



**North Carolina**  
Total Retirement Plans  
**401k | 457 | 403b**



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

# **North Carolina Supplemental Retirement Plans**

**Proposed Administrative Budget**

**Fiscal Year 2021-22**

**May 27, 2021**



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

### Key Facts for Fiscal Year 2021-2022 Proposed Budget:

#### Revenue Assumptions

- The 0.025 percent asset-based administrative fee is charged on the NC 401(k) and NC 457 Plan balances.
- 0.05 percent asset-based administrative fee is charged on the NC 403(b) Program balance.
- Fees are estimated based on asset balances as of April 30, 2021:
  - \$13.7 billion in total assets – NC 401(k) Plan
  - \$1.9 billion in total assets – NC 457 Plan
  - \$29.4 million in total assets – NC 403(b) Program
- For the purpose of budget forecasting, the asset growth of the NC 401(k) and NC 457 Plans and NC 403(b) Program is assumed to be zero.
- Interest earned in Fiscal Year 2021-2022 is forecasted using the estimated administrative fee reimbursement account balances as of April 30, 2021:
  - \$4.7 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.
  - \$33.8 thousand for NC 403(b) Program. NC 403(b) Program's administrative fee reimbursement account balance is invested in the short-term bond fund option in the NC 403(b) Program as of April 30, 2021.
- The NC 401(k) and NC 457 Plans will be reimbursed approximately \$89,000 in Fiscal Year 2021-2022, representing estimated compensation for services provided by Supplemental Retirement Plans' staff to NC ABLE Program.

SRP Staff Positions	Time (%) Allocation to ABLE
Director Supplemental Savings Program	20%
Communications Officer SRP	25%
Retirement Comm. & Content Manager	10%
Asst. General Counsel SRP	5%
Operations Analyst SRP	5%



**Expenditure Assumptions**

- Full employment throughout Fiscal Year 2021-2022,
  - Estimated contribution rates for employee benefits:
    - NC Retirement – 21.68 percent
    - Social Security/Medicare – 7.65 percent
    - State Health Plan – \$6,326
- Prior budgets included expenditures for a Data Analyst from the Retirement Systems Division and an Attorney from the Investment Management Division. These services are no longer necessary, and the budget has been adjusted downward to reflect this change.
- The NC 401(k) and NC 457 Plans will pay a pro rata overhead allocation consistent with the methodology for Fiscal Year 2020-2021 for general administrative, information technology and financial operations support.

The NC 403(b) Program only pays operating expenses that are exclusive to the Program. For the Fiscal Year 2021-2022, the only operating expenditure allocated to the program is \$1,050 for a data subscription. No other costs, including personnel costs and overhead, are allocated to the Program.

**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, 2022.

Revenue Projections	NC 401(k)	NC 457
Estimated administrative expense fund balance as of July 1, 2021 (Balance as of April 30, 2021 including accruals transferred as of March 2021 plus estimated accruals to be transferred for Q2 2021)	\$4,906,824	\$692,417
Estimated fee collected during Fiscal Year 2021-2022	\$3,415,815	\$471,907
Estimated interest to be earned between July 1, 2021 and June 30, 2022 at 1.5% Stable Value crediting rate:	\$124,840	\$17,465
Subtotal	\$8,447,479	\$1,181,789
Less projected expenditures in proposed budget	(\$2,157,998)	(\$294,273)
Projected administrative fund balance for June 30, 2022	\$6,289,481	\$887,516



### **Update on Legislation Providing Additional Flexibility to Set Administrative Fees**

North Carolina HB 168, which gives the Board of Trustees additional flexibility to establish and change administrative fees, is pending in the North Carolina General Assembly at the time of this writing. If enacted, this legislation will allow the Board and the Department to set the administrative fee outside of the formal rulemaking process, provided that the fee does not exceed .025% for the NC 401(k) and NC 457 Plans and 0.05% for the NC 403(b) Program. Staff will continue to update the Board as to the status of this legislation at future Board meetings.

### **Budget Summary:**

The proposed Fiscal Year 2021-2022 budget for the NC 401(k) and 457 Plans remains unchanged from the prior year's budget. The salary buffer in the proposed budget is intended to absorb the expense associated with a legislative increase or other salary action authorized by the North Carolina General Assembly.

The intergovernmental transfer will be finalized by the Financial Operations Division within the second quarter of Fiscal Year 2021-2022. In the event the finalized amount represents an increase to the Fiscal Year 2021-2022 budget, a revised budget will be presented to the Board at the December 2021 Board meeting. No additional budgetary adjustments are anticipated at this time.

In March 2021, the NC 403(b) Program paid \$218,120 to satisfy a 2014 loan taken to cover the Program's initial implementation expenses. The loan taken in the amount of \$150,000 at a rate of 7.25% was authorized by the Board of Trustees.

NC 401(k) and NC 457 Plans Proposed Budget for Fiscal Year 2021-2022

	Both Plans	401(k)	457	Change from	Comments
Percentage of Allocation between the Plans:	88%	12%		2020-21	
Proposal for 2021-22					
<b>Staffing Expenditure</b>					
Salaries	\$1,149,514	\$1,011,572	\$137,942	\$66,568	Updated staffing line per current support to Plans
Benefits	\$415,507	365,646	49,861	(\$5,809)	Updated staffing line per current support to Plans
Board Reimbursement	\$5,000	4,400	600	\$0	
<b>Total Staffing Expenditure</b>	<b>\$1,570,021</b>	<b>\$1,381,618</b>	<b>\$188,403</b>	<b>\$60,759</b>	
<b>Purchased Services</b>					
Legal	\$30,000	\$26,400	\$3,600	(\$10,000)	
Audit	\$96,000	\$84,480	\$11,520	\$6,000	Updated per 2021 engagement
Investment Consultant*	\$165,000	\$145,200	\$19,800	\$0	
Fee Benchmarking Services	\$30,000	\$26,400	\$3,600	\$0	
Foreign Tax Compliance*	\$60,000	\$52,800	\$7,200	\$0	
Proxy Voting Service*	\$15,000	\$13,200	\$1,800	\$0	
Electronic Board Meeting Material	\$15,000	\$13,200	\$1,800	\$12,000	Potential new procurement
Annual Benefits Statement	\$0	\$0	\$0	(\$65,000)	Project discontinued
Travel & Sustenance	\$20,000	\$17,600	\$2,400	\$0	
<b>Total Purchased Services</b>	<b>\$431,000</b>	<b>\$379,280</b>	<b>\$51,720</b>	<b>(\$57,000)</b>	
<b>Other Expenses</b>					
Supplies	\$7,000	\$6,160	\$840	(\$5,000)	
Other Admin Subscription	\$40,000	\$35,200	\$4,800	\$0	
NAGDCA Conference Registration	\$2,600	\$2,288	\$312	\$0	
NAGDCA Fees	\$650	\$572	\$78	\$0	
<b>Total Other Expenses</b>	<b>\$50,250</b>	<b>\$44,220</b>	<b>\$6,030</b>	<b>(\$5,000)</b>	
<b>Intergovernmental Transfer</b>					
General Administration	\$76,000	\$66,880	\$9,120	\$138	Current levels to be trued up by Financial Operations Division later in the fiscal year
Information Technology	\$126,000	\$110,880	\$15,120	\$523	
Financial Operations Division	\$199,000	\$175,120	\$23,880	\$580	
<b>Total Intergovernmental Transfer</b>	<b>\$401,000</b>	<b>\$352,880</b>	<b>\$48,120</b>	<b>\$1,241</b>	
<b>Total Expenditures</b>	<b>\$2,452,271</b>	<b>\$2,157,998</b>	<b>\$294,273</b>	<b>(\$0)</b>	

\* Includes a buffer to cover unexpected expenses for all Purchased Services.