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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 13: DEFERRED COMPENSATION PLANS**

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**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, any political subdivision of the State and any other entity whose employees are eligible to participate in the plan pursuant to the North Carolina General Statutes and Internal Revenue Code (IRC). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the 457 Plan according to the plan document, the North Carolina General Statutes, and Internal Revenue Code (IRC) Section 457, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Prudential Retirement Insurance and Annuity Company (Prudential) to perform recordkeeping, administration, and education services. On April 1, 2022, Empower acquired the full-service retirement business of Prudential. The full migration to the Empower platform is expected to be completed by the end of the 2023 calendar year. At December 31, 2021, there were approximately 56,730 plan members with 585 employers adopting the 457 Plan.

The 457 Plan is a defined contribution plan. Benefits of the 457 Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. 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, retirement, financial hardships or attainment of age 59 ½. All costs of administering and funding the 457 Plan are the responsibility of the plan participants.

The audited statements for the year ended December 31, 2021 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. The 457 Plan's financial statements are available online at [myNCRetirement.com](http://myNCRetirement.com) or 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 ACFR. 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, 2021, there were 16,157 employees participating in the plan. No direct costs are incurred by the State.

The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) administer the North Carolina Public School Teachers' and Professional Educators' Investment Plan (the NC 403(b) Program) pursuant to General Statutes 115C-341.2 and 115D-25.4. The NC 403(b) Program offers investment, recordkeeping, administrative, and communications services to participating employers, which serve as the sponsors of their 403(b) plans. The NC 403(b) Program 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) Program. The NC 403(b) Program is designed to provide a low-cost supplemental retirement savings option to public school and community college employees. The Board and the Department currently have an agreement with Prudential to perform recordkeeping, administration and education services. At the Board's December 2, 2021 meeting, the Board approved a plan to discontinue the NC 403(b) Program. Under this plan, the NC 403(b) Program discontinued the collection of administrative fees from participants effective June 30, 2022. Full discontinuation of the NC 403(b) Program is expected to be effective December 31, 2022. At June 30, 2022, there were 92 school districts enrolled in the NC 403(b) Program with 1,419 employees participating.