

Memorandum

Date: January 11, 2019
To: Board of Directors
From: Kellyx Nelson
Re: Recommendation for Contribution Allocation to Employee 401K Plans

Staff Recommendation

Staff recommends that the Board of Directors contribute a 5% allocation of calendar year 2018 earnings for each eligible employee to the RCD's Employer Sponsored 401K Plan. The estimated total cost to the RCD is \$24,935.

Background

The RCD participates in an Employer Sponsored 401K Plan through Paychex, with Fidelity Investments as the money manager. Eligible employees who enroll in the program can contribute to their 401K plan. In addition, the RCD offers a discretionary match (also with Paychex and Fidelity Investments) in which the employer contribution allocation can vary from year to year based on the RCD's financial position rather than a standard annual employer match or profit share. The discretionary match program was chosen as the most feasible option for the RCD to offer employees the benefit of an employer contribution to a 401K plan when the organization's revenues depend heavily on grants and contracts which are inherently uncertain. The Board of Directors annually determines the RCD's discretionary contribution allocation towards staff 401K plans for the previous calendar year. For calendar years 2016 and 2017, staff recommended and the Board approved 4% contributions. For calendar year 2018, estimates are that a 3% contribution would cost \$14,951, 4% would cost \$19,948, and 5% would cost \$24,935. Staff recommends a 5% contribution allocation as a reasonable expense given the RCD's current financial position.

Eligibility

Eligibility requirements for the 401K Plan, set by the financial institution and not by the RCD, are that participants must 1) be at least 21 years of age and 2) have been an employee of the RCD for 12 months and worked 1,000 hours in that 12 months. The employer contribution is available only to employees who are eligible and enrolled in the RCD's Sponsored 401K Plan. Employees are not required to contribute to the 401K Plan to receive the employer contribution. For calendar year 2018, eight people are eligible¹. Seven are current staff members and one is an employee who departed the RCD in 2018. Four current staff members are not eligible.

¹ The Manager of the Santa Cruz Mountains Stewardship Network is also eligible but will receive a separate allocation, to be determined by the Network Core Team. The RCD is the fiscal sponsor of the Network but does not make compensation decisions for the Network Manager.