

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

WORK SESSION OF THE BOARD OF DIRECTORS
Acting as the Board of Trustees for the District's Retirement Plan

OCTOBER 2, 2018

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

President Williams called the Work Session of the Board of Directors, acting as the Board of Trustees for the District's Retirement Plan, to order at 2:03 p.m.

The following individuals were present during the Work Session of the Board of Trustees:

Board of Trustees: Dan Williams, Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Kathy McBride

Counsel: James Foster

NWCPUD Staff: Executive Assistant/Board of Trustees Kathy McBride; Journeyman Lineman/Serviceman Ted Rosenburg, Lead Meter Reader Cesar Garcia, Engineering Associate Garrett Mauritsen; Sr. Financial Analyst/Contracts & Risk Specialist Sue Powers; and CFO/Director of Finance and Enterprise Risk Harvey Hall

Visitors: Iris Tilley, Barren Leibman, LLP; and Erik Hayes, Laura Schumann and Scott Levy, National Rural Electric Cooperative Association (NRECA) Representatives

**RETIREMENT PLAN PRESENTATION FROM NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION (NRECA)**

Erik Hayes, NRECA Senior Field Representative, presented to the Board of Trustees a handout entitled "The Value of the NRECA-sponsored 401(k) Pension Plan", which is a copy of today's PowerPoint Presentation.

Hayes noted that the following individuals will cover the identified topics in today's Pension Plan Presentation:

- ❖ Laura Schumann, Retirement Produce Management Director – 401(k) Pension Plan Overview, Investments, Fees and Governmental 457(b) Plan
- ❖ Scott Levy, Regional Investment & Retirement Planner – Education and Resources
- ❖ Erik Hayes, Senior Field Representative – Employee Benefits Website

Highlights of the presentation from NRECA Representatives are as follows:

- There are over 1,000 electric systems under the National Rural Electric Cooperative Association (NRECA) umbrella.
- There are 910 co-ops that participate in the NRECA 401(k) Pension Plan.
- The NRECA 401(k) Pension Plan has \$10.53 billion in assets.
- NRECA Plan Advantages are as follows:
 - Comprehensive multiple employer plan
 - Administrative and fiduciary services
 - Streamlined, competitive investment lineup
 - ✓ Access to individual securities and thousands of mutual fund families through a self-directed brokerage window
 - Track record of comparably low expenses since the NRECA operates at cost, not for profit basis
 - Extensive participant services at no additional cost
- The NRECA is the plan sponsor. They are responsible for selecting and monitoring plan investments, various disclosure requirements, creating summary plan descriptions, required notices, and summary annual reports, etc.
- Investment Features:
 - “White Label” funds created solely for the NRECA 401(k) Plan
 - Diverse range of asset categories
 - Investment managers selected by NRECA
 - ✓ Experienced internal portfolio managers
 - ✓ External investment firms
 - Asset-pooling allows for lower investment management fees
 - Investments are monitored in-depth on a regular basis and are reported to the NRECA Investment Committee on a quarterly basis
- Investment Menu:
 - Designed to improve participants’ ability to make decisions
 - Participants construct a portfolio based on their desired level of involvement in decision-making

Some discussion occurred regarding the Employee Retirement Income Security Act (ERISA) requirements under the NRECA Retirement Plan. The District will lose its current exemption under ERISA if the District chooses to participate in the NRECA’s 401(k) Pension Plan.

Further highlights of the presentation are as follows:

- Employees have the option of choosing plan investments, which include target date portfolios, seven individual core funds and SDBA (brokerage window).
- The NRECA recently changed from a Money Market Fund to a Stable Income Fund.
- There is an additional charge for plan participants to use the SDBA brokerage window; an additional \$10 per month.

- The NRECA's Stable Income Fund is a blended fund providing both capital preservation and additional yield.
- The new Stable Income Fund strategy became effective in December 2017.
- Participants may stay in the NRECA Retirement Plan when they retire.
- The 401(k) Plan investment performance is tracked and profiled against the benchmarks. Participants annual return are also tracked.
- The graph shown of the 401(k) Plan investment performance for one, five and ten years is after expenses; these are the returns that the participants are experiencing.
- The PowerPoint slides showing the investment performance of the NRECA retirement funds, as compared to their peers, was reviewed. This comparison is gone over regularly by the NRECA's Investment Strategy Department.
- Any fund underperforming is watched and analyzed regularly.
- The NRECA is a not for profit entity. They provide administration for the fund at cost, no commission or excess revenues. The expenses are shared between the employee and employer. A share of the fees is paid by the employer, which are based on active accounts.
- The average weighted current fund expense ratios and other participant fees were reviewed.
- The NRECA's expenses are considerably lower than the industry average.
- Fund profiles are available on the NRECA Employee Benefits website.
- Scott Levy, Regional Investment & Retirement Planner, is stationed in Portland, Oregon. Part of his role is employee education.
- Levy serves the states of Oregon, Washington and Alaska.
- The NRECA has a number of brochures which are sent out automatically to plan participants or employees who are just becoming eligible to participate in retirement benefits. There is also information available for those preparing for retirement.
- Personal Investment & Retirement Consulting (PIRC) non-commissioned planners provide expertise in NRECA sponsored retirement plans, financial education, and investment and retirement planning for all ages and career stages at no additional cost for participants or co-ops.
- A listing of financial educational seminars for plan participants were reviewed.
- PIRC Planners can help plan participants as follows:
 - Review of 401(k) Plan investment options
 - 401(k) account statement review
 - College funding options
 - NRECA retirement plan distribution options
 - Asset allocation strategies
 - Explanation of IRAs
 - IRA withdrawal options
 - Written and detailed retirement plans at no cost
- The NRECA offers income-oriented investments, such as the Stable Income Fund, Short-Term Bond Fund and Retirement Target Date Fund.
- Withdrawals can be taken out monthly, quarterly or annually.

- Annuities are also offered via MetLife. A lot of plan participants like the annuity income.
- Asset Allocation Plans and Detailed Retirement Plans are available to plan participants at no additional cost.
- Retirement Planning Seminars can be provided at the employer's worksite.
- The NRECA has a team that handles the conversion process.
- The NRECA Employee Benefits Website is a one-stop source for account management and education.
- The Employee Benefits Website provides self-directed brokerage account access.
- The website allows quick access to personal rate of return, detailed transaction history, comprehensive investment information, access to educational articles, webinars and videos, and scenario-planning calculators provide additional information to participants

Questions were raised regarding the interfacing of the District and NRECA's financial systems, how payroll information is transmitted, the security of the employee data, and if the NRECA carries insurance for computer access fraud issues beyond ERISA.

Schumann will follow up on the questions raised on how the NRECA receives employee contributions and payroll information, the security of the data and if the NRECA carries computer fraud insurance.

A lengthy discussion occurred. Items discussed pertained to an employee being able to work with one specific PIRC Advisor, if the NRECA has worked with other PUDs, and the use of the Employee Benefits Website by plan participants.

Further highlights of the presentation are as follows:

- Plan participants have access to the NRECA's online document library, participant dashboard, detailed retirement account information, 401(k) Plan activity history, investment allocations, plan loans, account statements, education and resources, and online scenario planning calculators.
- It normally takes a few months for the NRECA to complete the conversion process.
- Current investment funds are mapped to similar new funds during the conversion process. Plan participants are notified in advance of the conversion, which allows the participant to make changes before or after the funds have been transferred.
- The NRECA does not offer a fixed rate fund, similar to what is offered through Nationwide.
- Retirement plan loans could take up to two weeks to process. Interest rates on the loans is the prime rate plus 1%.
- A Governmental Deferred Compensation 457(b) Plan is available to public power districts and public utility districts.

- All eligible employees may contribute to both the 457(b) plan and to a 401(k) plan.
- The NRECA has a separate team that works on Deferred Compensation Plans.
- The NRECA has over 325 cooperatives using non-qualified deferred compensation plans; the majority are 457(b) plans.
- The NRECA has 8 governmental plans and 300 – 457(b) plans.
- The District would be the plan administrator for the 457(b) plan; responsible for the administration of the plan.
- The NRECA will help with the set up of the plan, consulting, providing forms, tools and resources, etc.
- The District would select the investment company. The investment company would be managing the assets and providing tools for participants to access their retirement information.
- The majority of the cooperatives, under the NRECA Retirement Plan Program, select Homestead Funds to manage their investments.
- The NRECA would provide consulting services, sample documents, records management assistance and plan sponsor and participant communications.
- All services specified in the presentation are available for plan participants after retirement, at no charge.

Discussion occurred after a question was raised by Director Smith regarding the increase in work load for the District to be the plan administrator for the 457(b) plan if the Board of Trustees were to choose the proposal from the NRECA.

CFO/Director of Finance and Enterprise Risk Harvey Hall stated that staff would need to determine what the increase in work load would be and the impact on staff if the District was to become plan administrator of the 457(b) plan. Hall noted that staff will need to discuss ERISA requirements, as well.

The presentation from the NRECA concluded at 4:07 p.m.

Special Counsel Iris Tilley addressed ERISA requirements. Tilley made the following comments:

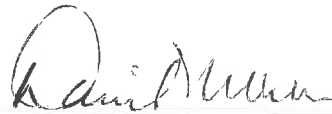
- The Employee Retirement Income Security Act (ERISA) was adopted back in 1974.
- ERISA has a lot of disclosure and filing requirements.
- Governmental plans are not subject to ERISA.
- The NRECA's retirement plan program is subject to and governed by ERISA.
- If the District is operating within the NRECA plan, the District will be subject to ERISA.
- The filing requirements, including all required notices, would be handled on the plan level by the NRECA.
- The District would not have any filing requirements for the 401(k) plan.
- There are additional fiduciary responsibilities.

- Tilley suggested that the District consider additional fiduciary coverage for the Board of Trustees.
- As an employer, it is not a bad thing to be governed by ERISA; not necessarily a higher risk.
- If there is a Department of Labor inquiry; the NRECA would manage that inquiry at the plan level.
- The NRECA would also take care of the filing of ERISA Form 5500.
- As to the 457(b) plan, the District would have more responsibility.
- The District would be choosing the investment funds.
- The District would not get the benefits of the cost structure.
- The investment fees are lower for the 457(b) plan.

Executive Assistant Kathy McBride will schedule a time for the Board of Directors, acting as the Board of Trustees, to meet to discuss the three Retirement Plan Request for Proposals (RFPs) received for the District's consideration.

Special Counsel Iris Tilley will prepare a comparison summary on the three RFPs.

There being no further business the Work Session of the Board of Trustees was adjourned at 4:25 p.m.



President

ATTEST:



Secretary