

# North Carolina Supplemental Retirement Plans

**Administrative Budget**

**Fiscal Year 2018-19**

**June 21, 2018**



**North Carolina**  
Total Retirement Plans

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



## **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. NC 403(b) administrative fee is invested in the short term bond fund option in the Program.
  - As of May 31, 2018:
    - \$9.8 billion in total assets – NC 401(k) Plan
    - \$1.3 billion in total assets – NC 457(b) Plan
    - \$13.9 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:
      - \$6.9 million for NC 401(k) and NC 457(b) Plans combined
      - \$31,160 for NC 403(b) Program
  - In 2018-19 the Plans will be reimbursed approximately \$80,000 representing estimated compensation for services provided by Supplemental Retirement Plan staff to NC ABLE Program.
- Expenditure Assumptions
  - Full employment throughout Fiscal Year 2018-19
  - Estimated benefit contribution rates
    - NC Retirement – 18.44%
    - Social Security/Medicare – 7.65%
    - State Health Plan - \$6,104
  - Split expenditures pro rata based on Plan asset size, unless it is a charge that is exclusive to one of the Plans. The NC 403(b) Program only pays charges that are exclusive to the Program – and not pro rata charges – because the Program's revenue is de minimis.
- Budget Summary – Budget proposal updated with 2018-19 fiscal year's projected expenses including 7% estimate for unforeseen expenses. Staffing Expenditure includes proposed legislative increase. Purchased Services expenses reflect negotiated contracts. Intergovernmental transfer will be trued up and presented at December board meeting.

### 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, 2019.

Revenue Projections	NC 401(k)	NC 457(b)
Projected administrative fund balance as of July 1, 2018:	\$6,273,122	\$935,846
Estimated fee collected during the FY year based on assumptions:	\$2,450,000	\$325,000
Estimated Interest to be earned between July 1st 2018 to June 30th 2019:	\$174,462	\$25,217
Sub Total	\$8,897,584	\$1,286,063
Less Projected Expenditure in proposed budget	(\$2,274,220)	(\$401,333)
Projected administrative fund balance for June 30, 2019	\$6,623,364	\$884,730

NC 401(k) & NC 457(b) Plans Budget for FY 2018-2019				Changes from 2017-18 Budget	
	Both Plans	401(k)	457(b)	Both Plans	Comments
Percentage of Allocation between the Plans :	85%	15%			
<b>Proposal for 2018-19</b>					
<b>Staffing Expenditure</b>					
Salaries	\$1,063,362	\$903,858	\$159,504	\$ (194,160)	Personnel allocation change.
Benefits	\$398,901	\$339,065	\$59,835	\$ (12,620)	
Board Reimbursement	\$5,000	\$4,250	\$750		
<b>Total Staffing Expenditure</b>	<b>\$1,467,263</b>	<b>\$1,247,173</b>	<b>\$220,089</b>	<b>\$ (206,780)</b>	
<b>Purchased Services</b>					
Legal	\$40,000	\$34,000	\$6,000	\$ (10,000)	
Audit	\$120,000	\$102,000	\$18,000	\$ (20,000)	Inclusive of \$18,350 negotiated fee reduction.
Investment Consultant	\$340,000	\$289,000	\$51,000	\$ (35,000)	Inclusive of \$10,000 negotiated fee reduction.
Fee Benchmarking Services	\$30,000	\$25,500	\$4,500	\$ -	
Tax Compliance - Ernst & Young	\$60,000	\$51,000	\$9,000	\$ -	
Proxy Voting Service	\$15,000	\$12,750	\$2,250	\$ (7,000)	Negotiated reduction
Electronic Board Meeting Material	\$3,000	\$2,550	\$450	\$ -	
Annual Benefits Statement	\$50,000	\$42,500	\$7,500	\$ -	
Office Rent	\$35,000	\$29,750	\$5,250	\$ -	
Travel & Sustenance	\$32,500	\$27,625	\$4,875	\$ -	
Phone/Internet	\$15,000	\$12,750	\$2,250	\$ -	
<b>Total Purchased Services</b>	<b>\$740,500</b>	<b>\$629,425</b>	<b>\$111,075</b>	<b>\$ (72,000)</b>	
<b>Other Expenses</b>					
Supplies	\$12,000	\$10,200	\$1,800	\$ (3,000)	
Other Admin Subscription	\$22,160	\$18,836	\$3,324	\$ -	
NAGDCA Conference Registration	\$3,500	\$2,975	\$525	\$ -	
NAGDCA Fees	\$650	\$553	\$98	\$ -	
<b>Total Other Expenses</b>	<b>\$38,310</b>	<b>\$32,564</b>	<b>\$5,747</b>	<b>\$ (3,000)</b>	
<b>Intergovernmental Transfer</b>					
General Administration	\$84,274	\$71,633	\$12,641	\$ -	Pending true up
Information Technology	\$149,144	\$126,772	\$22,372	\$ -	Pending true up
Financial Operations Division	\$196,063	\$166,653	\$29,409	\$ 141,412	Personnel allocation change and pending true up
<b>Total Intergovernmental Transfer</b>	<b>\$429,481</b>	<b>\$365,059</b>	<b>\$64,422</b>	<b>\$ 141,412</b>	
<b>Total Expenditures</b>	<b>\$2,675,554</b>	<b>\$2,274,220</b>	<b>\$401,333</b>	<b>\$ (140,369)</b>	