



North Carolina
Total Retirement Plans
401k | 457 | 403b



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North Carolina Supplemental Retirement Plans

Proposed Administrative Budget

Fiscal Year 2019-2020

June 20, 2019



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

Key Facts for Fiscal Year 2019 – 2020 Proposed Budget:

Revenue Assumptions

- 0.025 percent asset-based administrative fee is charged on the NC 401(k) and NC 457(b) Plan balances; however, the fee is waived for calendar year 2019.
- 0.05 percent asset-based administrative fee is charged on the NC 403(b) Program balance.
- Fees are estimated based on asset balances as of April 30, 2019:
 - \$10.63 billion in total assets – NC 401(k) Plan
 - \$1.48 billion in total assets – NC 457(b) Plan
 - \$17.37 million in total assets – NC 403(b) Program
- For the purpose of budget forecasting, the asset growth of the NC 401(k) and NC 457 Plans and NC 403(b) Program is assumed to be zero.
- Interest earned in fiscal year 2019 – 2020 is estimated using the current administrative fee reimbursement account balances as of June 1, 2019:
 - \$6.95 million for NC 401(k) and NC 457(b) Plans combined
 - NC 401(k) and NC 457(b) administrative fee reimbursement accounts balances are invested in the stable value fund.
 - \$29,207 for NC 403(b) Program. NC 403(b) administrative fee reimbursement account balance is invested in the short-term bond fund option in the NC 403(b) Program.
- The NC 401(k) and NC 457(b) Plans will be reimbursed approximately \$80,000 in Fiscal Year 2019 - 2020, representing estimated compensation for services provided by Supplemental Retirement Plans' staff to NC ABLE Program.

SRP Staff Position #	Time (%) Allocation to ABLE
65015147	20%
Temporary employee	25%
65019377	5%
60009118	5%



Expenditure Assumptions

- Full employment throughout Fiscal Year 2019 – 2020
 - Estimated contribution rates:
 - NC Retirement – 18.55 percent
 - Social Security/Medicare – 7.65 percent
 - State Health Plan - \$6,104
- The NC 403(b) Program pays expenses that are exclusive to the Program. No overhead is allocated to the Program.
- The NC 401(k) and NC 457(b) Plans will pay for Department of State Treasurer overhead allocations consistent with the methodology for Fiscal Year 2018-2019 for general administrative, information technology and financial operations support.

Budget Summary:

The Fiscal Year 2019-2020 budget proposal represents a reduction from the prior year of approximately \$223,000. This is due primarily to savings associated with the new investment consultant contract. Upon finalization of the intergovernmental transfers by the Financial Operations Division and the Plans' auditing contract, any adjustments to the Fiscal Year 2019-2020 budget will be presented to the board at the December 2019 board meeting.

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

Based on the revenue assumptions detailed in the Key Facts section above, the table below contains the revenue and administrative fund balance projections through June 30, 2020.

Revenue Projections	NC 401(k)	NC 457(b)
Administrative expense fund balance as of June 1, 2019	\$ 6,035,692	\$ 912,529
Estimated fee collected during the FY year (collected for six months in 2020) based on "Fee holiday" for calendar 2019	\$ 1,328,875	\$ 184,747
Estimated interest to be earned between July 1st 2019 to June 30th 2020 at 1.5% Stable Value crediting rate:	\$ 110,469	\$ 16,459
Sub Total	\$ 7,475,036	\$ 1,113,735
Less Projected Expenditure in proposed budget	(\$2,084,431)	(\$367,840)
Projected administrative fund balance for June 30, 2020	\$ 5,390,605	\$ 745,895



Status of “draw down” of Administrative Fee Reimbursement Account

- Projected ending balance as of December 31, 2019 is above original projection due to:
 - Higher starting balance on January 1, 2019 by \$266,182.
 - Lower expense run rate due primarily to new investment consultant contract and lower salary / benefit expenditure.

Administrative Fee Analysis 2019						
	Actual			Projected		Original 09.05.2018 target balance in administrative expense account
	Administrative account balance as of 01.01.2019	Actual expenses year to date (01.01.2019 to 04.30.2019)	Administrative account balance as of 05.20.2019	Budgeted expenses from 05.01.2019 to 12.31.2019	Administrative expense account balance as of 12.31.2019	
401k	\$6,549,450	\$541,955	\$6,186,092	\$1,113,949	\$5,161,368	\$4,057,496
457	\$1,014,480	\$92,882	\$951,636	\$196,579	\$772,149	\$564,700
Total	\$7,563,930	\$634,837	\$7,137,728	\$1,310,528	\$5,933,517	\$4,622,196
Note:						
1. Projected expenses are per 2019-20 budgeted expenses						
2. Administrative expense account balance includes estimated interest earned at 1.5% Stable Value crediting rate						
3. \$43,004 payment from NC ABLE received on December 6, 2018 and second payment of \$34,939.69 payment to be received on June 15, 2019 is included in the administrative expense account balance.						

NC 401(k) & NC 457(b) Plans Proposed Budget for Fiscal Year 2019-2020					
	Both Plans	401(k)	457(b)	Change from	Comments
Percentage of Allocation between the Plans :	85%	15%	2018-19		
Proposal for 2019-20					
Staffing Expenditure					
Salaries	\$1,063,362	\$903,858	\$159,504		
Benefits	398,900	339,065	59,835		
Board Reimbursement	5,000	4,250	750		
Total Staffing Expenditure	\$1,467,262	\$1,247,173	\$220,089		
Purchased Services					
Legal	40,000	34,000	6,000		
Audit	132,000	112,853	19,147		Update in Dec. after RFP evaluation
Investment Consultant	165,000	140,250	24,750	(\$175,000)	New Callan Contract
Fee Benchmarking Services	30,000	25,500	4,500		
Tax Compliance - Ernst & Young	60,000	51,000	9,000		
Proxy Voting Service	15,000	12,750	2,250		
Electronic Board Meeting Material	3,000	2,550	450		
Annual Benefits Statement	65,000	55,250	9,750	(\$20,000)	Simplified statements
Travel & Sustenance	20,000	17,000	3,000	(\$27,500)	Reduced travel
Total Purchased Services	\$530,000	\$451,153	\$78,847	(\$222,500)	
Other Expenses					
Supplies	12,000	10,200	1,800		
Other Admin Subscription	40,000	34,000	6,000	\$119	Bloomberg and Evestment contract cost.
NAGDCA Conference Registration	2,600	2,210	390	(\$900)	Reduced number of attendees
NAGDCA Fees	650	553	97		
Total Other Expenses	\$55,250	\$46,963	\$8,287	(\$781)	
Intergovernmental Transfer					
General Administration	75,862	64,318	11,544		True up in Dec
Information Technology	125,477	106,383	19,094		True up in Dec
Financial Operations Division	198,420	168,441	29,979		True up in Dec
Total Intergovernmental Transfer	\$399,759	\$339,142	\$60,617		
Total Expenditures	\$2,452,271	\$2,084,431	\$367,840	(\$223,281)	