



Napa County

1195 THIRD STREET
SUITE 310
NAPA, CA 94559
www.countyofnapa.org

Main: (707) 253-4580

Legislation Text

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TO: Board of Supervisors

FROM: Christine Briceño, Director of Human Resources

REPORT BY: Joy Cadiz, Staff Services Manager

SUBJECT: Adoption of a Resolution Authorizing a Matching Employer Contribution for the Benefit of 401(a) Retirement Savings Plan Participants for the 2024 Calendar Year

RECOMMENDATION

Director of Human Resources requests adoption of a Resolution establishing a \$1,600 Matching Employer Contribution for Management, Confidential, and Non-Classified Officers and Non-Classified employees who are participants in Napa County's 401(a) Retirement Savings Plan during calendar year 2024, a \$600 Matching Employer Contribution for SEIU employees who are participants in Napa County's 401(a) Retirement Savings Plan during calendar year 2024, and a \$900 Matching Employer Contribution for NCPPA employees who are participants in Napa County's 401(a) Retirement Savings Plan during calendar year 2024.

EXECUTIVE SUMMARY

In 2002, the County established the 401(a) Retirement Savings Plan ("Plan") for the benefit of Management, Confidential, Non-Classified Officers, and Non-Classified employees. The Plan provides that the County may offer an Employer Contribution involving a Match ("Match") to be allocated to the 401(a) pre-tax sub-account of each eligible officer or employee. The Board of Supervisors must annually establish by resolution the maximum amount of the Match and the conditions under which the Match will be made. The Match Recommended by the County Executive Officer to me made available in 2024 for all for Management, Confidential, Non-Classified Officers, and Non-Classified employees who are participants in Napa County's 401(a) Retirement Savings Plan during calendar year 2024 is \$1,600 per participant

In 2022, in its collective bargaining agreement with Service Employee International Union, Local 1021 (SEIU), the County agreed to provide a deferred compensation Match during the calendar year 2023 for the benefit of County employees who are SEIU members and participate in the Plan. The Match recommended by the County Executive Officer to be made available in 2024 for SEIU members who are participants in the Plan is \$600 per participant.

In 2022, in its total tentative agreement with the Napa County Probation Professionals Association (NCPA), the County agreed to provide a deferred compensation Match during the calendar year 2024 for the benefit of County employees who are NCPA members and participate in the Plan. The Match recommended by the County Executive Officer to be made available in 2024 for NCPA member who are participants in the Plan is \$900 per participant.

FISCAL & STRATEGIC PLAN IMPACT

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| Is there a Fiscal Impact? | Yes |
| Is it currently budgeted? | Yes |
| Where is it budgeted? | Funds to cover the Match are included in the Fiscal Year 2023-2024 Approved Budget for each County department. Match costs projected to be incurred in Fiscal Year 2024-2025 will be included in each department's budget request. |
| Is it Mandatory or Discretionary? | Discretionary |
| Discretionary Justification: | Promoting increased savings for retirement is important. Aggressive deferred compensation programs also are a valuable retention and recruitment tool. The 2024 annual cost of the Match contribution is projected to total approximately \$750,000 based on 2023 contributions (\$700,000) and a projected increase in qualifying participation (\$50,000) in the 457 Deferred Compensation Plan. |
| Is the general fund affected? | Yes |

Future fiscal impact:

Since a deferred compensation Match must be made on a calendar year basis, and the County operates on a fiscal year basis, some portion of the authorized Match may affect the following year's budget. Whether it actually affects the following year's budget depends on the timing and the amount of deferrals authorized by participants into their 457 Deferred Compensation Plan sub-accounts. Past experience with the Match demonstrates that most, but not all, Employer Contributions involving a Match have been paid during the first six months of each calendar year, which are the last six months of each fiscal year. Thus, based on past experience, the impact on each department's Fiscal Year 2024-2025 budget of the proposed calendar year 2024 Employer 401(a) contribution Match is expected to be minimal. To be consistent with IRS regulations, the decision whether to offer a Match must be made by the County annually by adopting a resolution approving the amount of the Match and the applicable conditions. Approving a Match in one year does not obligate the Board to approve a similar Match (or any Match) in the following calendar year. Therefore, approving the proposed \$1,600 Match, \$600 Match, and \$900 Match for 2024 will have no binding future fiscal impact beyond calendar year 2024 other than the potential but minimal effect noted in the previous paragraph.

Consequences if not approved:

The Board is under no legal obligation to provide a 401(a) Employer Matching contribution of \$1,600, \$600, or \$900 for qualifying participants. However, since aggressive deferred compensation programs are viewed by most private and public corporations as an important and valuable retention and recruitment tool, not approving the Match could have a negative effect on the County's ongoing recruitment efforts and the ability to retain staff and avoid excessive turnover. Additionally, the \$600 Match for SEIU employees and \$900 Match for NCPPA is a negotiated benefit.

County Strategic Plan pillar addressed:

Effective and Open Government

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

On August 6, 2002, the County established the 401(a) Retirement Savings Plan ("Plan") for the benefit of Management, Confidential, and Non-Classified Officers and Non-Classified employees. Section 4.02-1 of the Plan provides that the County may provide an Employer Contribution involving a Match ("Match") to be

allocated to the 401(a) pre-tax sub-account of each eligible officer or employee. To encourage saving for retirement, the Match has historically been made available to any Management, Confidential, or Non-Classified officer or employee of the County who participates in and has deferred an equivalent amount of their income into the County's 457 Deferred Compensation Plan (i.e., a dollar-for-dollar match up to a stated maximum). In its collective bargaining agreement with Service Employee International Union, Local 1021 (SEIU), the County agreed to provide a deferred compensation Match during calendar year 2024 for the benefit of County employees who are SEIU members and participate in the Plan. In its total tentative agreement with the Napa County Probation Professionals Association (NCPPA), the County agreed to provide a deferred compensation Match during calendar year 2024 for the benefit of County employees who are NCPPA members and participate in the Plan.

Whether a Match is provided is determined annually and is subject to the sole discretion of the County acting through its Board of Supervisors. Internal Revenue Service regulations state that if a Match is to be provided, it must be established by resolution of the Board of Supervisors prior to the commencement of the calendar year during which the Match will be made available. The Resolution must identify the maximum amount of the Match and the conditions under which the Match will be made. The recommended Resolution satisfies these requirements.

The past practice of the Board has been to make available a Match for the benefit of each Management, Confidential, and Non-Classified officer, and employee participant. The Board previously authorized a \$1,600 Match for calendar year 2023. The Match recommended by the County Executive Officer to be made available in 2024 is \$1,600 per Management, Confidential, and Non-Classified officer, and employee participant, \$600 per SEIU employee participant, and \$900 per NCPPA employee participant. The funds to cover the recommended Match are included in the County's Fiscal Year 2023-2024 budget.