



401(k) MATCH

EXECUTIVE APPROPRIATIONS COMMITTEE

ISSUE BRIEF

[HB 194 \(2013 General Session\)](#) created a biweekly employer match for qualifying employee 401(k) contributions effective January 4, 2014. The amount of the match was set at \$26 biweekly. The Legislature funded the policy change with a General/Education Fund appropriation of \$4.5 million. [UCA 63A-17-805](#) allows for the Legislature to determine the amount of the match annually:

- (i) Subject to the maximum limit under Subsection (3)(c)(iii), the Legislature shall annually determine the contribution amount that an employer shall provide to each qualifying employee under Subsection (2).
- (ii) The division [of Human Resource Management] shall make recommendations annually to the Legislature on the contribution amount required under Subsection (2), in consultation with the Governor's Office of Planning and Budget and the Division of Finance.
- (iii) The biweekly matching contribution amount required under Subsection (2) may not exceed \$26 for each qualifying employee.

The \$26 match has been in place for seven years. We looked at options the Legislature may want to consider in their annual review of the match amount.

In FY 2021, the General/Education Fund appropriation for the 401(k) match increased from \$4.5 million to \$4.8 million due to increasing participation.

Assuming FY 2023 costs will be similar to FY 2021 and FY 2022, FY 2023 costs could exceed the base appropriation by approximately \$300,000 from the General/Education Fund. The Legislature could cover this amount by either reducing the amount of the match to stay within current appropriations, or by increasing the appropriation by \$300,000 ongoing (see the table below for General/Education Fund and total impact from FY 2018 to FY 2022).

Additionally, the Legislature could adjust the match for inflation. The \$26 match would be \$31 if adjusted for inflation in FY 2022. At the current \$26 match rate, the total cost from all funding sources for FY 2022 is \$9,198,000, with \$4,745,300 from the General/Education Fund. If the Legislature chose to adjust the match for inflation, and employees increased their contribution to \$31 biweekly, the total cost from all sources would be \$10,966,800, with \$5,657,900 from the General/Education Fund (highlighted in green in the table below). Increasing the amount of the match would require legislation.

	FY2018	FY2019	FY2020	FY2021	FY2022 (\$26)	FY2022 (\$31)
GF/EF Impact	\$4,491,400	\$4,520,700	\$4,767,600	\$4,820,100	\$4,745,300	\$5,657,900
Total Cost	\$8,848,700	\$8,645,500	\$8,880,800	\$9,115,900	\$9,198,000	\$10,966,800

Policy Options

1. Reduce the match rate to meet the ongoing appropriation;
2. Keep the status quo of a \$26 match and appropriate an additional \$300,000 ongoing to cover this amount;
3. Increase the value of the match to \$31 for inflation and fund the additional GF/EF cost of \$1.2 million ongoing;
4. Increase the value to match inflation and index the match rate going forward; or
5. A combination of the above.