

Item 5.a.

**Employer Match Contributions –
457(b) or 401(a)**

From: [Schluep, Aaron](#)
To: [Castronovo, Lisa](#); [Martinez, Nereida](#)
Cc: [Dickey, Matt](#); [Benedict, Michael](#)
Subject: Secure Act 2.0 Roth catch up rule - follow up
Date: Thursday, April 30, 2026 10:56:39 AM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
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[image006.png](#)
[image007.png](#)
[image008.png](#)

Hi Lisa and Nereida,

I hope you are well today. I had the opportunity to chat with Matt regarding your question about how to handle the employer matching contributions for the high earners in the 457 who are impacted by SA 2.0 Roth catch up rules.

My initial recommendation is that everyone impacted by the rule should change to the 401a plan. I don't think there is a "clean" way to continue their match or employer contributions in excess of \$24,500 without an employer Roth contribution money type. I believe the deadline to change plans is today, but you may consider extending it to have discussions with the impacted individuals. I can't imagine they want to give up their matching contributions.

A long-term consideration is that each year, additional people earning more than the income limit will attain age 50 and become eligible for catch up. You could arrange for them to elect a plan change when that happens. This would become an annual event.

Alternatively, you may ask the committee to reconsider the plan design we discussed a few months ago. The 401a plan is a much more logical place for employer money to go, not just for these individuals, but for everyone. And having employer money directed to the 401a would eliminate this issue once and for all.

Those are my initial thoughts. Please let me know if you have questions. Thank you,

Aaron Schluep | Senior Relationship Manager
Empower

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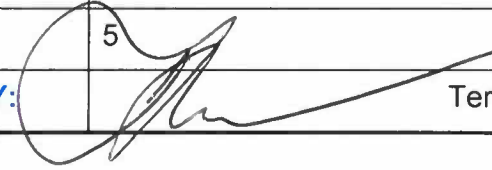
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CITY OF DELRAY BEACH

ADMINISTRATIVE POLICIES AND PROCEDURES

DEPARTMENT:	Employee Benefits	POLICY NUMBER:	EB-12
SUBJECT:	Deferred Compensation Plans for Non-Participating Employees	SUPERSEDES:	EB-12, Rev. 4, dated 01-01-03
REVISION:	5	EFFECTIVE DATE:	10/27/2021
APPROVED BY:	 Terrence R. Moore, ICMA-CM, City Manager		

PURPOSE

The purpose is to establish a policy regarding Deferred Compensation Plans for employees who are excluded from or elect not to participate in the City's Pension Plans.

POLICY

EB-12.1 Applicability:

This policy applies to all regular full-time employees of the City of Delray Beach who are excluded from participation in the City's Pension Plans for general employees and police officers/firefighters or who, pursuant to the terms of such Plans, have elected to not participate or to terminate their participation in said City Pension Plans.

EB-12.2 Policy:

It is the policy of the City of Delray Beach that all regular full-time employees participate in a Pension Plan qualified pursuant to the Internal Revenue Code. Such employees who are expressly excluded from participation in the City's Pension Plans, or who, pursuant to the terms of such Plans, have elected not to participate or to terminate their participation in such Plans, shall become members of a tax-qualified Deferred Compensation Plan in accordance with the following terms:

- A. Department heads who elect not to participate or in the City's Pension Plans must make this election within the first 90 days from their hire date. If they elect not to participate in the City's Pension Plans, they shall join another tax-qualified Deferred Compensation Plan at the earliest opportunity following their election not to participate in the City's Plans through the completion of an "Election of Non-Participation in City's Pension Plans" Form (Exhibit A).

NOTE: The Police Chief and Fire Chief may elect to participate in either the Police and Firefighters Retirement System OR the General Employees Pension Plan.

- B. Employees who are not department heads, but who are excluded from participation in

the City's Pension Plans shall become members of a tax-qualified Deferred Compensation Plan effective upon their election to participate in such Plan.

NOTE: The Police Chief and Fire Chief must elect not to participate in EITHER of the City's Pension Plans in order for the City for the City to contribute 9.5% of their annual compensation to a tax-qualified Deferred Compensation Plan.

- C. The City shall contribute 9.5% of the annual compensation of any employee participating in a tax-qualified Deferred Compensation Plan, pursuant to this policy, for the employee's benefit. The 9.5% will be contributed up to the maximum allowed per calendar year per Internal Revenue Service Regulations.
- D. In order to participate in the tax-qualified Deferred Compensation Plan, the employee is not required to deduct any amount from his/her pay to be entitled to the City's contribution. If the employee chooses to make contributions to the Deferred Compensation Plan account in addition to the City's contribution, the combined contribution total cannot exceed 100% of his/her annual salary or the maximum allowed per calendar year per IRS Regulations.
- E. A department head's election to not participate or to terminate participation in the City's Pension Plans shall be irrevocable for as long as the department head is continuously employed as a department head of the City of Delray Beach.
- F. City and employee contributions to a tax-qualified Deferred Compensation Plan, pursuant to this policy, shall cease upon the employee's termination of employment as a department head of the City of Delray Beach, or upon the employee's termination of employment in a position to which this policy is applicable.
- G. All department heads who elect to participate in the City's Pension Plans for as long as the department head is continuously employed as a department head of the City of Delray Beach, shall be eligible to voluntarily participate in a tax-qualified Deferred Compensation Plan, with any and all contributions to the Plan for the employee's benefit being solely a deduction from the pay of such participating employee. These contributions cannot exceed the I.R.S. maximum allowable total contribution as defined by the tax-qualified Deferred Compensation Plan chosen by the participating employee.
- H. The City reserves the right to designate and approve of any tax-qualified Deferred Compensation Plan that shall be utilized by a participating employee.
- I. Currently, the tax-qualified Deferred Compensation Plan which has been approved by the City is through the International City Management Association (I.C.M.A.) Retirement Corporation.

Exhibit A

**CITY OF DELRAY BEACH
ELECTION OF NON-PARTICIPATION IN CITY'S PENSION PLANS**

I have reviewed the City of Delray Beach Administrative Policy and Procedure Number EB-12, "Deferred Compensation Plan for Non-Participating Employees". In compliance with that procedure, the following request is made:

I elect not to participate in the City's Pension Plan and choose to participate in the City's I.C.M.A. 457 Deferred Compensation Plan.

I understand that the City will contribute 9.5% of my basic annual compensation to this Plan on my behalf.

I further understand that Internal Revenue Service Regulations governing the 457 Deferred Compensation Plan limits the amount of annual contributions made to my I.C.M.A. 457 Deferred Compensation account to 100% of my annual salary up to a certain maximum per calendar year. I further understand that if I elect to participate in the 457 Deferred Compensation Plan in-lieu-of the City's Pension Plan, the combined contributions of the City and myself to my Deferred Compensation Plan account cannot exceed the IRS maximum allowable total in any calendar year.

I understand that I will need to contact the Finance Department in order to complete the necessary I.C.M.A. 457 Deferred Compensation Plan Enrollment Form to begin participation in the 457 Deferred Compensation Plan.

Employee's Signature

Date

Employee's Name (Print)

Employee's Social Security Number

Employee's Position Title

Employee's Department

Witness Signature

Date

Original to: Human Resources Department - Employee's File
Copy to: Finance - Payroll Division
Copy to: Finance - Administration
