

## Memorandum

Date: January 18, 2024  
To: Board of Directors  
From: Kellyx Nelson  
Re: Recommendation for Allocation to Employee 401K Plans

---

### Staff Recommendation

Staff recommends that the Board of Directors approve an allocation of 9% of calendar year 2023 earnings for each eligible employee to the RCD's Employer Sponsored 401K Plan. The estimated cost to the RCD would be \$169,102.93.

### 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 year 2022 the Board approved a 9% allocation. The previous two years were 7%.

Staff recommends a 9% allocation for calendar year 2023 as a reasonable expense given:

1. The RCD's current financial position can afford this one-time expense and the structure of the retirement plan does not require a future commitment at this rate.
2. Unlike comparable governmental entities, the RCD does not offer a pension plan and tries to make allocations that are competitive when financially feasible.
3. The RCD's strategic plan includes goals to be an attractive workplace.

### 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 a minimum of 1,000 hours in that period. 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 2023, 18 people are eligible<sup>1</sup>. Sixteen are current staff members; two are staff members who left the RCD in 2023; and nine current staff members are not eligible.

---

<sup>1</sup> This does not include the Network Manager of the Santa Cruz Mountains Stewardship Network, who is also eligible. He will receive a separate allocation as determined by the network's leadership. The RCD is the fiscal sponsor of the network but does not make compensation decisions for the Network Manager.