

# **North Carolina Supplemental Retirement Plans**

**Administrative Budget**

**Fiscal Year 2016-17**

**March 23, 2017**



**North Carolina**  
Total Retirement Plans

## **NC 401(k) & NC 457(b) Plans and NC 403b Program Budget Summary**

### Key Facts:

- Revenue Assumptions
  - For the purpose of budget forecasting, the asset growth of the NC 401(k)/NC 457 Plans and NC 403(b) Program is assumed to be zero; the NC 401(k)/NC 457 administrative reimbursement account is invested in the stable value fund. The NC 403(b) administrative fee is invested in the short term bond fund option; and projected revenue includes an assumption regarding the interest earned on administrative reimbursement account balances
  - As of February 28, 2017:
    - \$8.6 billion in total assets – NC 401(k) Plan
    - \$1.2 billion in total assets – NC 457(b) Plan
    - \$9 million in total assets – NC 403(b) Program
    - 0.025% asset-based administrative fee on the NC 401(k) and NC 457(b) Plans
    - 0.05% asset-based administrative fee on the NC 403(b) Program
    - Administrative reimbursement accounts' balances:  
\$5 million for NC 401(k) and NC 457(b) Plans combined  
\$20,000 for NC 403(b) Program
- Expenditure Assumptions
  - Full employment throughout Fiscal Year 2016-17
    - Benefit contribution rates
      - NC – 16.33%
      - Social Security/Medicare – 7.65%
      - State Health Plan - \$5,659
  - Split expenditures pro rata based on plan asset size, unless it is an exclusive charge to one of the plans. However, no expenditures, other than charges exclusive to the NC 403(b) Program, are paid by the NC 403(b) Program's assets as administrative fees are de minimis compared to those of the NC 401(k) and NC 457(b) Plans.
- Budget Expansion Summary
  - Benefits contribution rates updated to reflect increased employer contributions to pension and state health plan
  - Intergovernmental Allocations adjusted to reflect actual budget finalized in December
  - New Bloomberg subscription for Investment Management Department

No other expense increases are anticipated for this fiscal year .

### Revenue and Administrative Fund Balance Projections for NC 401(k) and NC 457 Plans

Based on the revenue assumptions as detailed in the Key Facts, the table below contains the revenue and fund balance projections as of February 28, 2017.

Revenue Projections	NC 401(k)	NC 457(b)
Administrative reimbursement account balance as of July 1, 2016*:	\$5,325,697	\$743,613
Estimated administrative fee collected during FY 2017 based on assumptions:	\$1,750,000	\$250,000
Interest earned assuming return will equal previous 12 months' average crediting rate:	\$136,000	\$24,000
Total	\$7,211,697	\$1,017,613
Less Projected Expenses (proposed)	(\$2,238,836)	(\$396,337)
Projected Fund Balance for June 2017	\$4,972,861	\$621,276

Administrative Fund balance as of February 2017                      \$4,790,177                      \$699,752

\*Adjusted for approximate amounts transferred in after July 1 for accrued administrative reimbursement through June 30, 2016.

401(k) & 457(b) Budget proposal for FY 2016-2017				Changes from Total FY 2016 - 2017 BUDGET
	Both Plans	401(k)	457(b)	
<b>Percentage of Allocation between the Plans :</b>		<b>85%</b>	<b>15%</b>	
<b>Personnel</b>				
<b>Salaries</b>	\$ 1,116,091	\$ 948,678	\$ 167,414	
<b>Benefits</b>	\$ 368,310	\$ 313,064	\$ 55,247	\$33,484
Board Reimbursement	\$ 5,000	\$ 4,250	\$ 750	
<b>Total Staffing Expenditure</b>	<b>\$ 1,489,402</b>	<b>\$ 1,265,991</b>	<b>\$ 223,410</b>	<b>\$33,484</b>
<b>Purchased Services</b>				
Legal	\$ 60,000	\$ 51,000	\$ 9,000	
Audit	\$ 154,800	\$ 131,580	\$ 23,220	
Investment Consultant	\$ 375,000	\$ 318,750	\$ 56,250	
Fee Benchmarking Services	\$ 30,000	\$ 25,500	\$ 4,500	
Tax Compliance - Ernst & Young	\$ 60,000	\$ 51,000	\$ 9,000	
Proxy Voting Service	\$ 25,000	\$ 21,250	\$ 3,750	
Annual Benefits Statement	\$ 50,000	\$ 42,500	\$ 7,500	
Office Rent & Electricity	\$ 50,000	\$ 42,500	\$ 7,500	
Travel & Sustenance	\$ 40,000	\$ 34,000	\$ 6,000	
Phone/Internet	\$ 15,000	\$ 12,750	\$ 2,250	
<b>Total Purchased Services</b>	<b>\$ 859,800</b>	<b>\$ 730,830</b>	<b>\$ 128,970</b>	<b>\$0</b>
<b>Other Expenses</b>				
Supplies	\$ 15,000	\$ 12,750	\$ 2,250	
Bloomberg Subscription	\$ 11,080	\$ 9,418	\$ 1,662	\$11,080
NAGDCA Conference Registration	\$ 9,000	\$ 7,650	\$ 1,350	
NAGDCA Fees	\$ 650	\$ 553	\$ 98	
<b>Total Other Expenses</b>	<b>\$ 35,730</b>	<b>\$ 30,371</b>	<b>\$ 5,360</b>	<b>\$11,080</b>
<b>Intergovernmental Transfer</b>				
General Administration	\$ 73,980	\$ 62,114	\$ 11,866	\$20,415
Information Technology	\$ 139,938	\$ 118,740	\$ 21,198	\$32,321
Financial Operations Division	\$ 36,323	\$ 30,790	\$ 5,533	\$11,035
<b>Total Intergovernmental Transfer</b>	<b>\$ 250,241</b>	<b>\$ 211,644</b>	<b>\$ 38,597</b>	<b>\$63,771</b>
<b>Total Expenditures</b>	<b>\$ 2,635,173</b>	<b>\$ 2,238,836</b>	<b>\$ 396,337</b>	<b>\$108,335</b>