



North Carolina Supplemental Retirement Plans

Proposed Administrative Budget

Fiscal Year 2025-26

May 22, 2025



NC 401(k) and NC 457 Plans Budget Summary

Key Facts for Fiscal Year 2025-2026 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 2026 Board of Trustees meeting.
- The current asset balances as of April 30, 2025:
 - \$15.5 billion in total assets – NC 401(k) Plan
 - \$2.0 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 2025-2026 is forecasted using the estimated administrative fee reimbursement account balances as of April 30, 2025:
 - \$9.1 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 NC 401(k) and NC 457 Plans will be reimbursed approximately \$93,000 in Fiscal Year 2025-2026, 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%
Retirement Comm. & Content Manager	10%
Asst. General Counsel SRP	10%
Financial Operations Analyst SRP	25%

Expenditure Assumptions

- Full employment throughout Fiscal Year 2025-2026
 - Estimated contribution rates for employee benefits:
 - NC Retirement – 24.04 percent
 - Social Security/Medicare – 7.65 percent
 - State Health Plan – \$8,500 (increase of 5% as requested by SHP)
- 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, 2026.

Revenue Projections	NC 401(k)	NC 457
Projected administrative expense fund balance as of July 1, 2025 (Balance as of April, 2025 less estimated transfers to be transferred for Q2 2025)	\$7,994,317	\$1,149,212
Estimated fee collected during Fiscal Year 2025-2026 (Fee holiday) (To be reviewed Q1 2026)	\$0.00	\$0.00
Estimated interest to be earned between July 1, 2025 and June 30, 2026 at 3.13% (as of Mar '25) Stable Value crediting rate:	\$221,642	\$32,149
Estimated Float Earnings on checks awaiting presentment	\$1,056,000	\$144,000
Subtotal	\$9,271,959	\$1,325,361
Less projected expenditures in proposed budget	(\$2,225,128)	(\$300,113)
Projected administrative fund balance for June 30, 2026	\$7,046,831	\$1,025,248

Budget Summary:

The proposed Fiscal Year 2025-2026 budget for the NC 401(k) and NC 457 Plans increases from the 2024-2025 approved budget. The main changes are:

- 1.) The change in staffing salaries and related benefits increases 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 2025-2026 year.
- 3.) An increase in proxy voting services due to expanded services relating to commingled trust.
- 4.) Funding for the Glidepath review project remains in budget. 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 2025-2026. In the event the finalized amount represents an increase to the Fiscal Year 2025-2026 budget, a revised budget will be presented to the Board at the December 2025 Board meeting. No additional budgetary adjustments are anticipated at this time.

NC 401(k) and NC 457 Plans Proposed Budget for Fiscal Year 2025-2026						
	Both Plans	401(k)	457		Change from	Comments
Percentage of Allocation between the Plans:	88%	12%		2024-25	2024-25	
	Proposal for 2025-26					
<u>Staffing Expenditure</u>						
Salaries	\$955,747	\$ 841,057.00	\$114,690	\$897,678	\$58,069	Change is due to addition/restructure of positions
Benefits	\$361,444	\$ 318,071.00	\$ 43,373.00	323,069	\$38,375	Change in benefits is correlated to salary additions
Board Reimbursement	\$5,000	\$ 4,400.00	\$ 600.00	5000	\$0	
Total Staffing Expenditure	\$1,322,191	\$1,163,528	\$158,663	\$1,225,747	\$96,444	
<u>Purchased Services</u>						
Legal	\$50,000	\$44,000	\$6,000	\$50,000	\$0	
Audit	\$66,000	\$58,080	\$7,920	\$66,000	\$0	
Investment Consultant	\$440,000	\$387,200	\$52,800	\$440,000	\$0	Includes monies for Phase I and Phase II glidepath/target date fund evaluation.
Fee Benchmarking Services	\$36,000	\$31,680	\$4,320	\$34,000	\$2,000	Increase in contract
Foreign Tax Compliance and Recoveries	\$60,000	\$52,800	\$7,200	\$60,000	\$0	
Proxy Voting Service	\$55,000	\$48,400	\$6,600	\$50,000	\$5,000	Increase based on last years spend amount
Software Subscriptions	\$1,500	\$1,320	\$180	\$1,500	\$0	Legal research
Travel & Sustenance	\$30,000	\$26,400	\$3,600	\$20,000	\$10,000	Increased due to LC Manager search and vendor Due Diligence
Total Purchased Services	\$738,500	\$649,880	\$88,620	\$721,500	\$17,000	
<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	
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	\$2,525,241	\$2,225,128	\$300,113	\$2,411,797	\$113,444	
Includes a buffer to cover unexpected expenses for all Purchased Services.						