



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 2022-23

May 26, 2022



NC 401(k) and NC 457 Plans Budget Summary

Key Facts for Fiscal Year 2022-2023 Proposed Budget:

Revenue Assumptions

- The 0.0125 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 which the Department is proposing to discontinue after June 30, 2022 and therefore is not part of this budget proposal.
- Fees are estimated based on asset balances as of April 30, 2022:
 - \$12.8 billion in total assets – NC 401(k) Plan
 - \$1.8 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 2022-2023 is forecasted using the estimated administrative fee reimbursement account balances as of April 30, 2022:
 - \$6.9 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 \$99,000 in Fiscal Year 2022-2023, 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%
Communications Officer SRP	25%
Retirement Comm. & Content Manager	10%
Asst. General Counsel SRP	10%
Operations Analyst SRP	5%



Expenditure Assumptions

- Full employment throughout Fiscal Year 2022-2023,
 - Estimated contribution rates for employee benefits:
 - NC Retirement – 24.19 percent
 - Social Security/Medicare – 7.65 percent
 - State Health Plan – \$7,397
- 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, 2023.

Revenue Projections	NC 401(k)	NC 457
Estimated administrative expense fund balance as of July 1, 2022 (Balance as of March, 2022 transfer plus estimated accruals to be transferred for Q2 2022)	\$6,498,983	\$914,416
Estimated fee collected during Fiscal Year 2022-2023	\$1,602,650	\$220,279
Estimated interest to be earned between July 1, 2022 and June 30, 2023 at 1.65% Stable Value crediting rate:	\$107,233	\$15,087
Subtotal	\$8,208,866	\$1,149,782
Less projected expenditures in proposed budget	(\$2,160,150)	(\$290,900)
Projected administrative fund balance for June 30, 2023	\$6,048,716	\$858,882

Budget Summary:

The proposed Fiscal Year 2022-2023 budget for the NC 401(k) and 457 Plans decreases slightly due mainly to a reduction in staff allocated to supporting the plans (Assistant General Counsel and Business Analyst) decrease in current staff cost. Staffing salaries and related benefits reflect an increase over current year amounts related to the legislative increase authorized by the North Carolina General Assembly.

The intergovernmental transfer (overhead allocation) will be finalized by the Financial Operations Division within the second quarter of Fiscal Year 2022-2023. In the event the finalized amount represents an increase to the Fiscal Year 2022-2023 budget, a revised budget will be presented to the Board at the December 2022 Board meeting. No additional budgetary adjustments are anticipated at this time.

NC 401(k) and NC 457 Plans Proposed Budget for Fiscal Year 2022-2023					
	Both Plans	401(k)	457	Change from	Comments
Percentage of Allocation between the Plans:	88%		12%	2021-22	
Proposal for 2022-23					
Staffing Expenditure					
Salaries	\$1,032,000	\$908,000	\$124,000	(\$118,000)	Updated staffing per current support to Plans
Benefits	\$404,000	\$ 356,000.00	\$ 48,000.00	(\$11,500)	Updated staffing per current support to Plans
Board Reimbursement	\$5,000	\$ 4,400.00	\$ 600.00	\$0	
Total Staffing Expenditure	\$1,441,000	\$1,268,400	\$172,600	(\$129,500)	
Purchased Services					
Legal	\$43,000	\$37,840	\$5,160	\$13,000	
Audit	\$96,000	\$84,480	\$11,520	\$0	Fee per engagement
Investment Consultant*	\$265,000	\$233,200	\$31,800	\$100,000	\$100K for Recordkeeping Procurement if needed.
Fee Benchmarking Services	\$30,000	\$26,400	\$3,600	\$0	
Foreign Tax Compliance*	\$60,000	\$52,800	\$7,200	\$0	GlobeTax and E&Y
Proxy Voting Service*	\$15,000	\$13,200	\$1,800	\$0	Glass Lewis
Electronic Board Meeting Material	\$15,000	\$13,200	\$1,800	\$0	Diligent
Software Subscriptions	\$1,500	\$1,320	\$180	\$1,500	Thompson Reuters WestLaw
Travel & Sustenance	\$20,000	\$17,600	\$2,400	\$0	NAGDCA or Vendor Due Diligence
Total Purchased Services	\$545,500	\$480,040	\$65,460	\$114,500	
Other Expenses					
Supplies	\$7,000	\$6,160	\$840	\$0	
Other Admin Expenses	\$40,000	\$35,200	\$4,800	\$0	Bloomberg,SustainAnalytics, ISS Governance
NAGDCA Conference Registration	\$2,600	\$2,300	\$300	\$0	
NAGDCA Fees	\$650	\$550	\$100	\$0	
Total Other Expenses	\$50,250	\$44,210	\$6,040	\$0	
Intergovernmental Transfer					
General Administration	\$77,000	\$68,500	\$8,500	\$1,000	Current levels to be trued up by Financial Operations Division later in the fiscal year
Information Technology	\$128,300	\$114,000	\$14,300	\$2,300	
Financial Operations Division	\$209,000	\$185,000	\$24,000	\$10,000	
Total Intergovernmental Transfer	\$414,300	\$367,500	\$46,800	\$13,300	
Total Expenditures	\$2,451,050	\$2,160,150	\$290,900	(\$1,700)	

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