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Agenda Date: 11/25/2014

Agenda Placement: 6U

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors

**FROM:** Suzanne Mason - Director  
Human Resources

**REPORT BY:** Suzanne Mason, Director of Human Resources - 259-8341

**SUBJECT:** Adoption of a resolution authorizing a 401(a) Matching Employer Contribution for the benefit of 401(a) Retirement Savings Plan Participants for the 2015 Calendar Year

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### **RECOMMENDATION**

County Executive Officer and Director of Human Resources request adoption of a resolution establishing up to a \$1,000 Matching Employer Contribution for the benefit of all 401(a) Retirement Savings Plan participants during the 2015 calendar year.

### **EXECUTIVE SUMMARY**

In 2002, the County established the 401(a) Retirement Savings Plan (the "Plan") for the benefit of Management, Confidential and Non-Classified officers and employees.

The Plan provides that the County may provide an Employer Contribution involving a Match (the "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 all Management, Confidential or Non-Classified officers and employees of the County who participate in, and have deferred an equivalent amount of their income into, the County's 457 Deferred Compensation Plan (i.e. a dollar for dollar Match up to whatever maximum the Board establishes during a given fiscal year).

Whether a Match is to be provided must be determined annually and is subject to the sole discretion of the County acting through its Board of Supervisors. IRS regulations provide that if a Match is to be provided, the Match is required to 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 past practice of the Board has been to provide a \$1,000 Match and that was the amount of the Match in 2014.

The Match recommended by the County Executive Office to be made available in 2015 is \$1,000 per participant. The funds to cover the recommended Match were included in the County's Fiscal Year 2014/2015 budget that was approved in June of this year.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Funds to cover the Match were included in the FY2014/2015 proposed budgets of each county department. These budgets, which included the Match, were subsequently approved by your Board during the June budget hearings. Match costs projected to be incurred during the 2015/2016 fiscal year will be included in each department's proposed FY2015/2016 budget.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Promoting increased savings for retirement is important. Additionally, aggressive deferred compensation programs are a valuable retention and recruitment tool. The annual cost of the Match contribution will be approximately \$175,000 based upon recent participation in the 457 Deferred Compensation Plan.
Is the general fund affected?	Yes
Future fiscal impact:	<p>Because a deferred compensation Match must be on a calendar year basis, whereas the County operates on a fiscal year basis, some portion of the authorized Match has the potential to impact the following year's budget to a limited degree. Whether it will actually impact 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 (i.e. during the last six months of each fiscal year). Thus based on past experience the impact of the proposed 2015 calendar year Employer 401(a) contribution involving a Match on each department's fiscal year budget for the 2015-2016 fiscal year is expected to be minimal.</p> <p>The 401(a) Plan, to be consistent with IRS regulations, provides that the decision 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 conditions applicable before the Match will be provided. Approving a Match in one year does not obligate the Board to approve a similar Match (or any Match) in the following calendar year. Thus approving the proposed \$1,000 Match for 2015 will have no binding future fiscal impact beyond calendar year 2015 other than the potential but minimal effect noted in the previous paragraph.</p>
Consequences if not approved:	No financial consequences since the Board is under no legal obligation to adopt the attached resolution authorizing a 401(a) Employer Matching contribution of \$1,000 for qualifying participants. However, not approving the

Match could have a negative effect on the county's ongoing recruitment efforts, and the ability to retain staff which in turn will avoid the expense that results from excessive turnover, since aggressive deferred compensation programs are viewed by most private and public corporations as an important and valuable retention and recruitment tool.

Additional Information:

### **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 (the "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 (the "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 to be provided must be determined annually and is subject to the sole discretion of the County acting through its Board of Supervisors. If a Match is to be provided, IRS regulations provide that the Match is required to be established by a Resolution adopted by the Board of Supervisors prior to the commencement of the calendar year during which the Match will be made available to Participants. Any such Resolution must identify the maximum amount of the Match and the conditions under which the Match will be made. The attached 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 and that was the amount of the Match in 2014. The County Executive Officer, as she did during budget hearings, continues to recommend that the Match, per Participant, for calendar year 2015 be set at \$1,000. The funds to cover this Match were included in the departments' proposed budgets for Fiscal Year 2014/2015 and were subsequently approved by your Board at the June budget hearings.

### **SUPPORTING DOCUMENTS**

A . Resolution

CEO Recommendation: Approve

Reviewed By: Helene Franchi