

Report from the Secretary-Treasurer



Tony Anderson
Secretary-Treasurer

It's my pleasure to provide a summary of NRECA'S 2020 financial results. The summary is presented in two sections. The first section describes the financial highlights of NRECA's general membership, fee-for-service and cost reimbursable programs. The second section reports the financial results of the pension and welfare programs administered by NRECA.

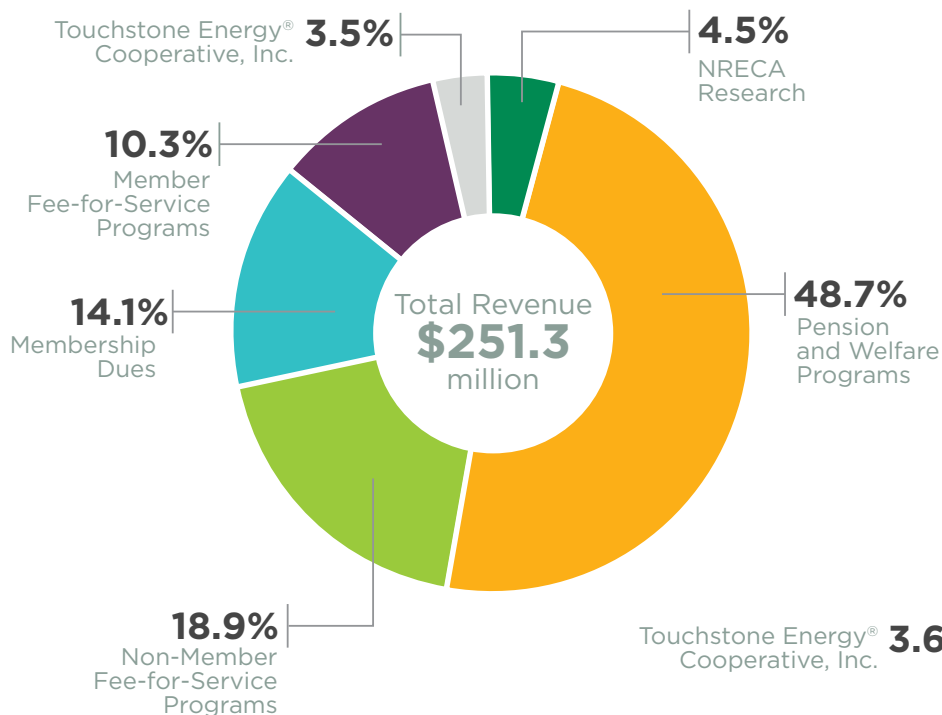
A handwritten signature in black ink that reads "Tony Anderson". The signature is written in a cursive, flowing style.

2020 Financial Highlights

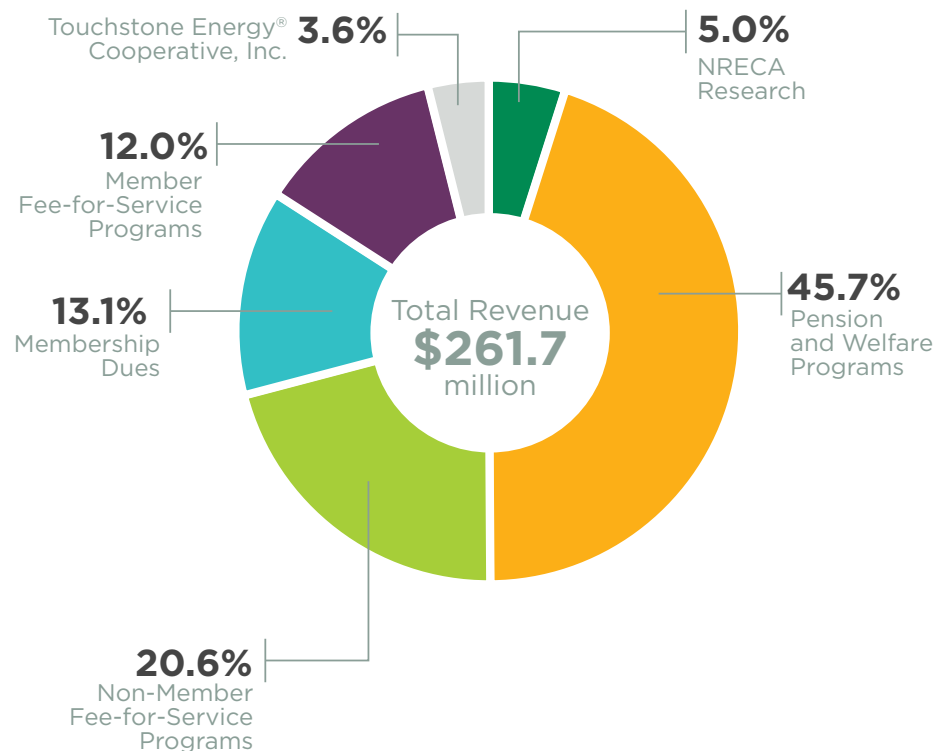
[the association]

SUMMARY OF OPERATIONS (REVENUE BY SOURCE)

NRECA ended 2020 with total revenue of \$251.3 million and total operating expenses of \$247.9 million before the Retirement Security (RS) Plan Voluntary Contribution Acceleration Program (VCAP) payment. After the VCAP payment, NRECA ended 2020 with a net margin of \$60,000.



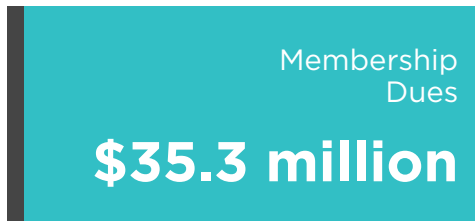
2019 Revenue



The 2020 financial information is preliminary and may change.

Revenue

General Membership Programs



Membership programs consist of government relations, communications, business and technology strategies and other programs. Dues and other income for the year of \$35.3 million partially funded the \$42.0 million cost of these programs. NRECA funded the remaining \$6.7 million from margins earned on fee-for-service programs.

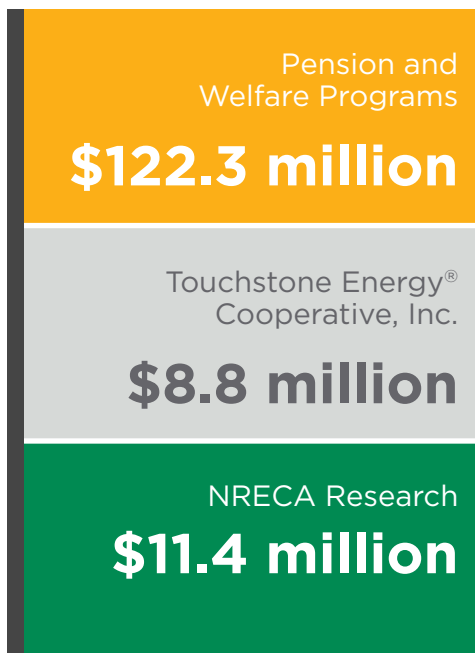
Fee-for-Service Programs



Revenue of \$25.9 million was generated from member fee-for-service programs, including annual and regional meetings, TechAdvantage®, training and conferences, consulting and *RE Magazine*. These programs ended the year with a net margin of \$1.8 million.

Revenue of \$47.6 million was generated from non-member fee-for-service programs, including the buildings owned by NRECA, fees for managing the Homestead Funds and NRECA International. These non-member programs ended the year with a net margin of \$8.3 million.

Cost Reimbursable Programs



NRECA is the plan sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis. Office space is provided at market rates.

NRECA provides administrative services to Touchstone Energy® Cooperative, Inc. on a cost reimbursable basis. Office space is provided at market rates.

NRECA Research conducts research to accelerate technological innovation, which is primarily funded by member research dues, federal contracts and cooperative agreements. Revenue is recognized to the extent program expenses are incurred.

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Consolidated Summary Balance Sheet [in thousands]

ASSETS	2020	2019
Cash & Cash Equivalents	\$ 45,600	\$ 23,742
Accounts Receivable, Net	33,670	32,424
Receivables - Due from the Plans	26,185	10,563
Investments	7,287	43,950
Other Assets	35,591	28,642
Property and Equipment, Net	96,141	86,799
TOTAL ASSETS	\$ 244,474	\$ 226,120

Liabilities & Members' Equity	2020	2019
Liabilities		
Accounts Payable & Accrued Expenses	\$ 32,138	\$ 23,392
Health Reimbursement Arrangement Payable	7,200	7,200
Deferred Revenue	88,665	79,139
Other Liabilities	14,876	13,730
Post-Retirement Benefit Obligations Other Than Pensions	9,748	10,951
Total Liabilities	152,627	134,412
Members' Equity		
General Fund	79,965	79,673
Net Assets of 501(c)(3) Affiliated Entities	4,340	4,572
Political Advocacy, Communications and Education Fund	7,542	7,463
Total Members' Equity	91,847	91,708
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 244,474	\$ 226,120

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Summary of Operations*

[in thousands]

	2020				2019
	GENERAL MEMBERSHIP	FEE-FOR-SERVICE	COST REIMBURSABLE	TOTAL	TOTAL
Revenue	\$ 35,311	\$ 73,555	\$ 142,481	\$ 251,347	\$ 261,777
Expense	42,009	63,421	136,857	242,287	252,917
Net Operating (Loss) Margin Before Board Authorized Payments	(6,698)	10,134	5,624	9,060	8,860
Less Board Authorized Payments:					
RS Plan VCAP Payment	2,906	470	5,624	9,000	8,359
Net (Loss) Margin (Change in Members' Equity)	\$ (9,604)	\$ 9,664	\$ -	\$ 60	\$ 501

*Excludes Political Advocacy, Communications and Education (PACE) Fund

Summary of Changes in Members' Equity

[in thousands]

Members' Equity	General Fund	Net Assets of 501(c)(3) Affiliated Entities	Subtotal	PACE Fund	Total
Beginning Balance, December 31, 2018	\$ 79,380	\$ 4,364	\$ 83,744	\$ 7,341	\$ 91,805
Net Margin (Loss)	293	208	501	122	623
Balance, December 31, 2019	79,673	4,572	84,245	7,463	91,708
Net Margin (Loss)	292	(232)	60	79	139
Ending Balance, December 31, 2020	\$ 79,965	\$ 4,340	\$ 84,305	\$ 7,542	\$ 91,847

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2020 Financial Highlights of the Pension and Welfare Programs

[NRECA multiple employer plans]

The pension and welfare programs administered by NRECA consist of the Retirement Security Plan (RS Plan), the 401(k) Pension Plan (401(k) Plan) and the Group Benefits Program (Group Program) (collectively, the Plans). During 2020, 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. Additionally, NRECA adopted a number of important relief measures to help our cooperative members and their employees navigate the challenges of the pandemic.

- **NRECA's retirement program**, composed of both the RS Plan and the 401(k) Plan, serves over 100,000 active and retired participants 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 choose to make an annual base contribution to an employee's account and/or match a percentage of the participant's own contributions.
- **The Group Program** provides benefits such as medical, pharmacy, 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 \$25.1 billion, which was \$2.6 billion, or 11.7%, higher than the previous year. The main driver of the increase in net assets was the \$2.7 billion net appreciation in the market value of plan assets. Offsetting the increase in net assets were benefit/claim payments, which exceeded contributions and premiums by \$184.9 million for the year.
- **Contributions and premiums** totaled \$2.5 billion, which was \$253.2 million, or 11.4%, higher than the previous year. The increase was primarily due to RS Plan and 401(k) Plan contributions increasing \$167.1 million and \$58.1 million, respectively, and Group Program premiums increasing \$28.0 million.
- **Benefits and claims** paid totaled \$2.7 billion, which was \$159.0 million, or 6.3%, higher than the previous year. This variance is primarily due to the increase of RS Plan benefits paid of \$134.3 million, 401(k) Plan benefits paid of \$28.8 million, and a reduction in benefits paid for the Group Program totaling \$4.1 million.
- **Administrative expenses** paid directly by the Plans totaled \$94.6 million, which was \$1.9 million, or 2.1%, higher than the previous year. Administrative expenses totaled \$25.3 million for the RS Plan, \$36.8 million for the 401(k) Plan, and \$32.5 million for the Group Program.

The 2020 financial information is preliminary and may change.

2020 Financial Highlights of the Pension and Welfare Programs

Total Assets [in thousands]

			Variance	
	2020	2019	Amount	%
Retirement Security Plan	\$ 11,000,485	\$ 9,936,201	\$ 1,064,284	10.7%
401(k) Pension Plan	13,562,393	12,059,368	1,503,025	12.5%
Group Benefits Program	742,010	644,299	97,711	15.2%
Total	\$ 25,304,888	\$ 22,639,868	\$ 2,665,020	11.8%

Net Assets Available for Benefits [in thousands]

			Variance	
	2020	2019	Amount	%
Retirement Security Plan	\$ 10,906,549	\$ 9,857,735	\$ 1,048,814	10.6%
401(k) Pension Plan	13,527,364	12,046,287	1,481,077	12.3%
Group Benefits Program	729,024	627,794	101,230	16.1%
Total	\$ 25,162,937	\$ 22,531,816	\$ 2,631,121	11.7%

Total Contributions/Premiums [in thousands]

			Variance	
	2020	2019	Amount	%
Retirement Security Plan	\$ 977,859	\$ 810,762	\$ 167,097	20.6%
401(k) Pension Plan	791,414	733,325	58,089	7.9%
Group Benefits Program	714,195	686,177	28,018	4.1%
Total	\$ 2,483,468	\$ 2,230,264	\$ 253,204	11.4%

Benefits/Claims Paid [in thousands]

			Variance	
	2020	2019	Amount	%
Retirement Security Plan	\$ 1,265,771	\$ 1,131,513	\$ 134,258	11.9%
401(k) Pension Plan	758,901	730,105	28,796	3.9%
Group Benefits Program	643,790	647,864	(4,074)	(0.6%)
Total	\$ 2,668,462	\$ 2,509,482	\$ 158,980	6.3%

Administrative Expenses Paid by the Plans [in thousands]

			Variance	
	2020	2019	Amount	%
Retirement Security Plan	\$ 25,255	\$ 26,659	\$ (1,404)	(5.3%)
401(k) Pension Plan	36,816	35,447	1,369	3.9%
Group Benefits Program	32,516	30,541	1,975	6.5%
Total	\$ 94,587	\$ 92,647	\$ 1,940	2.1%

The 2020 financial information is preliminary and may change.

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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.