

# Report from the Secretary-Treasurer



Curtis Wynn  
**Secretary-Treasurer**

It's my pleasure to provide a summary of NRECA'S 2016 financial results. The summary is presented in two sections. The first summary describes the financial highlights of NRECA's general membership, fee-for-service and cost reimbursable programs. The second summary reports the financial results of the Pension & Welfare Programs administered by NRECA.

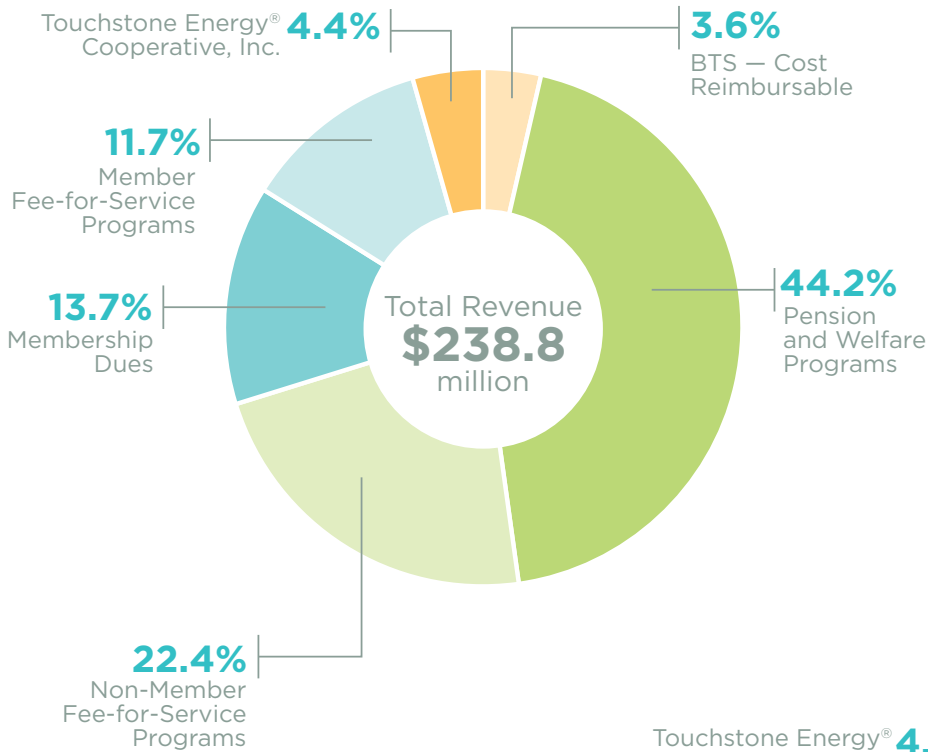
A handwritten signature in black ink, appearing to read 'Curtis Wynn', with a long horizontal flourish extending to the right.

# 2016 Financial Highlights

[the association]

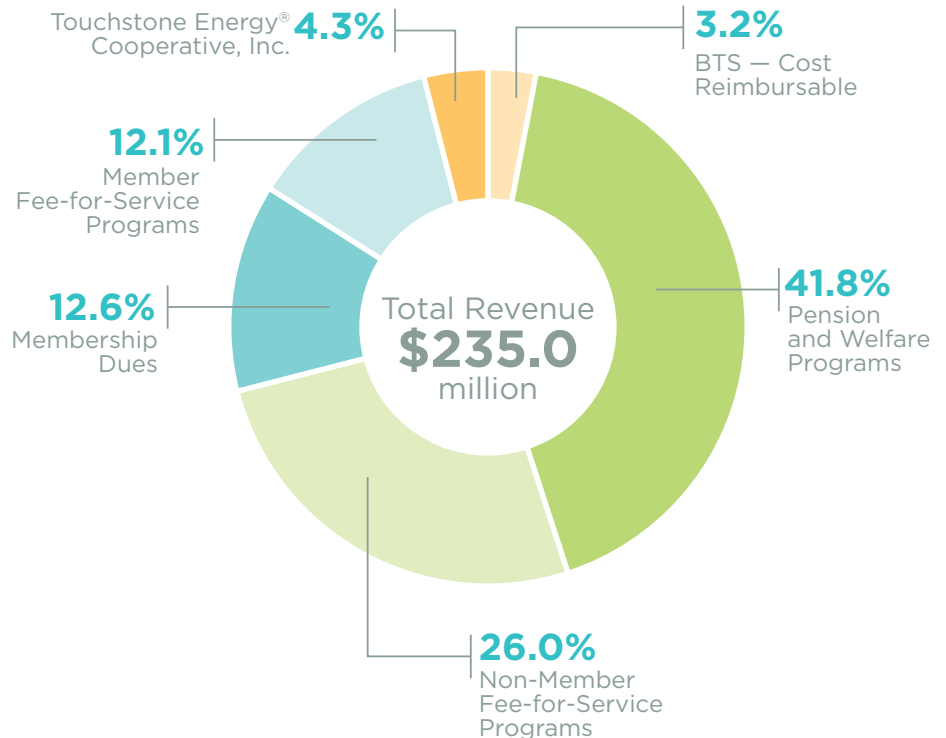
## SUMMARY OF OPERATIONS (REVENUE BY SOURCE)

NRECA's operations include general membership, fee-for-service and cost reimbursable programs. NRECA ended the year with total revenue of \$238.8 million and a net operating margin of \$3.2 million, before the NRECA board-approved transfer of \$3.1 million to the Political Advocacy, Communications and Education fund.



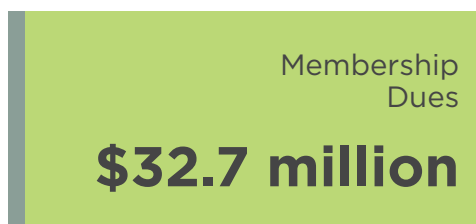
## 2016 Revenue

## 2015 Revenue



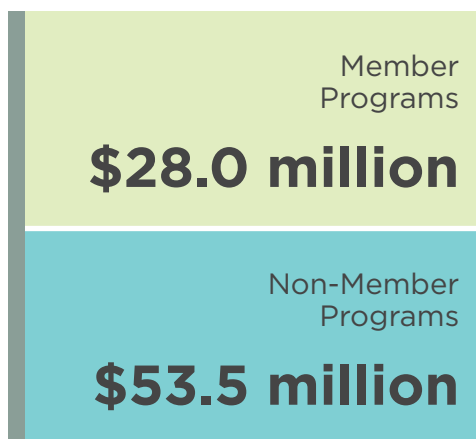
# Summary of Operations by Revenue Source

## General Membership Programs



Membership programs consist of government relations, communications, business and technology strategies, and other programs. Dues of \$32.7 million partially funded the \$45.8 million cost of these programs. NRECA funded the remaining \$13.1 million from margins earned on fee-for-service programs.

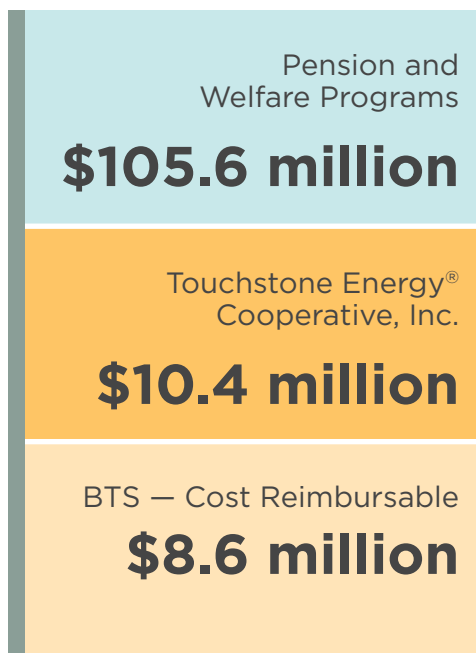
## Fee-for-Service Programs



\$28.0 million in revenue was generated from member fee-for-service programs, including training and conferences, consulting, *RE Magazine*, annual and regional meetings, and other programs, for which the members who use them pay a fee. The member fee-for-service programs ended the year with a net margin of \$2.4 million.

\$53.5 million in revenue was generated from non-member fee-for-service programs, including the buildings owned by NRECA, fees for managing the Homestead Funds and the International programs. The non-member fee-for-service programs ended the year with a net margin of \$13.9 million.

## Cost Reimbursable Programs



NRECA is the sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis. This activity totaled \$105.6 million in 2016.

NRECA provides administrative services to Touchstone Energy® Cooperative, Inc. on a cost reimbursable basis and received \$10.4 million in reimbursements in 2016.

Business & Technology Strategies (BTS) conducts research to accelerate technological innovation, which is primarily funded by member research dues and government grants. BTS revenue is recognized to the extent program expenses are incurred and totaled \$8.6 million in 2016.

The 2016 financial information is preliminary and may change.

# Consolidated Summary Balance Sheet [in thousands]

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash & Cash Equivalents	\$ 41,536	\$ 49,121
Accounts Receivable, Net	20,661	20,746
Receivables - Due from the Plans	17,704	15,610
Investments	9,964	2,533
Other Assets	23,405	21,532
Property and Equipment, Net	89,294	88,306
<b>TOTAL ASSETS</b>	<b>\$ 202,564</b>	<b>\$ 197,848</b>

<b>Liabilities &amp; Members' Equity</b>	<b>2016</b>	<b>2015</b>
<b>Liabilities</b>		
Accounts Payable & Accrued Expenses	\$ 24,878	\$ 24,394
Health Reimbursement Arrangement Plan Payable	7,200	7,200
Deferred Revenue	51,310	44,200
Other Liabilities	16,228	19,654
Post-Retirement Benefit Obligations Other Than Pensions	14,285	15,308
<b>Total Liabilities</b>	<b>113,901</b>	<b>110,756</b>
<b>Members' Equity</b>		
General Fund	<b>75,959</b>	<b>76,189</b>
Net Assets of 501(c)(3) Affiliated Entities	<b>4,968</b>	<b>4,629</b>
Political Advocacy, Communications and Education Fund	<b>7,736</b>	<b>6,274</b>
<b>Total Members' Equity</b>	<b>88,663</b>	<b>87,092</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 202,564</b>	<b>\$ 197,848</b>

*The 2016 financial information is preliminary and may change.*

# General Fund Summary of Operations

[in thousands]

	2016				2015
	GENERAL MEMBERSHIP	FEE-FOR-SERVICE	COST REIMBURSABLE	TOTAL	TOTAL
<b>Revenue</b>	\$ 2,678	\$ 81,472	\$ 124,662	<b>\$ 238,812</b>	<b>\$ 234,938</b>
<b>Expense</b>	45,788	65,164	124,662	<b>235,614</b>	<b>231,841</b>
<b>Net Operating (Loss) Margin Before Board Authorized Payments</b>	(13,110)	16,308	-	<b>3,198</b>	<b>3,097</b>
<b>Less: Board Authorized Payments - CRN Contribution</b>	-	-	-	<b>-</b>	<b>500</b>
<b>Net Operating (Loss) Margin</b>	<b>\$ (13,110)</b>	<b>\$ 16,308</b>	<b>\$ -</b>	<b>\$ 3,198</b>	<b>\$ 2,597</b>

## Summary of Changes in Members' Equity

[in thousands]

Members' Equity	General Fund	Net Assets of 501(c)(3) Affiliated Entities	PACE Fund*	Total
Beginning Balance, December 31, 2015	\$ 76,189	\$ 4,629	\$ 6,274	\$ 87,092
Net Operating Margin (Loss)	2,859	339	(1,627)	1,571
Transfer to Board-Designated Fund	(3,089)	-	3,089	-
<b>Ending Balance, December 31, 2016</b>	<b>\$ 75,959</b>	<b>\$ 4,968</b>	<b>\$ 7,736</b>	<b>\$ 88,663</b>

\* Political, Advocacy, Communications and Education Fund

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## 2016 Financial Highlights of the Pension & Welfare Programs [NRECA multiple employer plans]

The pension and welfare programs administered by NRECA consist of the NRECA Retirement Security Plan (RS Plan), the NRECA 401(k) Pension Plan (401(k) Plan) and the NRECA Group Benefits Program (Group Program) (collectively, the Plans). During 2016, NRECA continued its commitment to ensure that member cooperatives, regardless of their size and location, have access to comprehensive, flexible, and affordable employee benefit programs for current and former employees, and their dependents. In addition, NRECA continued its commitment to support legislation to preserve members' access to these programs, reduce cost pressure on co-ops utilizing these programs and ensure the delivery of high-quality services to the participants covered under these programs.

- **NRECA's Retirement Program**, composed of both the RS Plan and the 401(k) Plan, serves over 100,000 active and retired employees of member systems.
- **The RS Plan** is a defined benefit, multiple employer pension plan, as defined under the Employee Retirement Income Security Act of 1974 (ERISA). Employees enter the RS Plan upon satisfaction of the eligibility requirements elected by their member system. The basic benefit, payable upon attainment of the normal retirement age, is based on the highest five-year average of compensation. Normal retirement age can be 65, 62, 60, or the earlier of age 62 or any age with 30 years of participation, as elected by the member system.
- **The 401(k) Plan** is a defined contribution, multiple employer pension plan, as defined under ERISA. Employees enter the 401(k) Plan upon satisfaction of the eligibility requirements elected by their member system. Participating systems may elect to participate in a cash or deferred arrangement through which participant contributions to the 401(k) Plan are made on a salary reduction basis.
- **The Group Program** provides benefits such as medical, disability, vision, dental and life insurance to participants. The Group Program is self-insured for the medical, dental, vision, and short-term and long-term disability plans. The Group Program receives all premium contributions, pays participant claims and premiums due to insurance carriers, and holds reserves for the benefit and protection of program participants. Participants must contribute as required by the participating member system. The life, AD&D, business travel accident and VSP Vision plans are insured with third party insurance companies.
- **Net assets** available for benefits at the end of the year totaled \$17.9 billion, which was \$1.3 billion, or 7.7%, higher than the previous year. The main driver of the increase in net assets was \$1.2 billion in net appreciation in the market value of plan assets. Also contributing to the increase in net assets was dividend and interest income totaling \$261.8 million.
- **Contributions and premiums** totaled \$2.1 billion, which was \$47.5 million, or 2.3%, higher than the previous year. The increase was primarily due to RS Plan contributions increasing \$32.5 million and Group Program premiums increasing \$28.5 million. Slightly offsetting these increases was the \$13.5 million decrease in 401(k) Plan contributions.
- **Benefits and claims** paid totaled \$2.0 billion, which was \$113.1 million, or 5.2%, lower than the previous year. This variance is primarily due to the decrease in RS Plan and 401(k) Plan benefits paid of \$125.1 million and \$28.9 million, respectively. Group Program benefits paid increased by \$40.9 million primarily due to an increase in the number of participants.
- **Administrative expenses** paid by the Plans totaled \$116.5 million, which was \$15.9 million, or 15.9%, higher than the previous year. RS Plan administrative expenses increased \$9.2 million, mainly related to an increase in Pension Benefit Guaranty Corporation (PBGC) premiums. Administrative expenses for the 401(k) Plan increased \$4.9 million, primarily due to increases in information technology and plan administration costs. Group Program administrative expenses increased \$1.8 million, primarily due to increased participation levels.

## 2016 Financial Highlights of the Pension & Welfare Programs

### Total Assets [in thousands]

			Variance	
	2016	2015	Amount	%
RS Plan	\$ 8,660,187	\$ 8,085,295	\$ 574,892	7.1%
401(k) Plan	8,984,954	8,153,550	831,404	10.2%
Group Benefits Program	530,441	503,716	26,725	5.3%
<b>Total</b>	<b>\$ 18,175,582</b>	<b>\$ 16,742,561</b>	<b>\$ 1,433,021</b>	<b>8.6%</b>

### Net Assets Available for Benefits [in thousands]

			Variance	
	2016	2015	Amount	%
Retirement Security Plan	\$ 8,569,279	\$ 7,999,647	\$ 569,632	7.1%
401(k) Pension Plan	8,823,955	8,142,091	681,864	8.4%
Group Benefits Program	511,508	488,162	23,346	4.8%
<b>Total</b>	<b>\$ 17,904,742</b>	<b>\$ 16,629,900</b>	<b>\$ 1,274,842</b>	<b>7.7%</b>

### Total Contributions/Premiums [in thousands]

			Variance	
	2016	2015	Amount	%
Retirement Security Plan	\$ 903,107	\$ 870,603	\$ 32,504	3.7%
401(k) Pension Plan	650,935	664,381	(13,446)	-2.0%
Group Benefits Program	592,303	563,852	28,451	5.1%
<b>Total</b>	<b>\$ 2,146,345</b>	<b>\$ 2,098,836</b>	<b>\$ 47,509</b>	<b>2.3%</b>

### Benefits Paid [in thousands]

			Variance	
	2016	2015	Amount	%
Retirement Security Plan	\$ 1,028,945	\$ 1,154,053	\$ (125,108)	-10.8%
401(k) Pension Plan	498,780	527,731	(28,951)	-5.5%
Group Benefits Program	516,856	475,942	40,914	8.6%
<b>Total</b>	<b>\$ 2,044,581</b>	<b>\$ 2,157,726</b>	<b>\$ (113,145)</b>	<b>-5.2%</b>

### Administrative Expenses Paid by the Plans [in thousands]

			Variance	
	2016	2015	Amount	%
Retirement Security Plan	\$ 56,405	\$ 47,214	\$ 9,191	19.5%
401(k) Pension Plan	30,457	25,535	4,922	19.3%
Group Benefits Program	29,662	27,806	1,856	6.7%
<b>Total</b>	<b>\$ 116,524</b>	<b>\$ 100,555</b>	<b>\$ 15,969</b>	<b>15.9%</b>

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# Contact



[electric.coop](http://electric.coop)



4301 Wilson Blvd.  
Arlington, VA 22203



703.907.5500



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This document summarizes the consolidated financials and general activities of NRECA and its related companies. It is intended to be informational only. For ease of use, references to NRECA may include entities owned by or affiliated with NRECA; and references to NRECA programs, events, or activities may include NRECA-owned or affiliated entity programs, events or activities.