

North Carolina Supplemental Retirement Plans

Administrative Budget

Fiscal Year 2017-18

June 22, 2017



North Carolina
Total Retirement Plans

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

Key Facts:

- Revenue Assumptions
 - For the purpose of budget forecasting, the asset growth of the NC 401(k)/NC 457 Plans and NC 403(b) Program is assumed to be zero.
NC 401(k)/NC 457 administrative fee is invested in the stable value funds and projected revenue includes an assumption regarding the interest earned on administrative fee balances. The NC 403(b) administrative fee is invested in the short term bond fund option in the Program.
 - As of May 31, 2017:
 - \$8.9 billion in total assets – NC 401(k) Plan
 - \$1.2 billion in total assets – NC 457(b) Plan
 - \$10 million in total assets – NC 403(b) Program
 - 0.025% asset-based administrative fee on the NC 401(k) and NC 457(b) Plans
 - 0.05% asset-based administrative fee on the NC 403(b) Program
 - Administrative reimbursement accounts' balances:
 - \$5.9 million for NC 401(k) and NC 457(b) Plans combined
 - \$20,000 for NC 403(b) Program
- Expenditure Assumptions
 - Full employment throughout Fiscal Year 2017-18
 - Estimated Benefit contribution rates
 - NC – 16.33%
 - Social Security/Medicare – 7.65%
 - State Health Plan - \$5,659
 - Split expenditures pro rata based on plan asset size, unless it is an exclusive charge to one of the plans. Only charges exclusive to the NC 403(b) Program are paid by the NC 403(b) Program's assets. NC 403b revenue is de minimis.
- Budget Summary
 - Increase in budget to match adjustment of personnel cost allocations
 - Creation of a new, dedicated Financial Operations Division accountant position to support Supplemental Retirement Plans. This action is a result of new responsibilities brought in-house following the unbundling of the plans.
 - Purchased services cost reduced due to the current annual contracts.

Excluding legislative budget actions and the annual departmental allocations adjustment no other expense increase is anticipated for Fiscal year 2017 - 18.

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 fund balance projections as of May 31, 2017.

| Revenue Projections | NC 401(k) | NC 457(b) |
|---|---------------|-------------|
| Administrative Account Balance as of May 31, 2017 | \$5,196,756 | \$770,775 |
| Estimated fee collected during the FY year based on assumptions | \$1,850,000 | \$330,000 |
| Estimated Interest to be earned between June 1st 2017 to June 30th 2018 | \$211,000 | \$40,000 |
| Total | \$7,257,756 | \$1,140,775 |
| Less Projected Expenses | (\$2,360,319) | (\$417,775) |
| Projected Balance for June 30, 2018 | \$4,897,436 | \$723,000 |
| | | |

| 401(k) & 457(b) Budget proposal for FY 2017-2018 | | | | Changes from Total FY 2016 - 2017 BUDGET |
|---|---------------------|---------------------|-------------------|---|
| | Both Plans | 401(k) | 457(b) | |
| Percentage of Allocation between the Plans : | 85% | 15% | | |
| Personnel | | | | |
| Salaries | \$ 1,275,666 | \$ 1,084,316 | \$ 191,350 | \$159,575 |
| Benefits | \$ 393,377 | \$ 334,371 | \$ 59,007 | \$25,067 |
| Board Reimbursement | \$ 5,000 | \$ 4,250 | \$ 750 | |
| Total Staffing Expenditure | \$ 1,674,043 | \$ 1,422,937 | \$ 251,106 | \$184,642 |
| Purchased Services | | | | |
| Legal | \$ 50,000 | \$ 42,500 | \$ 7,500 | \$ (10,000) |
| Audit | \$ 140,000 | \$ 119,000 | \$ 21,000 | \$ (14,800) |
| Investment Consultant | \$ 375,000 | \$ 318,750 | \$ 56,250 | \$ - |
| Fee Benchmarking Services | \$ 30,000 | \$ 25,500 | \$ 4,500 | |
| Tax Compliance - Ernst & Young | \$ 60,000 | \$ 51,000 | \$ 9,000 | - |
| Proxy Voting Service | \$ 25,000 | \$ 21,250 | \$ 3,750 | \$ - |
| Annual Benefits Statement | \$ 50,000 | \$ 42,500 | \$ 7,500 | |
| Office Rent | \$ 35,000 | \$ 29,750 | \$ 5,250 | \$ (15,000) |
| Travel & Sustenance | \$ 32,500 | \$ 27,625 | \$ 4,875 | \$ (7,500) |
| Phone/Internet | \$ 15,000 | \$ 12,750 | \$ 2,250 | |
| Total Purchased Services | \$ 812,500 | \$ 690,625 | \$ 121,875 | -\$47,300 |
| Other Expenses | | | | |
| Supplies | \$ 15,000 | \$ 12,750 | \$ 2,250 | \$ - |
| Other Admin Subscription | \$ 22,160 | \$ 18,836 | \$ 3,324 | - |
| NAGDCA Conference Registration | \$ 3,500 | \$ 2,975 | \$ 525 | \$ (5,500) |
| NAGDCA Fees | \$ 650 | \$ 553 | \$ 98 | \$ - |
| Total Other Expenses | \$ 41,310 | \$ 35,114 | \$ 6,197 | -\$5,500 |
| Estimated Intergovernmental Transfer with a 5% increase from last year | | | | |
| General Administration | \$ 80,000 | \$ 62,114 | \$ 11,866 | \$6,020 |
| Information Technology | \$ 150,000 | \$ 118,740 | \$ 21,198 | \$10,062 |
| Financial Operations Division | \$ 40,000 | \$ 30,790 | \$ 5,533 | \$3,677 |
| Total Intergovernmental Transfer | \$ 270,000 | \$ 211,644 | \$ 38,597 | \$19,759 |
| Total Expenditures | \$ 2,797,853 | \$ 2,360,319 | \$ 417,775 | \$151,601 |