NOTE 10: DEFERRED COMPENSATION PLANS

IRC Section 457 Plan – General Statute 143B-426.24 authorized the creation of the Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan (the Board). The Board was established as an agency of the State under the Department of Administration to offer the State's permanent employees, university employees, and the employees of certain other component units, a uniform Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan permits each participating employee to defer a portion of his or her salary until future years by having the funds invested in various instruments that make up the North Carolina Public Employee Deferred Compensation Trust Fund. This fund is held in trust by the Plan for the exclusive benefit of participating employees and their beneficiaries. The deferred compensation is available to employees upon separation from service, death, disability, retirement or financial hardships if approved by the Board. The Board has delegated the general administration of the Plan to a third party but has retained all statutory authority and fiduciary responsibility for major decisions of the Plan. The Plan is reported in the CAFR as a pension trust fund. All costs of administering and funding the Plan are the responsibility of the plan participants.

IRC Section 401(k) Plan - Effective January 1, 1985, Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina (the Plan) in accordance with Internal Revenue Code Section 401(k). All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program are eligible to enroll in the Plan and may contribute up to 20% (limited to $11,000 in 2001) of their compensation during the plan fiscal year. Members of the Plan may receive their benefits upon retirement, disability, termination, hardship, or death. All contributions and costs of administering the Plan are the responsibility of the participants.

The Plan is a defined contribution pension plan that is administered by a third party. The administrator prepares financial statements based on the Plan's fiscal year. The audited statements for the year ended December 31, 2001, are presented in this financial report as a pension trust fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan's financial statements are prepared using the accrual basis of accounting. Investments are reported at fair value. Securities and mutual funds are based on published quotations while bank investment contracts are stated at contract value. Notes Receivable represent loans to participants and are reported at outstanding principal balances. The Branch Banking and Trust Company (BB&T) administers the Plan, and the Plan's financial statements are available by contacting the N.C. 401(k) Plan, P.O. Box 29541, Raleigh, NC 27626.

In addition to the voluntary contribution criteria above, G.S. 143-166.30 requires state contributions to the Plan to provide benefits for all law enforcement officers employed by the State and its component units. G.S. 143-166.50 requires local governmental units with law enforcement officers to also contribute at least as much as the State. Participation begins at the date of employment. State agencies and component units are required to contribute monthly to the individual accounts of participants an amount equal to 5% of each officer's monthly salary. The State is also required to contribute to the individual accounts of all officers on a per capita basis in equal shares. State law enforcement officers receive $.50 for each court cost assessed and collected under G.S. 7A-304, while $1.25 of this assessment goes to local law enforcement officers. General Statutes allow law enforcement officers to voluntarily contribute up to 10% of their compensation within any calendar year, but current Internal Revenue Code restrictions limit the actual voluntary contribution a law enforcement officer can make. All contributions are immediately vested in the name of each participant. At December 31, 2001, 52 state agencies and component units along with 551 local governmental units outside our reporting entity contributed the required 5%. In addition, 352 local government employers contributed to the Plan on a voluntary basis.

At December 31, 2001, the Plan disclosed the following investments (at fair value) exceeding five percent of the Plan's net assets:

Fidelity Magellan Fund	$ 857,561,000
BB&T Bank Investment Contracts	358,953,000
Fidelity Equity-Income Fund	313,554,000
Money Market Fund	241,139,000
Fidelity Spartan U.S. Equity	185,928,000

The Plan also reported total member contributions of $172,813,000. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2001, amounted to $133,794,953 for the State, $14,445,268 for universities, and $869,066 for the other miscellaneous component units. The required 5% employer's contribution was made by the State for $6,689,748, by universities for $722,263, and by the remaining component units for $43,453. In addition, the State contributed $518,716 for the required court cost assessments.

Register of Deeds' Supplemental Pension Fund – This plan is a defined contribution plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county registers of deeds. Membership is composed of registers who are retired from the Local Governmental Employee's Retirement System or an equivalent local plan and have met the statutory eligibility requirements. At June 30, 2002, there were 100 registers enrolled in the plan with all 100 counties participating. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on minimum years of service as a register with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The State Treasurer administers the plan and Note 9B describes the accounting and investing for the plan.

Benefits and administrative expenses are funded by 4.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the General Statutes and investment income. For the year ended June 30, 2002, the County Commissions contributed $ 2,219,299. All benefit and contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. The plan is reported in the CAFR as a pension trust fund.

Sheriffs' Supplemental Pension Fund – This plan is a defined contribution plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is composed of sheriffs who are retired from the Local Governmental Employee's Retirement System and have met the statutory eligibility requirements. At June 30, 2002, there were 72 sheriffs enrolled in the plan with all 100 of the State's counties eligible to participate.

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on minimum years of service as a sheriff with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The North Carolina Department of Justice administers the plan with its investments held as part of the State Treasurer's Investment Pool. Note 9B describes the accounting and investing for the plan.

Receipts collected by each county's Clerk of Superior Court under General Statute 7A-304(a)(3a), along with investment income, support the plan's benefits and administrative expenses. For the year ended June 30, 2002, the Clerks remitted $ 771,521. All benefit and contribution provisions are established by General Statute 143-166 and may be amended only by the North Carolina General Assembly. The plan is reported in the CAFR as a pension trust fund.

IRC Section 403(b) Plans - Employees of the UNC System and community colleges can participate in tax-sheltered annuity contracts and custodial accounts created under Internal Revenue Code (IRC) Section 403(b). Generally all employees are eligible, but the IRC does allow the establishment of a minimum contribution of $200 and the exclusion from participation of certain classes of employees. Each institution may exclude one or more of these classes if every employee within the institution meeting the class criteria is excluded from participation. The employees' eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the accumulated balances are received or the contributions are withdrawn. Effective January 1, 1989, contributions may be withdrawn by employees only upon separation from service, death, disability, reaching age 59 1/2 or age 55 with qualifying retirement, or due to certain financial hardships. Currently, there is no restriction on the withdrawal of the value of annuity contracts. Custodial accounts established as of December 31, 1988 can be withdrawn only in respect to hardship established as of December 31, 1988. These plans are exclusively for employees of public educational organizations and certain charitable and other non-profit institutions as defined by the IRC. Since all contributions are made voluntarily by employees, all costs are borne by the plans' participants. No direct costs are incurred by the State.