

North Carolina Supplemental Retirement Plans

Administrative Budgets

Fiscal Year 2015-16

June 18, 2015



North Carolina
Total Retirement Plans

401(k) & 457(b) Plans Budget Summary

Key Facts:

- Revenue Assumptions
 - For the purpose of budgeting, no asset growth is assumed in the plans. The collected administrative fee is invested in the Stable Value portfolio and earns the crediting rate.
 - \$8.03 billion in total assets – 401(k) (as of 04.30.2015)
 - \$1.17 billion in total assets – 457(b) (as of 04.30.2015)
 - 0.025% asset-based administrative fee on the 401(k) and 457(b) Plans
 - Administrative Reimbursement Accounts balance as of 04.30.2015 is \$5.3 million in total for 401(k) and 457(b) plans.
- Expenditure Assumptions
 - Full employment throughout Fiscal Year 2015
 - Benefit contribution Rates
 - NC – 14.69%
 - Social Security/Medicare – 7.65%
 - State Health Plan - \$5,435
- Expenditures are allocated based on each plan's asset size, unless it is an exclusive charge to one of the plans.
DST's move to Atlantic Avenue will trigger participation in the DST cost allocation methodology, which will increase expenses in the 2015/2016 budget.

Expansion Justification - 2015-16 Budget proposes an increase of \$459,472 for:

- The growth in the personnel line item is due to the addition of the new IMD position, as recommended by the Slocum report
- Project management and legal fees associated with the plan unbundling project
- Adoption of Department of State Treasurer's overhead cost allocation methodology

Revenue and Fund Balance Projections

Based on the revenue assumptions detailed in the Key Facts section, the table below contains the revenue as of 04.30.2015.

| Revenue Projections | NC 401(k) | NC 457(b) |
|---|---------------|-------------|
| Administrative Account Balance as of April 2015: | \$4,712,588 | \$679,543 |
| Estimated fee collected during the year based on assumptions: | \$1,750,000 | \$250,000 |
| Interest Earned | \$150,000 | \$120,000 |
| Total | \$6,612,588 | \$1,049,543 |
| Less Proposed Expenses | (\$1,778,206) | (\$315,799) |
| Projected Balance for June 2016 | \$4,834,382 | \$733,744 |

401(k) & 457(b) Budget proposal for FY 2015-2016

Changes from
FY 2014 - 2015

| | Both Plans | 401(k) | 457(b) | BUDGET | Comments |
|---|-------------------|-------------------|-------------------|-------------------|--------------|
| Percentage of Allocation between the Plans : | | 85% | 15% | | |
| Personnel | | | | | |
| Salaries | \$ 820,545 | \$ 697,463 | \$ 123,082 | \$ 150,000 | |
| RSD Director | \$ 39,161 | \$ 33,287 | \$ 5,874 | | |
| Deputy Director SRP | \$ 99,858 | \$ 84,879 | \$ 14,979 | | |
| Operations Analyst SRP | \$ 46,640 | \$ 39,644 | \$ 6,996 | | |
| Communications Officer SRP | \$ 60,604 | \$ 51,513 | \$ 9,091 | | |
| Compliance Officer SRP | \$ 48,676 | \$ 41,375 | \$ 7,301 | | |
| Marketing Officer SRP | \$ 60,604 | \$ 51,513 | \$ 9,091 | | |
| Asst. Gen Counsel - SRP | \$ 86,000 | \$ 73,100 | \$ 12,900 | | |
| Gen Counsel - OST | \$ 5,622 | \$ 4,778 | \$ 843 | | |
| Asst. Gen Counsel DST | \$ 18,123 | \$ 15,405 | \$ 2,718 | | |
| Chief Finance Officer | \$ 6,732 | \$ 5,723 | \$ 1,010 | | |
| Deputy Director, Accounting | \$ 10,075 | \$ 8,564 | \$ 1,511 | | |
| Accounting Supervisor | \$ 11,175 | \$ 9,499 | \$ 1,676 | | |
| Admin Asst. SRP | \$ 26,393 | \$ 22,434 | \$ 3,959 | | |
| Executive Assistant RSD | \$ 6,600 | \$ 5,610 | \$ 990 | | |
| Retirement Communications & Content Manager | \$ 17,960 | \$ 15,266 | \$ 2,694 | | |
| Communications Specialist | \$ 4,478 | \$ 3,806 | \$ 672 | | |
| Procurement Specialist SRP | \$ 78,853 | \$ 67,025 | \$ 11,828 | | |
| Chief Investment Officer | \$ 17,550 | \$ 14,918 | \$ 2,633 | | |
| Portfolio Director | \$ 10,150 | \$ 8,628 | \$ 1,523 | | |
| Portfolio Manager | \$ 15,292 | \$ 12,998 | \$ 2,294 | | |
| New IMD/SRP Position | \$ 150,000 | \$ 127,500 | \$ 22,500 | \$ 150,000 | New Position |
| Benefits | \$ 246,164 | \$ 209,239 | \$ 36,099 | \$ 45,000 | |
| RSD Director | \$ 11,748 | \$ 9,986 | \$ 1,703 | | |
| Deputy Director | \$ 29,957 | \$ 25,464 | \$ 3,949 | | |
| Operations Analyst | \$ 13,992 | \$ 11,893 | \$ 1,914 | | |
| Communications officer | \$ 18,181 | \$ 15,454 | \$ 2,636 | | |
| Compliance Officer | \$ 14,603 | \$ 12,412 | \$ 2,117 | | |
| Marketing Officer | \$ 18,181 | \$ 15,454 | \$ 2,636 | | |
| Asst. Gen Counsel - SRP | \$ 25,800 | \$ 21,930 | \$ 3,741 | | |
| Gen Counsel - OST | \$ 1,686 | \$ 1,433 | \$ 245 | | |
| Asst. Gen Counsel DST | \$ 5,437 | \$ 4,621 | \$ 788 | | |
| Chief Finance Officer | \$ 2,020 | \$ 1,717 | \$ 266 | | |
| Deputy Director, Accounting | \$ 3,023 | \$ 2,569 | \$ 438 | | |
| Accounting Supervisor | \$ 3,353 | \$ 2,850 | \$ 486 | | |

| | Total FY 2014-2015 Budget | | | Changes from FY 2014 - 2015 | | |
|--|---------------------------|--------------|------------|--------------------------------|--|--|
| | Both Plans | 401(k) | 457(b) | BUDGET | | Comments |
| Percentage of Allocation between the Plans : | | 85% | 15% | | | |
| Admin Asst. | \$ 7,918 | \$ 6,730 | \$ 1,148 | | | |
| Executive Assistant RSD | \$ 1,980 | \$ 1,683 | \$ 287 | | | |
| Retirement Communications & Content Manager | \$ 5,388 | \$ 4,580 | \$ 756 | | | |
| Communications Specialist | \$ 1,343 | \$ 1,142 | \$ 756 | | | |
| Procurement Specialist | \$ 23,656 | \$ 20,108 | \$ 3,611 | | | |
| Chief Investment Officer | \$ 5,265 | \$ 4,475 | \$ 763 | | | |
| Portfolio Director | \$ 3,045 | \$ 2,588 | \$ 442 | | | |
| Portfolio Manager | \$ 4,588 | \$ 3,899 | \$ 665 | | | |
| New IMD/SRP Position | \$ 45,000 | \$ 38,250 | \$ 6,750 | \$ 45,000 | | Associated Benefits for the new position |
| Subtotal | \$ 1,066,709 | \$ 906,702 | \$ 159,181 | \$ 195,000 | | |
| Services | | | | | | |
| Departmental Allocation | | | | | | |
| General Administration | \$ 35,966 | \$ 30,571 | \$ 5,395 | \$ 35,966 | | Departmental allocation |
| Information Technology | \$ 52,175 | \$ 44,349 | \$ 7,826 | \$ 52,175 | | Departmental allocation |
| Financial Operations Division | \$ 16,331 | \$ 13,881 | \$ 2,450 | \$ 16,331 | | Departmental allocation |
| Audit | \$ 124,000 | \$ 103,000 | \$ 21,000 | | | Plan's allocation, recordkeeper pays balance 3(21) fee for Investment consultant per annum may increase pending Investment Consultant Structure |
| Investment Consultant | \$ 375,000 | \$ 318,750 | \$ 56,250 | | | Transition related legal expenses |
| Legal | \$ 60,000 | \$ 51,000 | \$ 9,000 | | | Transition Project Manager |
| Other Contracts | \$ 100,000 | \$ 85,000 | \$ 15,000 | \$100,000 | | |
| Proxy Voting Service | \$ 25,000 | \$ 21,250 | \$ 3,750 | | | |
| Fee Benchmarking Services | \$ 30,000 | \$ 25,500 | \$ 4,500 | \$30,000 | | Alternate year - for 2014 study report to Sep. BOT |
| Subtotal | \$ 818,472 | \$ 693,301 | \$ 125,171 | \$ 234,472 | | |
| Office Rent & Electricity | \$ 50,000 | \$ 42,500 | \$ 7,500 | \$30,000 | | New rent & electricity |
| Board Reimbursement | \$ 5,000 | \$ 4,250 | \$ 750 | | | |
| Phone/Internet | \$ 15,000 | \$ 12,750 | \$ 2,250 | | | New phone lines |
| Supplies | \$ 15,000 | \$ 12,750 | \$ 2,250 | | | |
| Subtotal | \$ 85,000 | \$ 72,250 | \$ 12,750 | \$30,000 | | |
| Other | | | | | | |
| Annual Benefits Statement (ABS) | \$ 75,000 | \$ 63,750 | \$ 11,250 | | | |
| NAGDCA Conference Registration | \$ 9,000 | \$ 7,650 | \$ 1,350 | | | |
| NAGDCA Fees | \$ 650 | \$ 553 | \$ 98 | | | |
| Travel & Sustenance | \$ 40,000 | \$ 34,000 | \$ 6,000 | | | NAGDCA trip & due diligence |
| Subtotal | \$ 124,650 | \$ 105,953 | \$ 18,698 | \$0 | | |
| Total Staffing Expenditure | \$ 1,066,709 | \$ 906,702 | \$ 159,181 | | | |
| Total Expenditures | \$ 2,094,831 | \$ 1,778,206 | \$ 315,799 | \$ 459,472 | | |

NC 403(b) Program Budget Summary

The NC 403(b) Program started without funding and incurred startup expenses, which were funded through a loan.

Revenue:

QEBA Loan @ 7.25% annual interest rate, repayment to start when assets reach \$250,000 in the 403(b) Administrative Reimbursement Account \$150,000

Expenses:

Legal contracting expense (\$100,696)
Investment consultant fees – Quarterly (\$10,000)

Balance as of 06.01.2015 \$39,304

Projected expenses for Q3 2015 - FY 2015-16

Legal – Volume Submitter IRS \$15,000

Investment consultant \$40,000

Key Facts:

- Revenue Assumptions
 - \$3 million in total assets – 403(b) (as of 03.31.2015)
 - 0.05% asset-based administrative fee on the 403(b) Plans
 - Administrative Reimbursement Accounts balance as of 03.31.2014: \$250
 - Projections for next year are \$7 million in assets in the program.
- Expenditure Assumptions
 - No allocation of expenses
 - Specific legal and consultant fee to be charged

Revenue and Fund Balance Projections

Based on the revenue assumptions, the table below highlights our estimated 2015/2016 budget.

| Revenue Projections | NC 403(b) Program |
|---|-------------------|
| Administrative Account Balance as of March 2015: | 250* |
| Estimated revenue earned during the year based on assumptions in key facts: (\$3 mil. in AUM) | \$1,000 |
| Total | \$1,250 |

* Pending wire to FOD account