



North Carolina
Total Retirement Plans
401k | 457



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North Carolina Supplemental Retirement Plans

Proposed Administrative Budget

Fiscal Year 2024-25

May 23, 2024



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NC 401(k) and NC 457 Plans Budget Summary

Key Facts for Fiscal Year 2024-2025 Proposed Budget:

Revenue Assumptions

- The Plans have elected a fee holiday thus there are currently no asset-based administrative fees being assessed on the NC 401(k) and NC 457 Plan balances. The fee holiday will be reviewed during the Q1 2025 Board of Trustees meeting.
- The current asset balances as of March 31, 2024:
 - \$14.8 billion in total assets – NC 401(k) Plan
 - \$1.9 billion in total assets – NC 457 Plan
- For the purpose of budget forecasting, the asset growth of the NC 401(k) and NC 457 Plans is assumed to be zero.
- Interest earned in Fiscal Year 2024-2025 is forecasted using the estimated administrative fee reimbursement account balances as of March 31, 2023:
 - \$9.3 million for NC 401(k) and NC 457 Plans combined
 - NC 401(k) and NC 457 Plans' administrative fee reimbursement account balances are invested in the Stable Value fund.
- The Assistant General Counsel SRP is allocated 70% to the NC 401(k) and NC 457 Plans. The remaining 30% is allocated to the Investment Management Division (IMD) for services provided to IMD.
- The NC 401(k) and NC 457 Plans will be reimbursed approximately \$110,000 in Fiscal Year 2024-2025, representing estimated compensation for services provided by Supplemental Retirement Plans' staff to NC ABLE Program.

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

Expenditure Assumptions

- Full employment throughout Fiscal Year 2024-2025
 - Estimated contribution rates for employee benefits:
 - NC Retirement – 24.04 percent
 - Social Security/Medicare – 7.65 percent
 - State Health Plan – \$8,095
- The NC 401(k) and NC 457 Plans will pay a pro rata overhead allocation based on methodology determined by the Financial Operations Division, and may from time to time be modified, for general administrative, information technology and financial operations support

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, 2024.

Revenue Projections	NC 401(k)	NC 457
Projected administrative expense fund balance as of July 1, 2024 (Balance as of March, 2024 less estimated transfers to be transferred for Q2 2024)	\$8,184,161	\$1,180,581
Estimated fee collected during Fiscal Year 2024-2025 (Fee holiday) (To be reviewed Q1 2025)	\$0.00	\$0.00
Estimated interest to be earned between July 1, 2024 and June 30, 2025 at 3.02% (as of Feb '24) Stable Value crediting rate:	\$220,473	\$32,088
Estimated Float Earnings on checks awaiting presentment	\$1,056,000	\$144,000
Subtotal	\$9,460,634	\$1,356,669
Less projected expenditures in proposed budget	(\$2,159,249)	(\$291,129)
Projected administrative fund balance for June 30, 2025	\$7,301,385	\$1,065,540

Budget Summary:

The proposed Fiscal Year 2024-2025 budget for the NC 401(k) and NC 457 Plans decreases from the 2023-2024 approved budget. The main changes are:

- 1.) The change in staffing salaries and related benefits decreases reflecting changes in the allocations of certain split-funded positions to SRP from the previous year.
- 2.) Salaries and related benefits reflect a 3.0% increase related to the Legislative Increase for the 2024-2025 year.
- 3.) An increase in proxy voting services due to expanded services relating to commingled trust.
- 4.) An increase for follow up on the Board's request to pursue further evaluation of the differences between GoalMaker and Target Date Funds and optimality of current custom glidepaths. See project phases below.

Phase I:

- *Evaluate GoalMaker vs Target Date Funds*
 - *Evaluate Glidepath Optimality*
 - *Collaborate with the NCSRP team and Board, providing full transparency throughout the process and access to all members of the Callan project team*
 - *Provide reports and presentations to Staff and the Board of Trustees*
- Decision Variable: Proceed with optimizing glidepath(s) within GoalMaker service or explore glidepath options in target date fund framework*

Phase IIA: Design Custom Glidepath(s) Within GoalMaker Service:

OR

Phase IIB: Design Custom Glidepath(s) Within Target Date Framework:

- *Establish retirement objectives and demographic inputs*
- *Develop glidepath allocation(s)*
- *Establish rebalancing ranges*
- *Collaborate with the NCSRP team and Board, providing full transparency throughout the process and access to all members of the Callan project team*
- *Provide reports and presentations to Staff and the Board of Trustees*

Phase III: Implement Custom Glidepath(s): \$TBD based on scope

The intergovernmental transfer (overhead allocation) will be finalized by the Financial Operations Division within the second quarter of Fiscal Year 2024-2025. In the event the finalized amount represents an increase to the Fiscal Year 2024-2025 budget, a revised budget will be presented to the Board at the December 2024 Board meeting. No additional budgetary adjustments are anticipated at this time.

NC 401(k) and NC 457 Plans Proposed Budget for Fiscal Year 2024-2025						
	Both Plans	401(k)	457		Change from	Comments
Percentage of Allocation between the Plans:	88%	88%	12%	2023-24	2023-24	
	Proposal for 2024-25					
<u>Staffing Expenditure</u>						
Salaries	\$897,678	\$ 789,957.00	\$107,721	\$1,036,000	(\$138,322)	Change is due to restructure of several positions
Benefits	\$323,069	\$ 284,301.00	\$ 38,768.00	412,000	(\$88,931)	Change in benefits is correlated to salary reduction
Board Reimbursement	\$5,000	\$ 4,400.00	\$ 600.00	5000	\$0	
Total Staffing Expenditure	\$1,225,747	\$1,078,658	\$147,089	\$1,453,000	(\$227,253)	
<u>Purchased Services</u>						
Legal	\$50,000	\$44,000	\$6,000	\$50,000	\$0	
Audit	\$66,000	\$58,080	\$7,920	\$61,000	\$5,000	Year 3 Fee per engagement
Investment Consultant	\$440,000	\$387,200	\$52,800	\$265,000	\$175,000	Includes monies for provider procurement if needed. Also includes monies for Phase I and Phase II glidepath/target date fund evalaution.
Fee Benchmarking Services	\$34,000	\$29,920	\$4,080	\$34,000	\$0	
Foreign Tax Compliance and Recoveries	\$60,000	\$52,800	\$7,200	\$60,000	\$0	
Proxy Voting Service	\$50,000	\$44,000	\$6,000	\$35,000	\$15,000	Expanded voting services for commingled funds
Software Subscriptions	\$1,500	\$1,320	\$180	\$1,500	\$0	Legal research
Travel & Sustenance	\$20,000	\$17,600	\$2,400	\$20,000	\$0	NAGDCA or Vendor Due Diligence
Total Purchased Services	\$721,500	\$634,920	\$86,580	\$526,500	\$195,000	
<u>Other Expenses</u>						
Supplies	\$7,000	\$6,160	\$840	\$7,000	\$0	
Other Admin Expenses	\$40,000	\$35,200	\$4,800	\$40,000	\$0	Data and divestment providers
NAGDCA Conference Registration	\$2,600	\$2,288	\$312	\$2,600	\$0	
NAGDCA Fees	\$650	\$572	\$78	\$650	\$0	
Total Other Expenses	\$50,250	\$44,220	\$6,030	\$50,250	\$0	
<u>Intergovernmental Transfer</u>						
General Administration	\$77,000	\$68,500	\$8,500	\$77,000	\$0	Current levels to be trued up by Financial Operations Division later in the fiscal year
Information Technology	\$128,300	\$114,000	\$14,300	\$128,300	\$0	
Financial Operations Division	\$209,000	\$185,000	\$24,000	\$209,000	\$0	
Total Intergovernmental Transfer	\$414,300	\$367,500	\$46,800	\$414,300	\$0	
Total Expenditures	\$2,411,797	\$2,125,298	\$286,499	\$2,444,050	(\$32,253)	
Includes a buffer to cover unexpected expenses for all Purchased Services.						