

# North Tooele Fire District Employer Match Analysis

This report looks at several employer matching options for the District's URS deferred compensation plans. The goal is to give a clear picture of what different match levels would cost and how they might impact employee participation in retirement savings.

*These estimates are based on the District's current staffing levels and payroll budget.*

## Current District Context

The District currently has 19 full-time employees, and about half of them are currently contributing to one of the URS deferred savings plans (401(k), Roth 401(k), 457(b), or Roth 457(b)).

For this analysis we used the following budget numbers:

- Annual full-time payroll budget: **\$1,438,000**
- General Fund operating budget: **\$4,987,982**

Employer matching contributions are only paid when employees contribute to their own retirement accounts.

## How Much Will it Cost the District?

Estimated Cost of Employer Matching Contribution Options

Employer Match Option	Estimated Annual Cost (50% Participation)	% of Total Budget	Estimated Annual Cost (100% Participation)	% of Total Budget
<b>2% Match</b>	\$14,380	0.29%	\$28,760	0.60%
<b>4% Match</b>	\$28,760	0.58%	\$57,520	1.15%
<b>6% Match</b>	\$43,140	0.86%	\$86,280	1.70%
<b>8% Match</b>	\$57,520	1.15%	\$115,040	2.30%

Even if every eligible employee participated, the total cost of the match would still represent a relatively small portion of the District's overall operating budget.

## Why do we only have 50% participation from employees??

Research on public sector retirement plans shows that participation tends to increase significantly when employees see a meaningful employer match.

Typical participation patterns:

- 0–2% Match: 40–60% participation
- 3–4% Match: 60–75% participation
- 5–6% Match: 75–90% participation
- 7–8% Match: 85–95% participation

**Because our current participation is around 50%, increasing the employer match would likely encourage more employees to start contributing.**

## What Should We Do???

### **Recommendation: 4% Employer Match**

Based on financial analysis and participation research, a 4% employer match appears to be the sweet spot between encouraging employee participation and keeping the program financially sustainable for the District.

A 4% match works because it:

- Encourages more employees to start saving for retirement
- Keeps the program affordable within the District's current budget
- Provides a competitive benefit without creating a large long-term financial commitment
- Would represent about 1.15% of the District's total operating budget if everyone participated

### What Does The Match Look Like?

The recommendation is for a **TOTAL** employer match of up to 4% of eligible compensation per pay period, calculated across all deferred compensation plans combined.

The following plans are eligible for an employer match:

- 401(k)
- Roth 401(k)
- 457(b)
- Roth 457(b)

The District would match employee contributions up to a combined total of **4%**, regardless of which plan or combination of plans the employee chooses.

If an employee contributes to multiple plans, the employer match will be allocated proportionally to the plan(s) receiving the employee contribution unless the employee elects otherwise.

Because employees may elect Roth contributions, some employees may see small changes in taxable wages depending on how their employer match is deposited.

Examples:

- Employee contributes **4% to the Roth 401(k)** → District matches **4% to the Roth 401(k)**
- Employee contributes **2% to the 401(k) and 2% to the 457(b)** → District matches **2% to each plan**
- Employee contributes **2% to Roth 401(k) and 2% to Roth 457(b)** → District matches **2% to each Roth plan**

**In all cases, the District match would not exceed 4% total compensation per pay period.**

### **Tax Treatment of Employer Match to Roth Accounts**

- Under current federal law (SECURE Act 2.0), employer matching contributions may be deposited directly into Roth retirement accounts if permitted by the plan.
- When an employer match is deposited into a traditional account, the contribution is not taxed until it is withdrawn in retirement.
- When an employer match is deposited into a Roth account, the value of the employer match is treated as taxable income to the employee in the year it is contributed, but qualified withdrawals in retirement will be tax-free.
- This change affects only the employee's tax treatment and does not increase the cost to the District.

## Who Pays for It?

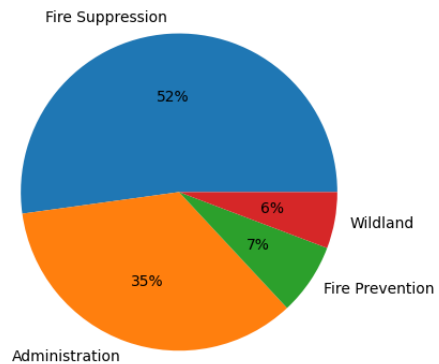
### Divisional Cost Allocation

Instead of funding the match from a single budget line, the cost can be spread across divisions based on payroll, since each division benefits from the retirement contributions made for its employees.

Estimated allocation for a 4% match:

Fire Suppression: ~\$30,000
Administration: ~\$20,000
Fire Prevention: ~\$4,200
Wildland: ~\$3,320
Total Estimated Cost: ~\$57,520 annually

Estimated Distribution of 4% Employer Match Cost by Division



### **Benefits of a Distributed Approach**

Allocating the employer match across divisions:

- Aligns costs with the payroll where the benefit occurs
- Prevents a single division from absorbing the entire impact
- Allows future budgets to incorporate retirement benefits as part of normal personnel costs
- Reflects the shared operational responsibility for employee compensation

### Final Thoughts.....

Implementing a 4% employer retirement match would:

- Encourage more employees to participate in retirement savings
- Cost about \$57,500 annually if all employees participated
- Represent roughly 1.15% of the District's operating budget
- Allow the cost to be distributed across divisions based on payroll

Overall, this approach supports employee retirement planning while remaining manageable within the District's current financial structure.