware not charge an administration fee for in-state account holders. If dynamics change, we can revisit this decision, but the current size of the fee, the marketing consequences, and the expected number of accounts make the cost outweigh the benefit of a fee.