



North Carolina
Total Retirement Plans
401k | 457



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

North Carolina Supplemental Retirement Plans

Proposed Administrative Budget

Version (1.25 BPs)

Fiscal Year 2023-24

May 25, 2023



NC 401(k) and NC 457 Plans Budget Summary

Key Facts for Fiscal Year 2023-2024 Proposed Budget:

Revenue Assumptions

- The 0.0125 percent asset-based administrative fee is charged on the NC 401(k) and NC 457 Plan balances.
- Fees are estimated based on asset balances as of March 31, 2023:
 - \$12.8 billion in total assets – NC 401(k) Plan
 - \$1.7 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 2023-2024 is forecasted using the estimated administrative fee reimbursement account balances as of March 31, 2023:
 - \$8 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 now allocated 75% to the NC 401(k) and NC 457 Plans. The remaining 25% 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 \$107,000 in Fiscal Year 2023-2024, 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%
Communications Officer RSD/SRP	10%

Expenditure Assumptions

- Full employment throughout Fiscal Year 2023-2024,
 - Estimated contribution rates for employee benefits:
 - NC Retirement – 24.50 percent
 - Social Security/Medicare – 7.65 percent
 - State Health Plan – \$7,397
- 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, 2023 (Balance as of March, 2023 plus estimated accruals to be transferred for Q2 2023)	\$7,365,000	\$1,046,000
Estimated fee (1.25bps) collected during Fiscal Year 2023-2024	\$1,600,000	\$212,500
Estimated interest to be earned between July 1, 2023 and June 30, 2024 at 2.50% Stable Value crediting rate:	\$184,000	\$26,000
Subtotal	\$9,149,000	\$1,284,500
Less projected expenditures in proposed budget	(\$2,152,440)	(\$291,610)
Projected administrative fund balance for June 30, 2024	\$6,996,560	\$992,890

Note: The revenue projections do NOT include the float earnings received from Empower. Historically this amount has been insignificant (~36k annually) but with the rapid rise in interest rates the amount has become more material (~1M annually). The Department is considering the best way to represent these earnings as the amount may fluctuate.

Budget Summary:

The proposed Fiscal Year 2023-2024 budget for the NC 401(k) and 457 Plans decreases slightly (.29%) from the 2022-2023 approved budget. The main changes are:

- 1.) The change in staffing salaries and related benefits reflect a 4.25% increase over current year amounts related to the Legislative Increase being proposed to the North Carolina General Assembly. This will be finalized/adjusted with the final approved State Budget.
- 2.) An increase in proxy voting services
- 3.) A decrease because of the new Auditor engagement (savings over the prior engagement)
- 4.) A non-renewal of the Diligent portal tool previously used for Board materials and meetings.

The intergovernmental transfer (overhead allocation) will be finalized by the Financial Operations Division within the second quarter of Fiscal Year 2023-2024. In the event the finalized amount represents an increase to the Fiscal Year 2023-2024 budget, a revised budget will be presented to the Board at the December 2023 Board meeting. No additional budgetary adjustments are anticipated at this time.

The Fiscal Year 2022-2023 full-year actual expense is projected to be approximately \$1.7M

NC 401(k) and NC 457 Plans Proposed Budget for Fiscal Year 2023-2024						
	Both Plans	401(k)	457		Change from	Comments
Percentage of Allocation between the Plans:	88%	12%		2022-23	2022-23	
Proposal for 2023-24						
Staffing Expenditure						
Salaries	\$1,036,000	\$911,000	\$125,000	\$1,032,000	\$4,000	Change is due to proposed LI (4.25%)
Benefits	\$412,000	\$362,000.00	\$50,000.00	404,000	\$8,000	Change is due to benefits inc
Board Reimbursement	\$5,000	\$4,400.00	\$600.00	5000	\$0	
Total Staffing Expenditure	\$1,453,000	\$1,277,400	\$175,600	\$1,441,000	\$12,000	
Purchased Services						
Legal	\$50,000	\$44,000	\$6,000	\$43,000	\$7,000	Expect increase in legal expenses
Audit	\$61,000	\$53,680	\$7,320	\$96,000	(\$35,000)	Fee per engagement (New Auditor)
Investment Consultant	\$265,000	\$233,200	\$31,800	\$265,000	\$0	Includes \$100K for recordkeeper procurement or custodian procurement if needed.
Fee Benchmarking Services	\$34,000	\$29,920	\$4,080	\$30,000	\$4,000	
Foreign Tax Compliance and Recoveries	\$60,000	\$52,800	\$7,200	\$60,000	\$0	
Proxy Voting Service	\$35,000	\$30,800	\$4,200	\$15,000	\$20,000	Includes possible expanded voting services
Electronic Board Meeting Material	\$0	\$0	\$0	\$15,000	(\$15,000)	Diligent was not renewed
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	\$526,500	\$463,320	\$63,180	\$545,500	(\$19,000)	
Other Expenses						
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	
Intergovernmental Transfer						
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	\$2,444,050	\$2,152,440	\$291,610	\$2,451,050	(\$7,000)	