



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



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# **North Carolina Supplemental Retirement Plans**

**Proposed Administrative Budget**

**Fiscal Year 2020-21**

**May 28, 2020**



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

### Key Facts for Fiscal Year 2020 – 2021 Proposed Budget:

#### Revenue Assumptions

- The 0.025 percent asset-based administrative fee charged on the NC 401(k) and NC 457(b) Plan balances is waived for calendar year 2020. In preparation of this budget, it is assumed that starting 01.01.2021 the fees will not be waived for calendar year 2021.
- 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, 2020:
  - \$10.5 billion in total assets – NC 401(k) Plan
  - \$1.5 billion in total assets – NC 457(b) Plan
  - \$20.2 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 2020 – 2021 is estimated using the current administrative fee reimbursement account balances as of April 30, 2020:
  - \$5.5 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.
  - \$37,897 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 2020 - 2021, representing estimated compensation for services provided by Supplemental Retirement Plans' staff to NC ABLE Program.

SRP Staff Positions	Time (%) Allocation to ABLE
Director Supplemental Savings Program	20%
Communications Officer SRP	25%
Retirement Comm. & Content Manager	10%
Asst. General Counsel SRP	5%
Operations Analyst SRP	5%



**Expenditure Assumptions**

- Full employment throughout Fiscal Year 2020 – 2021
  - Estimated contribution rates for Benefits:
    - NC Retirement – 19.7 percent
    - Social Security/Medicare – 7.65 percent
    - State Health Plan - \$6,306
- The NC 403(b) Program only pays expenses that are exclusive to the Program, including \$1,050 annually for a data subscription. No other costs, including personnel costs and overhead, are 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 2019-2020 for general administrative, information technology and financial operations support.

**Budget Summary:**

The total dollar amount of the Fiscal Year 2020-2021 budget proposal represents no change from the prior year's budget. The intergovernmental transfers will be finalized by the Financial Operations Division. In the event this represents an increase to the Fiscal Year 2020-2021 budget, the budget will be presented to the board at the December 2020 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, 2021.

Revenue Projections	NC 401(k)	NC 457(b)
Administrative expense fund balance as of April 30, 2020	\$ 4,838,447	\$ 705,856
Estimated fee collected during the FY year 2020 -21 (collected for six months in 2021) based on "Fee Holiday" for calendar 2020	\$ 1,310,527	\$ 181,310
Estimated interest to be earned between July 1st 2020 to June 30th 2021 at 1.5% Stable Value crediting rate:	\$ 67,785	\$ 9,594
<b>Sub Total</b>	<b>\$ 6,216,759</b>	<b>\$ 896,760</b>
Less Projected Expenditure in proposed budget	\$ 2,084,431	\$ 367,840
<b>Projected administrative fund balance for June 30, 2021</b>	<b>\$ 4,132,328</b>	<b>\$ 528,920</b>



**Status of “draw down” of Administrative Fee Reimbursement Account**

- Projected to end 2020 with considerable draw down in the administrative expense account balance:

Administrative Fee Analysis 2020

	Actual			Projected		12.31.2020 projected reserve with one year's expense deducted
	Administrative account balance as of 01.01.2020	Expenses year to date (01.01.2020 to 04.30.2020)	Administrative account balance as of 04.30.2020 <sup>2</sup>	Budgeted expenses from 05.01.2020 to 12.31.2020 <sup>1,3</sup>	Administrative expense account balance as of 12.31.2020 <sup>2</sup>	
401k	\$ 5,257,468	\$ 515,321	\$ 4,838,447	\$ 1,063,598	\$ 3,826,680	\$ 1,742,249
457	\$ 783,816	\$ 93,541	\$ 705,856	\$ 187,970	\$ 524,661	\$ 156,821
<b>Total</b>	<b>\$ 6,041,284</b>	<b>\$ 608,862</b>	<b>\$ 5,544,303</b>	<b>\$ 1,251,568</b>	<b>\$ 4,351,341</b>	<b>\$ 1,899,070</b>

Note:

1. Projected expenses are per 2020-21 budgeted expenses
2. Administrative expense account balance includes actual/estimated interest earned at 1.5% Stable Value crediting rate
3. NC ABLE transfer receipts for the calander year 2020 are included in the Budgeted expenses from 05.01.2020 to 12.31.2020

NC 401(k) & NC 457(b) Plans Proposed Budget for Fiscal Year 2020-2021*					
	Both Plans	401(k)	457(b)	Change from	Comments
<b>Percentage of Allocation between the Plans** :</b>		<b>85%</b>	<b>15%</b>	<b>2019-20</b>	
<b>Salaries</b>	\$1,082,946	\$920,504	\$162,442	\$19,584	Adjustment of buffer to accommodate LI changes
<b>Benefits</b>	\$421,316	358,119	63,197	\$22,416	Adjustment of buffer to accommodate LI changes
Board Reimbursement	\$5,000	4,250	750		
<b>Total Staffing Expenditure</b>	<b>\$1,509,262</b>	<b>\$1,282,873</b>	<b>\$226,389</b>	<b>\$42,000</b>	
<b>Purchased Services</b>					
Legal	40,000	34,000	6,000	\$0	
Audit	90,000	77,153	12,847	(\$42,000)	
Investment Consultant	165,000	140,250	24,750	\$0	
Fee Benchmarking Services	30,000	25,500	4,500	\$0	
Tax Compliance - Ernst & Young	60,000	51,000	9,000	\$0	
Proxy Voting Service	15,000	12,750	2,250	\$0	
Electronic Board Meeting Material	3,000	2,550	450	\$0	
Annual Benefits Statement	65,000	55,250	9,750	\$0	
Travel & Sustenance	20,000	17,000	3,000	\$0	
<b>Total Purchased Services</b>	<b>\$488,000</b>	<b>\$415,453</b>	<b>\$72,547</b>	<b>(\$42,000)</b>	
<b>Other Expenses</b>					
Supplies	12,000	10,200	1,800	\$0	
Other Admin Subscription	40,000	34,000	6,000	\$0	
NAGDCA Conference Registration	2,600	2,210	390	\$0	
NAGDCA Fees	650	553	97	\$0	
<b>Total Other Expenses</b>	<b>\$55,250</b>	<b>\$46,963</b>	<b>\$8,287</b>	<b>\$0</b>	
<b>Intergovernmental Transfer</b>					
General Administration	75,862	64,318	11,544	\$0	
Information Technology	125,477	106,383	19,094	\$0	
Financial Operations Division	198,420	168,441	29,979	\$0	
<b>Total Intergovernmental Transfer</b>	<b>\$399,759</b>	<b>\$339,142</b>	<b>\$60,617</b>	<b>\$0</b>	
<b>Total Expenditures</b>	<b>\$2,452,271</b>	<b>\$2,084,431</b>	<b>\$367,840</b>	<b>\$0</b>	

\*The budget has an approximate 10% buffer to accommodate unforeseen expenditures including legislative increases.

\*\*The percentage allocation between the NC 401(k) and NC 457 Plans will be changed to align with the plans' asset allocations on June 30, 2020.