

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		Comments
	Both Plans	401(k)	457(b)	BUDGET		
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						
<u>Departmental Allocation</u>						
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