
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: DEFERRED COMPENSATION PLANS

1. IRC SECTION 457 PLAN

General Statute 143B-426.24 authorized the creation of the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan) to offer a uniform deferred compensation plan to the employees of the State, any county or municipality, the North Carolina Community College System, and any political subdivision of the State. The 457 Plan is administered in accordance with Internal Revenue Code (IRC) Section 457. At December 31, 2017, there were approximately 53,800 plan members with 467 employers adopting the 457 Plan.

Effective July 1, 2008, the Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan was consolidated with the Supplemental Retirement Income Plan's Board to form the North Carolina Supplemental Retirement Board of Trustees (the Board). At that time, the Board began administering the 457 Plan. The 457 Plan is a defined contribution pension plan. Benefits of the 457 Plan depend solely on amounts contributed to the plan plus investment earnings. The assets of the 457 Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. The deferred compensation is available to employees upon separation from service, death, disability, retirement or financial hardships. The Board has delegated the general administration of the Plan to a third party but has retained all statutory authority and fiduciary responsibility for oversight and major decisions of the 457 Plan. The audited statements for the year ended December 31, 2017 are presented in this financial report as a pension and other employee benefit trust fund. The 457 Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. All costs of administering and funding the 457 Plan are the responsibility of the plan participants. Prudential Retirement Insurance and Annuity Company (Prudential) provides third party administration of the 457 Plan. The 457 Plan's financial statements are available by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

The 457 Plan discloses a related party transaction in Note 20 of this CAFR. The 457 Plan's investment risks are described in Note 3.

2. IRC SECTION 403(B) PLANS

Effective January 1, 2009, the University of North Carolina System established the UNC System 403(b) Plan for all constituent institutions. Employees can participate in tax-sheltered annuity contracts and custodial accounts created under Internal Revenue Code (IRC) Section 403(b). All employees who receive compensation reportable on a W-2 and pay FICA are eligible to participate in the 403(b) Plan, so long as the employee elects to contribute at least \$200 each calendar year. The University System administers the UNC 403(b) Plan and Teachers Insurance and Annuity Association (TIAA) and Fidelity serve as the record keepers of the plan. The plan is designed to provide a low-cost retirement savings option to university employees. At December 31, 2017, there were 14,286 employees participating in the plan. No direct costs are incurred by the State.

Effective July 1, 2011, the Department of State Treasurer was granted authority by General Statute 115C-341.2 to establish a State sponsored 403(b) Plan entitled the North Carolina Public School Teachers' and Professional Educators' Investment Plan (the NC 403(b) Plan). Pursuant to General Statutes 115C-341.2 and 115D-25.4, the NC 403(b) Plan is available to all local school Boards of Education and community colleges across the State. Each individual employer has the discretion to adopt the NC 403(b) Plan. The N.C. Department of State Treasurer administers the NC 403(b) Plan and Prudential serves as the record keeper. The NC 403(b) Plan is designed to provide a low-cost supplemental retirement savings option to public school and community college employees. At June 30, 2018, there were 74 school districts enrolled in the Plan with 1,226 employees participating.