NORTHERN WASCO COUNTY PEOPLE’S UTILITY DISTRICT
SPECIAL SESSION
MARCH 12, 2019

PRESENT: Connie Karp, President
Roger Howe, Vice President
Clay Smith, Secretary
Howard Gonser, Treasurer
Dan Williams, Director

President Karp called the Special Session to order at 11:00 a.m.

The following individuals were present during the Special Session:

Counsel: James Foster

NWCPUD Staff: General Manager Roger Kline; Chief Innovation Officer Paul Titus; Executive Assistant Kathy McBride; CFO/Director of Finance & Enterprise Risk Harvey Hall; Key Accounts Manager Justin Brock; Director of Corporate Services Cyndi Gentry; Asset/Program Manager Steve Horzynek; Senior Financial Analyst/Contracts, Risk and Supply Chain Sue Powers; Hydro Plant Operator Adam Aguilar; Chief Hydro Plant Operator Jay Bonogofsky; Journeyman Lineman Shawn Brumley; Business Analyst Robert Casaubon; Power Resources Coordinator Korenna Colquitt; Warehouseman Don Dowers; Senior Financial Analyst Lana Egbert; Engineering Associate Nathan Ericksen; Engineering & Operations Coordinator Nikki Fimple; Meter Reader Cesar Garcia; Utility Worker Jeff Handley; Energy Management Specialist Travis Hardy; Senior Financial Analyst Suzanne Haworth; Chief Hydro Plant Operator Greg Hendricks; Power Resources Specialist Jen Kelly; GIS Technician Jacob Kellogg; Energy Specialist Lance Kublick; Customer Service Representative Laurie Layton; Journeyman Lineman Ryan Manclu; Engineering Associate Garrett Mauritson; Hydro Plant Operator Bob McBain; Apprentice Lineman Tucker McCabe; Joint Use Specialist Manager Tom McGowan; Help Desk Analyst Keith Michaels; Lead Customer Service Representative Lili Narcisco-Garcia; Engineer Ed Ortega; Financial Technician Bethany Pounds; Customer Service Representative Haley Red Cloud Windsor; Serviceman/Journeyman Lineman Ted Rosenberg; IT System Administrator Jon Schellinger; Meter Reader Josh Sperber; Arborist Dave Taphouse; Operations Support Analyst Jimmy Wells; and Journeyman Lineman Jim Wilson.

Visitors: Iris Tilley, Barran Leibman, LLP

PRESENTATION AND DISCUSSION ON REQUESTS FOR PROPOSALS SUBMITTED FOR RETIREMENT PLANNING SERVICES
At 1:31 p.m. the Board of Directors convened as the Board of Trustees for Northern Wasco County People’s Utility District Retirement Plan.

President Karp called on the District’s Special Counsel Iris Tilley to make a presentation on the Request for Proposals received for the Board of Trustees’ consideration.

Special Counsel Iris Tilley began her presentation by providing staff with the following background information which has led the District to issue a Request for Proposals for Retirement Plan Services:

- The District currently offers a 401(k) and a 457(b) Plan.
- Since the District is a governmental entity both plans can be made available to staff.
- The 401(k) Plan can be offered by both private and public employers.
- The 401(k) Plan has a cap on how much can be contributed to the plan per year; this year you can invest $19,000 of your own money. The amount can go up to $53,000 to include the employer contribution.
- The 457(b) Plan allows you to invest an additional amount up to $19,000.
- The 457(b) Plan differs a little bit from the 401(k) Plan; the 457(b) allows you to get the money out a little earlier.
- Currently there are more participants utilizing the 401(k) Plan than there are utilizing the 457(b) Plan.
- Nationwide has been providing services to the District for years.
- Nationwide is both the investment advisor, as well as the record keeper. Everything is consolidated.
- In recent years, services that use to be provided by Nationwide were no longer being provided, such as investment education and annual review of the investment funds with District Trustees.
- Nationwide was not providing services that District staff members needed.
- The District was approached by a Northwestern Mutual representative with a proposal that they would provide an additional level of service on top of what Nationwide is currently providing. Northwestern Mutual proposes to provide staff with financial planning and investment services. In person meetings could be set up locally with a Northwestern Mutual representative.
- Nationwide’s fees are set in a way to encompass all services. Some of these services are not currently being received by the District.
- Nationwide is not providing individual financial services to staff.
- Nationwide’s fees when compared to other potential vendors seem high.
- Northwestern Mutual would negotiate with Nationwide to bring down the investment fees and the other fees for services that the District is not receiving.
- Northwestern Mutual would come in and provide individualized services.
General Manager Roger Kline and Tilley determined, at the time the District was approached by Northwestern Mutual, that it would be in the best interest of the District to issue a Request for Proposals for Retirement Plan Services.

At this time, Tilley began her PowerPoint Slide presentation entitled “Retirement Plan RFP Summary Report to Trustees”. A copy of which is hereto attached and marked as Exhibit 1.

Tilley began by discussing the PowerPoint slide entitled “Potential Vendor Summary”. Tilley noted that today’s presentation will not be in order as shown in her PowerPoint slides.

Some of the highlights of Tilley’s comments on the responding vendors are as follows:

**Northwestern Mutual:**
- Northwestern Mutual came out and said that they would be able to cut the Nationwide investment fees down just under a percentage point.
- Northwestern Mutual assumes there will be changes in the investments.
- Northwestern Mutual has a great website.

**John Coats, Retirement Advisor/John Hancock, Record Keeper:**
- John Coats is a local investment advisor.
- Coats would be the person that would meet individually with staff; looking at their full financial picture or just the 401(k) component.
- Tilly gets a little nervous when there is an individual advisor since it tends to be a little bit of a sales act. The District in no way is saying that staff needs these additional services that may be offered by the retirement advisor.
- Coats’ proposal included partnering with John Hancock.
- John Hancock has a robust website.
- Under this proposal staff is going to get an overall similar investment mix with the exception of the stable value fund.
- John Coats could also work with Nationwide as the retirement advisor.

**TIAA:**
- TIAA has a lot of government and educational plans.
- TIAA does not provide individual financial guidance.
- TIAA is well known for the quality of their website.
- TIAA’s cost structure did not include additional services that the District would receive under the proposals from Northwestern Mutual and John Hancock and TIAA’s fees are too high.
TIAA + The Partners Group (TPG):
- In this proposal The Partners Group (TPG) is paired with TIAA.
- TPG would provide the individual financial guidance.
- TIAA and TPG were unable to provide the District with the scope of what their services would look like.

NRECA:
- The NRECA provides the District’s Health Insurance and they have a Retirement Plan Program as well.
- The NRECA provides services nation-wide.
- The services provided by the NRECA are different than the other vendors.
- The NRECA’s 401(k) Plan is offered to public and private cooperatives.
- If the Trustees decide to become a part of the NRECA’s Retirement Plan all the money currently invested with Nationwide will be rolled into the NRECA’s Plan.
- Participants will still have their money; there will be no loss in money.
- The Retirement Plan will look different since it will be the NRECA’s Plan and not the District 401(k) Retirement Plan.
- The NRECA will provide administrative services for the District’s 457(b) Plan.
- The District’s 457(b) Plan will still exist; it won’t be a part of the larger NRECA 401(k) Retirement Plan.
- The NRECA’s Retirement Plan is a multiple employer plan.
- The NRECA’s plan covers over 40,000 people.
- Tilley has spoken to a number of utilities who are under the NRECA’s Retirement Plan who also have a 457(b) Plan.
- The NRECA’s Plan is one giant plan; all assets go into this big plan.
- The advantage is you get super low fees since the costs are spread over more people; you get a lot of in-house services and resources since the NRECA have in-house investment advisors.
- The NRECA has a local advisor who resides in Tigard, Oregon.
- The disadvantage is that the District will lose the ability to control the exact investment mix.
- The NRECA has their own Board of Directors who works with an investment advisor to watch all funds.
- The NRECA’s website provides quite a bit of services and information for participants.
- Everyone participating in the NRECA’s Retirement Plan are electric utilities.
Nationwide:

- Nationwide can either stay on at the current service level and continue to operate as is, or Nationwide can be pushed to provide the additional services that the District is paying for.
- If the additional services that are being paid for are not provided the District could stop paying for those services.
- The other option with Nationwide is to keep them as the record keeper and add on a retirement advisor.
- The retirement advisor could be Northwestern Mutual or John Coats.
- Nationwide’s website is less user friendly than other vendors’ websites.
- The investment fees with Nationwide could be renegotiated by the District.
- If it makes better sense, the District could keep Nationwide while layering on other vendors, such as Northwestern Mutual or John Coats.

During Tilley’s presentation she suggested that the Trustees consider the following during their deliberation:

- How important are the District’s current investment options?
- Is the Trustees and staff open to new investments?
- Does it make sense to keep Nationwide as an investment provider and add another vendor to provide financial planning services.
- Does it make sense to end the District’s relationship with Nationwide and move to the NRECA, TIAA or John Hancock models.

Throughout Tilley’s presentation, questions were raised by staff and members of the Board of Trustees which pertained to the NRECA’s administration of the District’s 457(b) Plan; the need for staff to have better access to educational services both in person and online, access to different investment funds; and vendor fees.

Tilley noted that the fees listed on the PowerPoint slide entitled “Potential Vendor Summary” are approximate fees. All fees assume a certain investment mix. Ultimately the fees are driven in part by the actual investment mix. Tilley feels that the fees may have been underquoted because the actual investments will probably be more expensive since this group tends to include quite a bit of stable value funds.

Director Smith stated there are many people involved under the NRECA’s Retirement Plan. The cost to the individual comes way down due to the number of participants.

A lengthy discussion occurred regarding the District’s stable value fund after a question was raised by Director Howe as to what happens to the stable value fund if the District decides to move away from Nationwide.
Tilley responded by stating that the stable value fund would go away. In the District’s 401(k) investment mix there is the stable value fund. The fund’s earnings vary a bit; it’s around 3%.

Tilley stated that the stable value fund is a big piece of why Nationwide’s costs are so high. If the fund was to be pulled it would immediately drop Nationwide’s costs way down. There is quite a bit of money in that fund.

Director Gonser asked what percentage of staff are in the stable value fund.

Tilley stated that $6.2 million or 33% of all plan assets are in the stable value fund. Currently 24% of plan participants are invested in the stable value fund; some are current employees and others are retired.

Tilley noted that staying with Nationwide is the only way for the District to keep that stable value fund as high as it is currently. John Hancock has a stable value fund offering, as well as TIAA, however they do not have as high a return as the 3% from Nationwide.

Utility Worker Jeff Handley stated that the stable value fund is being utilized more by older and retired employees. The younger employees are aggressive in their investments. Handley stated that he is paying higher fees due to the stable value fund and he has no interest in the fund.

Tilley stated that she did an analysis to see who is participating in the stable value fund. The majority of the money is from participants who are 50 years or older; $2.6 million in the 457(b) Plan and $700,000 from participants under 50. The participants in the stable value fund are older and separated from the District.

Engineering Associate Garrett Mauritson asked if the 3% return on the stable value fund is before the fees or after the fees are applied?

Tilley responded by stating that it is before the fees are applied.

Mauritson stated that the stable value fund returns are really only 1.5% and not 3%.

General Counsel James Foster had a question regarding the reference to target-date funds under the NRECA proposal.

Tilley explained what target-date funds are and how they automatically adjust as the participant ages. The NRECA does not have anything that they consider as a stable value fund. Any provider will provide target-date funds.
Tilley explained how the stable value fund impacts the different vendors’ fees, as shown on the PowerPoint slide entitled “Potential Vendor Summary”. Tilley noted in her presentation that none of the other vendors offer a guaranteed rate of return. The returns are below the current 3% from the stable value fund at Nationwide.

Further discussion occurred when additional questions were raised regarding the proposed vendor fees.

At this time, Tilley presented the other PowerPoint slides entitled “NRECA 457(b) support”, “What 457(b) services are included”, “What is not included”, and “Who fills the gaps” as shown in Exhibit 1.

Some of the highlights from this portion of Tilley’s presentation are as follows:

- The NRECA would support the District’s 457(b) Plan for an annual fee of $1,000.
- The following services would be provided by the NRECA:
  - Administrative support.
  - Consulting services as needed.
  - Maintain District’s 457(b) Plan document.
  - Provide participant forms, webinars and education materials. Participant forms would go to the investment company. The investment company would be managing the distribution process.
  - Access to NRECA’s deferred compensation plan subject matter experts.
  - Assistance from NRECA field representatives.
- The following would not be provided by the NRECA:
  - Investment funds.
  - Support around selecting investment funds to be offered.
  - Participant statements and communication around distributions.
  - Support in finalizing plan documents and forms.
- Who fills the gaps:
  - The NRECA often partners with Homestead Funds an investment company.
  - Tilley spoke to other electric cooperatives who use the NRECA for their 401(k) Plans. All of these cooperatives use Homestead Funds for their 457(b) investments.
  - Homestead Funds provide individual investment advisors to help an employee pick their investment.
  - The investment company would assist the District with selecting and monitoring the investment funds.

Tilley informed the Board of Trustees that right now the District has the advantage of having both the 401(k) and 457(b) money in one bucket. Under the NRECA model the District will lose that collective investment money since the plans will be split off between the NRECA and another investment company.
A lengthy discussion occurred regarding the NRECA model after questions were raised by staff regarding how the 401(k) and 457(b) funds would be handled, would new employees be able to sign up for retirement benefits, services that would be provided to staff by an investment advisor, how outstanding loans from retirement accounts will be handled, and the NRECA’s self-directed brokerage account.

Tilley noted during the discussion that she would need to speak to the NRECA regarding the roll-over of existing loans. The outstanding loans would roll-over for the other vendors.

Tilley described the process if the District was to change their investment advisor. The District has the ability to change the investment advisor at any time.

Other items discussed included: if retirees are offered the same options as other plan participants; NRECA plan participants at retirement can elect to purchase an annuity instead of taking annual payments; and rules governing 457(b) Deferred Compensation Plans.

Tilley noted the differences between the District’s current retirement plan offerings and if the NRECA model was selected. These differences are as follows:

- The NRECA’s 401(k) Retirement Plan is a multiple employer plan, which includes both governmental and non-governmental entities.
- The NRECA’s plan is set up under ERISA.
- The District’s group health insurance plans from the NRECA are also governed under ERISA.
- The District’s retirement plans are not governed by ERISA.
- The District is not required to file any tax forms on the retirement plans.
- The District is not governed by all fiduciary rules. There are some distribution requirements for certain documents.
- A transition to the NRECA will create some work.
- The NRECA will manage tax filings, and summary plan descriptions.
- The electric cooperatives that Tilley spoke with did not feel it was a burden being governed by ERISA. There was no administrative burden on the employer.
- A multiple employer plan takes away a lot of the fiduciary risk.
- Tilley noted that an insurance policy would be taken out to cover the fiduciary risk to the Board of Trustees and the District.
- Tilley felt that the insurance policy would cost no more than a couple of thousands of dollars since the NRECA’s plan is a multiple employer plan.

Some further discussion occurred regarding the NRECA’s plan.
It was noted that $20 billion in investments are managed by the NRECA. The NRECA has a total of 44,000 plan participants, representing 203 public utilities.

Tilley spoke to five or six electric cooperatives located in the mid-west regarding their experience with the NRECA's retirement plan. The reports were good. Tilley feels the issue is whether the Trustees want to give up plan control versus cost savings, as well as the issue of losing the stable value fund.

Discussion returned to the stable value fund and the potential cost savings if the fund was eliminated. Also discussed was target-date funds, and the NRECA's self-directed account option.

Tilley pointed out during the discussion that target-date funds are a little more expensive; the NRECA is the only vendor that allows participants under their self-directed account to go out on the market to invest; and that participants will not get anything lower in cost than the NRECA's multiple employer plan.

At this time, Tilley went over the PowerPoint Slide entitled "Options Moving Forward" as shown in Exhibit 1.

Tilley noted that the District has the following options:

- Renegotiate investment fees with Nationwide.
- Consider adding another layer onto the Nationwide model that would provide financial planning services. The cost to plan participants will be the same or lower if this option is selected.
- Change the type of funds offered through Nationwide.
- Eliminate the stable value fund.

Handley reported that he was previously investing under Nationwide's Pro Account. Handley recently learned that he no longer has the access to certain funds that he previously had under his Pro Account. Handley only has access to investment options offered by the District.

Handley stated that he was recently told by a Nationwide representative that the District's fees are high because of the decisions made by the company.

At the conclusion of the presentation Tilley asked if staff had any additional questions.

There were some additional questions and comments from staff.

Tilley responded by stating that fee expenses are dependent upon the investment. The NRECA works with their investment advisor to come up with their own propriety funds. These funds would include some mix of Vanguard type funds. The return on the
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NRECA’s funds, that Tilley has seen, are comparable to Vanguard funds. Tilley can provide the Trustees and staff with information on how the NRECA’s funds are doing as compared to other funds.

Director Howe stated that it is the Board of Trustees job to do no harm. He asked Tilley if there was a serious market correction where would she want the employees to be.

Tilley stated that all plans have investments that would probably ultimately get you to the same place if the market crashes. She feels that all the funds are being very carefully curated. Tilley noted that she likes how the NRECA investment advisors are really focused on their funds. The funds are watched very closely. Tilley feels it would be safe with the NRECA. She would worry if there was too much money being thrown into the brokerage accounts.

Director Howe commented that we would be putting the Board into a different fiduciary capacity if the District went with the NRECA plan. The Board has not been there before; the Board has no experience.

Foster stated that he heard that the Board will still have fiduciary responsibilities to a certain extent; the responsibilities will be mitigated by the NRECA.

Tilley stated that the District’s 457(b) Plan will still be a governmental plan. There are still state law fiduciary responsibilities, but not under ERISA.

Tilley stated that the NRECA’s 401(k) Plan is governed by ERISA. The ERISA responsibilities will be taken on by the NRECA. The multiple employer plan cannot take on all responsibilities, so some responsibilities will still lie with the employer.

Some brief discussion occurred regarding the district’s fiduciary responsibilities.

Trustee Paul Titus stated that the District has not had our investment funds reviewed with Nationwide for several years. In the past, Nationwide representatives would meet with several Trustees to go over and review the returns of the investment funds. Any recommended changes would be brought back to the Board of Trustees for their consideration and approval.

Titus noted that the District’s plan participants are paying $150,000 a year in plan fees for approximately $10 million in investments and getting nothing for it.

Titus stated that staff has been talking to a different regional Nationwide representative trying to get some type of help from them. One of the benefits derived from these conversations is that we had District staff receive some educational training late last month and several employees signed up for retirement services. Titus stated that the District is not getting what we are paying for.
Some discussion occurred regarding staff's efforts over the last several years to get Nationwide to provide the services needed by the District and plan participants.

General Manager Roger Kline stated that he does not want to influence any type of outcome in this matter. Kline wants to ensure that the Trustees do not have a risk exposure for their performance. If the District can follow under a regulatory structure like ERISA voluntarily, either using it as a best practice or sign up with an organization that outsources that risk to them, that is his preferred outcome.

Kline stated that he is leaning to how the District can outsource the risk to ensure that the District is in compliance, the Trustees are not put into a position that is unattainable, and plan participants are provided with the tools and resources for their retirement investments.

Kline noted that the District needs to ensure that we get it right. When staff talks about wellness it is not just walking challenges. It is financial wellness and retirement for the future. Management wants to ensure that staff has these choices and that you get the best return.

Kline encouraged the Trustees to look at these various options and the work that Tilley has done on the District’s behalf. He is willing to provide the Board of Trustees with his recommendation, if asked.

Kline thanked the members of the District’s Retirement Plan Committee for their service in this matter.

Director Gonser stated that the Board of Trustees are sitting here wanting to do what is in the best interest of our staff and retirees. The Trustees want to hear from our staff. Director Gonser will not make a decision until he hears from staff; it is your plan and your responsibility.

Director Gonser stated that he is the only Board Member that researched whether he could participate in the District’s retirement plan; and he has been. Director Gonser will not vote on what he wants to happen for himself; he will vote for what staff wants.

Trustee Kathy McBride stated that she has her retirement investments in the stable value fund. McBride was not aware that her earnings under the stable value fund impacted other plan participants. McBride does not like the thought that her fixed rate account is impacting her fellow coworkers’ fees.

Tilley noted that Nationwide did not communicate that information to anyone. No one in this room understood that until Northwestern Mutual brought it up last year.
Further discussion occurred after additional questions were raised by staff regarding the NRECA's retirement funds.

Tilley stated that it feels like staff needs more information on the NRECA's investment options. Tilley's questions are:

- Are you leaning towards keeping the District's 401(k) Plan or moving to the NRECA model?
- If the Trustees are looking at keeping the District's 401(k) Plan, then the second question would be:
  - Are you leaning towards staying with Nationwide for the time being, or looking at another investment provider?
  - If so, what type of additional service provider are you interested in?
- Would you first like to see information on the NRECA retirement funds to see how they are performing?

Director Smith encourages staff to consider the management aspect of this matter. Having the investment funds actively managed is a big plus; active management makes a difference.

Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall asked Tilley to address the NRECA's self-directed account.

Tilley stated that the NRECA has a self-directed account which allows the participant to go out and invest in the stock market for the cost of $10 per month. Tilley does not know what the allowable investment percentage is for this type of investment. She will obtain this information from the NRECA.

Tilley stated that she does not feel that the District is getting value with staying with Nationwide. The more skin in the game by the vendor, the better the service. Tilley would be more inclined to have another vendor added under Nationwide.

President Karp asked staff to raise their hand if they are leaning towards the NRECA Retirement Plan option.

For the record, Tilley counted 25 staff members raising their hands in favor of the NRECA's plan.

Some further discussion occurred regarding the NRECA plan, and what would be gained, other than cost, if the District were to move away from Nationwide.

Director Gonser asked staff, after the show of hands in favor of looking at the NRECA plan, if they would like a comparison of just two vendors, rather than having Tilley do a comparison of all four vendors?
Tilley felt that made sense. Does the District keep our old plan with Nationwide, or do we change to the new model?

Some discussion occurred between staff regarding their views on the various investment providers under consideration. Tilley pointed out that from an individual standpoint, all investment providers would feel similar.

McBride reminded staff to review the Board Packet, which includes detailed minutes of vendor presentations and other documentation obtained from Special Counsel Iris Tilley.

Mauritson noted that research has shown if you can simplify investments you encourage participation. The quality of the investment options is a lot more important than the quantities. Some of the NRECA funds are probably not too different from the John Hancock funds.

Director Gonser stated that he encourages staff to talk to their fellow employees to get this matter hashed out. The Board of Trustees wants to make a decision and to move forward.

Director of Corporate Services Cyndi Gentry briefly described the process that will be undertaken if the Board of Trustees decides to move away from Nationwide.

Tilley will compile the information as discussed and will send it to Executive Assistant Kathy McBride for distribution to staff and plan participants. After which, an electronic survey could be conducted to poll staff and retirees. A Board of Trustees meeting would be scheduled after obtaining the results from the survey poll and the additional information obtained by Tilley on fund comparisons.

Tilley, responding to a question from staff, noted that the overall process could take up to six (6) months from the date of the decision to move from Nationwide to another vendor, to having the new retirement plan up and running. The actual black out period is approximately 30 days.

At 12:04 p.m. the Board adjourned as the Board of Trustees and returned to Special Session.

**DISCUSSION ON BOARD EFFECTIVENESS CHECKLIST**

Due to time constraints, the Board of Directors did not discuss the results of the Board Effectiveness Checklist.
There being no further business the meeting adjourned at 12:05 p.m.

ATTEST:

__________________________
Secretary
NORTHERN WASCO PUD

Retirement Plan RFP Summary Report to Trustees
NRECA 457(B) SUPPORT
WHAT 457(B) SERVICES ARE INCLUDED?

• The following services are included for the $1,000 annual fee:
  • Consulting based on the organization’s business needs for nonqualified deferred compensation plans;
  • Consultations to clarify plan features with the organization’s attorney and other advisors;
  • Access to sample plan document and adoption resolution, plan adoption instructions, participant forms, webinars and participant educational materials;
  • Access to NRECA’s deferred compensation plan subject matter experts; and
  • Assistance from NRECA field representative.
WHAT IS NOT INCLUDED?

- Investment funds;
- Support around selecting which investment funds to offer;
- Participant statements and communication around distributions; and
- Support in customizing and finalizing plan document and forms.
WHO FILLS THE GAPS?

- Investment company—Homestead Funds often partners with NRECA, but other vendors are possible too.
  - Investment funds and assistance selecting and monitoring those funds would come from the investment company.
  - Investment company delivers statements.
  - Investment company assists in processing distributions.
- Attorney—All restated plans need some attorney review, but here, I (or another attorney) would have a more active role preparing and finalizing the plan.
A NOTE ON PARTICIPANT EDUCATION

• NRECA’s advisors will assist with individual’s investment selections across all plans, but advice regarding the 457(b) will be more general because the advisors will have less knowledge about these plans.
FIXED ACCOUNT
OVERVIEW OF FIXED ACCOUNT

- Across both plans, there is about $2.9M invested in the current fixed account.
- This constitutes about 31% of plan assets.
- 12 participants have fixed balances (most hold fixed balances in both 401(k) and 457(b)).
  - 4 are current employees
  - 8 are retired or terminated
  - 4 of the 8 retired or terminated employees are in retired
  - All participants with assets in the fixed account are age 50+
  - 100% percent of a participant's account balance is often in the fixed account
• About 33% of plan assets are in the fix account (~$2.1M)
• 11 Plan participants have balances in the fixed account
• The participants are ages 52, 53, 55, 57, 58 (2), 61, 68, 70 (2), and 71.
• 6 participants are no longer employees
• 14% of participants who are current employees have assets in the fixed account
457(B) DATA

• About 34% of plan assets are in the fix account (~$890K)
• 9 Plan participants have balances in the fixed account
• The participants are ages 52, 57, 58 (2), 61, 68, 70 (2), and 74.
• 4 participants not employees
TAKE AWAYS

• The fixed account represents a third of plan assets, but only about 14% of current employees are using it.

• All participants with fixed account assets are age 50+. Individuals in this demographic are looking for stability, so if this asset is eliminated, there will need to be substantial communication.

• Good communication around annuity options could be useful for retirees and employees who are nearing retirement.
OPTIONS MOVING FORWARD

• Continue with Nationwide (but perhaps layer another vendor) and freeze fixed account to new entrants.

• Look at whether charges for fixed account can be allocated only to participants using that investment type—most advisors won’t allocate in this way.

• Provide education around annuities, and replace fixed account with another option or eliminate it entirely
POTENTIAL VENDOR SUMMARY
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Cost</th>
<th>Stable Value?</th>
<th>Partner?</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide</td>
<td>1.48%--401(k) 1.46%--457(b)</td>
<td>Yes, 3%</td>
<td>None</td>
<td>Incumbent</td>
</tr>
<tr>
<td>John Coats</td>
<td>.65%</td>
<td>Yes, 2.8%</td>
<td>John Handcock</td>
<td>Local; quarterly participant meetings are assumed.</td>
</tr>
<tr>
<td>Northwestern Mutual</td>
<td>.93%</td>
<td>Yes, 1.86%</td>
<td>Nationwide</td>
<td>Pricing assumes reduction of stable value; interview questions will address this.</td>
</tr>
<tr>
<td>TIAA</td>
<td>1.16%</td>
<td>Yes. Up to 3% is available. 2% is .77%</td>
<td>None</td>
<td>Fees may be negotiable.</td>
</tr>
<tr>
<td>TIAA + TPG</td>
<td>1.26%</td>
<td>Yes. Up to 3% is available. 2% is .77%</td>
<td>TPG</td>
<td>Fees may be negotiable.</td>
</tr>
<tr>
<td>NRECA</td>
<td>~.38%</td>
<td>Target-date funds include some fixed-rate bonds but not part of typical investment mix.</td>
<td>MetLife</td>
<td>886 employers 55,929 participants</td>
</tr>
</tbody>
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