



Legislation Text

File #: 21-1286, **Version:** 1

TO: Board of Supervisors
FROM: Christine Briceño - Director of Human Resources
REPORT BY: Kevin Lemieux - Staff Services Manager
SUBJECT: Adoption of a Resolution Authorizing a 401(a) Matching Employer Contribution for the Benefit of 401(a) Retirement Savings Plan Participants for the 2022 Calendar Year

RECOMMENDATION

County Executive Officer and Director of Human Resources request adoption of a Resolution establishing a \$1,000 Matching Employer Contribution for Management, Confidential, and Non-Classified officers and employees who are participants in Napa County's 401(a) Retirement Savings Plan during calendar year 2022.

EXECUTIVE SUMMARY

In 2002, the County established the 401(a) Retirement Savings Plan ("Plan") for the benefit of Management, Confidential, and Non-Classified officers and 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 be made available in 2022 is \$1,000 per participant. The funds to cover the recommended Match are included in the County's Fiscal Year 2021-2022 Approved Budget.

FISCAL & STRATEGIC PLAN IMPACT

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 2021-2022 Approved Budget for each County department. Match costs projected to be incurred in Fiscal Year 2022-2023 will be included in each department's Fiscal Year 2022-2023 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 annual cost of the Match contribution is approximately \$237,000 based on recent participation 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 2022-2023 budget of the proposed calendar year 2022 Employer 401(a) contribution Match is expected to be minimal. To be consistent with IRS regulations, the decision of whether or not 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 \$1,000 Match for 2022 will have no binding future fiscal impact beyond calendar year 2022 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 \$1,000 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.

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 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).

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 \$1,000 Match for the benefit of each participant. The Board previously authorized a \$1,000 Match for calendar year 2021. The Match recommended by the County Executive Officer to be made available in 2022 is \$1,000 per participant. The funds to cover the recommended Match are included in the County's Fiscal Year 2021-2022 budget.