

North Carolina Supplemental Retirement Plans

Administrative Budgets

Fiscal Year 2013

June 6, 2013



Budget Summary

Key Facts

- Revenue Assumptions
 - \$5.4 billion in total assets – 401(k)
 - \$820 million in total assets – 457
 - 0.025% Asset-based administrative fee
 - Administrative Reimbursement Accounts stabilize at \$4.5 million per plan
- Expenditure Assumptions
 - Full employment throughout Fiscal Year 2013
 - Benefit Contribution Rates
 - NC - 14.31%
 - Social Security/Medicare - 7.65%
 - State Health Plan - \$5,192
- Splits all expenditures based on plan asset size
- Allocates additional funds to the following categories:
 - 401(k) Audit - \$11,000
 - 457 Audit - \$900
 - Personnel - \$178,224
 - Proxy Voting Service - \$13,275
 - External Legal Counsel - \$16,800
 - Office Supplies - \$1,600
- Reduces funding for the following categories:
 - Miscellaneous Contractual Services – (\$70,000)

Expansion Justification

Personnel – The growth in the Personnel line item is due to the addition of the new Deputy Director position and the Cost Allocation Plan.

401(k)/457 Audit – Per the terms of the agreement that resulted from the audit request for proposal, the not-to-exceed cost in 2013 is \$389,000 for the 401(k) and \$31,300 for the 457. This is an \$11,000 increase for the 401(k) audit and a \$900 increase for the 457 audit compared to the previous year.

Proxy Voting Service – The Plans became self-supporting in regard to proxy voting following approval from the Board at the September 7, 2011 meeting. As a result, the expense has been added as a line item.

External Legal Counsel – With the addition of Groom Law Firm to provide fiduciary and tax counsel, staff recommends increasing the budgeted allocation to external counsel.

Office Supplies – The increase in the budgeted amount reflects the estimated cost of meeting preparation for all Board and Investment Subcommittee meetings.

Reduction Explanation

Miscellaneous Contractual Services – In the 2012 budget cycle, four investment manager searches were encumbered at a cost of \$20,000 each. In this budget cycle, there are currently no miscellaneous services encumbered. \$10,000 is budgeted for any small, unexpected expenses.

Revenue and Fund Balance Projections

Based on the revenue assumptions detailed in the *Key Facts* section of page one, Table 1 contains the revenue projections for the 2013 Fiscal Year.

Table 1

Revenue Projections	NC 401(k)	NC 457
Administrative Fee	\$1,350,000	\$205,000
Account Interest	\$130,000	\$130,000
Total Revenue	\$1,480,000	\$335,000

If the Board moves to approve the administrative budgets as presented and estimated revenue reaches the projections listed in Table 1, the Administrative Reimbursements Accounts will grow to the amounts detailed in Table 2.

Table 2

Fund Balance	NC 401(k)	NC 457
As of 4/30/12	\$5,066,653	\$4,429,651
2013 Excess Revenue	\$580,000	\$205,000
Projected 6/31/13	\$5,646,653	\$4,634,651

NC 401(k) Budget	Authorized Budget FY 2012	Recommended Budget FY 2013
<i>Personnel*</i>		
Salaries	\$ 32,000	\$ 159,480
RSD Director		\$ 20,480
Deputy Director		\$ 70,972
Coordinator		\$ 28,371
Global Equity Director		\$ 8,800
Portfolio Manager		\$ 3,740
Deputy Director, Communications		\$ 4,165
Assistant General Counsel		\$ 6,440
Chief Finance Officer		\$ 4,800
Deputy Director, Accounting		\$ 5,896
Accounting Supervisor		\$ 5,815
Benefits**	\$ 7,000	\$ 46,652
RSD Director		\$ 5,328
Deputy Director		\$ 19,739
Coordinator		\$ 10,384
Global Equity Director		\$ 2,140
Portfolio Manager		\$ 1,029
Deputy Director, Communications		\$ 1,330
Assistant General Counsel		\$ 1,830
Chief Finance Officer		\$ 1,262
Deputy Director, Accounting		\$ 1,710
Accounting Supervisor		\$ 1,900
Board Compensation	\$ 1,440	\$ 1,152
<u>Subtotal</u>	<u>\$ 40,440</u>	<u>\$ 207,283</u>
<i>Services</i>		
Audit	\$ 378,000	\$ 389,400
Investment Consultant	\$ 174,000	\$ 174,000
Legal	\$ 70,000	\$ 87,000
Proxy Voting Service	\$ -	\$ 11,600
Misc. Contractual Services	\$ 69,600	\$ 8,700
<u>Subtotal</u>	<u>\$ 691,600</u>	<u>\$ 670,700</u>
<i>Office</i>		
Rent/Phone/Internet/Liability	\$ 2,234	\$ 2,000

Supplies		\$	1,400
<u>Subtotal</u>	<u>\$</u>	<u>2,234</u>	<u>\$</u> 3,400
<i>Other</i>			
NAGDCA Conference Registration	\$	3,250	\$ 5,600
NAGDCA Fees	\$	300	\$ 300
Travel & Sustenance	\$	8,450	\$ 14,800
<u>Subtotal</u>	<u>\$</u>	<u>12,000</u>	<u>\$</u> 20,700
<u>Total Expenditures</u>	<u>\$</u>	<u>746,274</u>	<u>\$</u> 902,083
<i>* In previous years, salaries and benefits were split in half amongst Plans. This budget allocates costs according to each Plan's total assets.</i>			
<i>**The Employer Contribution Rate varies from year-to-year. Also, benefit estimates do not include the active cap on Social Security contributions currently set at \$110,100.</i>			

NC 457 Budget	Authorized Budget FY 2012	Recommended Budget FY 2013
<i>Personnel*</i>		
Salaries	\$32,000	\$39,870
RSD Director		\$5,120
Deputy Director		\$17,743
Coordinator		\$7,093
Global Equity Director		\$2,200
Portfolio Manager		\$935
Deputy Director, Communications		\$1,041
Assistant General Counsel		\$1,610
Chief Finance Officer		\$1,200
Deputy Director, Accounting		\$1,474
Accounting Supervisor		\$1,454
 Benefits**	 \$7,000	 \$11,663
RSD Director		\$1,332
Deputy Director		\$4,935
Coordinator		\$2,596
Global Equity Director		\$535
Portfolio Manager		\$257
Deputy Director, Communications		\$332
Assistant General Counsel		\$457
Chief Finance Officer		\$315
Deputy Director, Accounting		\$428
Accounting Supervisor		\$475
 Board Compensation	 \$1,440	 \$288
<u>Subtotal</u>	<u>\$40,440</u>	<u>\$51,821</u>
<i>Services</i>		
Audit	\$30,400	\$31,300
Investment Consultant	\$26,000	\$26,600
Legal	\$14,200	\$14,000
Proxy Voting Service	\$0	\$1,800
Misc. Contractual Services	\$10,400	\$1,300
<u>Subtotal</u>	<u>\$81,000</u>	<u>\$75,000</u>
<i>Office</i>		
Rent/Phone/Internet/Liability	\$2,234	\$2,000

Supplies		\$200
<u>Subtotal</u>	<u>\$2,234</u>	<u>\$2,200</u>
<i>Other</i>		
NAGDCA Conference Registration	\$3,250	\$900
NAGDCA Fees	\$300	\$300
Travel & Sustenance	\$8,450	\$2,100
<u>Subtotal</u>	<u>\$12,000</u>	<u>\$3,300</u>
<u>Total Expenditures</u>	<u>\$135,674</u>	<u>\$132,321</u>
<i>* In previous years, salaries and benefits were split in half amongst Plans. This budget allocates costs according to each Plan's total assets.</i>		
<i>**The Employer Contribution Rate varies from year-to-year. Also, benefit estimates do not include the active cap on Social Security contributions currently set at \$110,100.</i>		