

# Report from the Secretary-Treasurer



Joe Martin  
**Secretary-Treasurer**

It's my pleasure to provide a summary of NRECA'S 2021 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, reading "Joe Martin". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

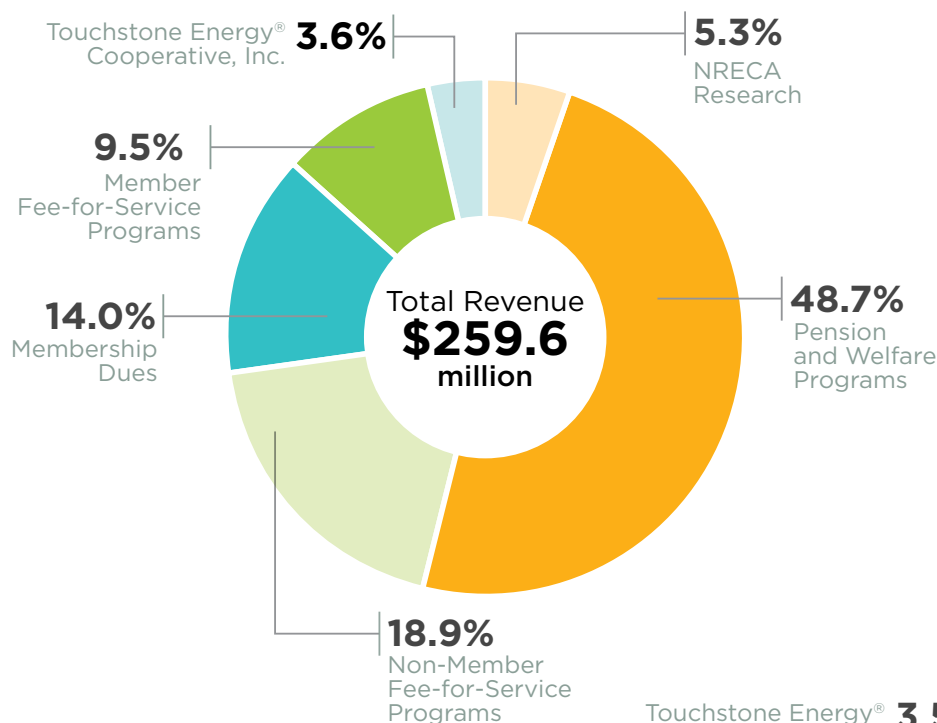
# 2021 Financial Highlights

[the association]

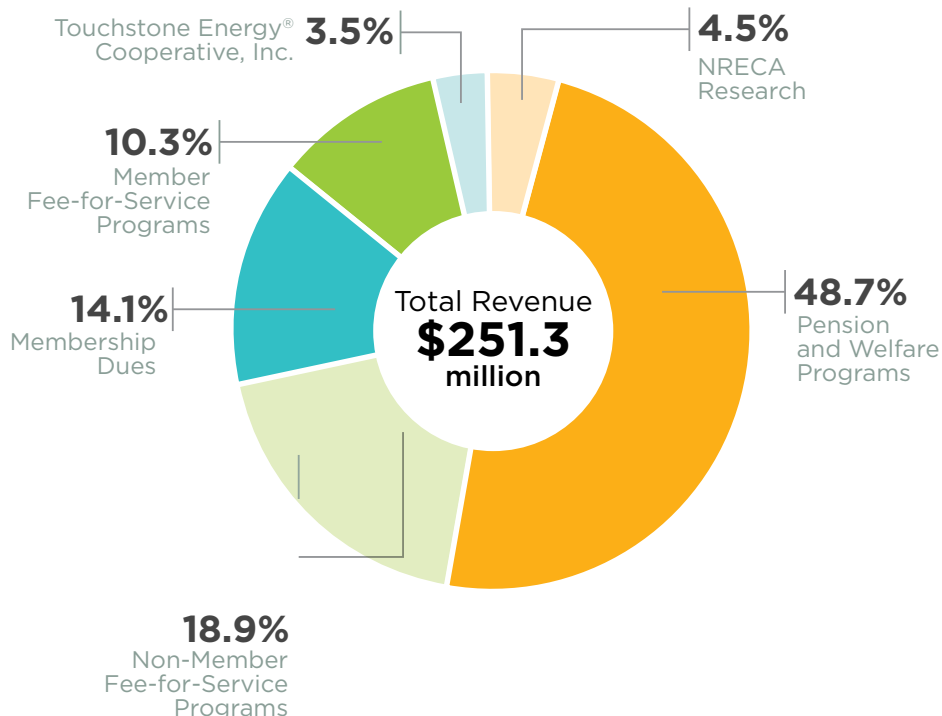
## SUMMARY OF OPERATIONS (REVENUE BY SOURCE)

NRECA's General Fund ended 2021 with total revenue of \$259.6 million and total operating expenses of \$254.8 million before the Retirement Security (RS) Plan Voluntary Contribution Acceleration Program (VCAP) payment. After the VCAP payment, NRECA ended 2021 with a net margin of \$96,000.

The Political Advocacy, Communications and Education (PACE) Fund ended the year with \$1,478,000 in expenses related to the buildout of the Grassroots Engagement initiative, interest income of \$13,000, and an ending account balance of \$6,077,000.



## 2020 Revenue



The 2021 financial information is preliminary and may change.

# Revenue

## General Membership Programs

Membership Dues

**\$36.3 million**

Membership programs consist of government relations, communications, business and technology strategies and other programs. Dues and other income for the year of \$36.3 million partially funded the \$40.3 million cost of these programs. NRECA funded the remaining \$4.0 million from margins earned on fee-for-service programs.

## Fee-for-Service Programs

Member Programs

**\$24.7 million**

Revenue of \$24.7 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 \$679,000.

Non-Member Programs

**\$49.0 million**

Revenue of \$49.0 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 \$9.5 million.

## Cost Reimbursable Programs

Pension and Welfare Programs

**\$126.4 million**

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.

Touchstone Energy® Cooperative, Inc.

**\$9.5 million**

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

NRECA Research

**\$13.7 million**

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.

# Consolidated Summary Balance Sheet [in thousands]

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash & Cash Equivalents	\$ 30,146	\$ 45,600
Accounts Receivable, Net	32,705	33,670
Receivables - Due from the Plans	15,074	26,185
Investments	41,460	7,287
Other Assets	39,062	42,726
Property and Equipment, Net	97,028	89,006
<b>TOTAL ASSETS</b>	<b>\$ 255,475</b>	<b>\$ 244,474</b>

<b>Liabilities &amp; Members' Equity</b>	<b>2021</b>	<b>2020</b>
<b>Liabilities</b>		
Accounts Payable & Accrued Expenses	\$ 31,853	\$ 32,138
Health Reimbursement Arrangement Payable	7,200	7,200
Deferred Revenue	98,994	88,665
Other Liabilities	16,812	14,876
Post-Retirement Benefit Obligations Other Than Pensions	10,138	9,748
<b>Total Liabilities</b>	<b>164,997</b>	<b>152,627</b>
<b>Members' Equity</b>		
<b>General Fund</b>		
Net Assets of 501(c)(6) and For-Profit Entities	80,494	79,965
Net Assets of 501(c)(3) Affiliated Entities	3,907	4,340
<b>General Fund Subtotal</b>	<b>84,401</b>	<b>84,305</b>
Political Advocacy, Communications and Education Fund	6,077	7,542
<b>Total Members' Equity</b>	<b>90,478</b>	<b>91,847</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 255,475</b>	<b>\$ 244,474</b>

# Summary of Operations\*

[in thousands]

	2021				2020
	GENERAL MEMBERSHIP	FEE-FOR-SERVICE	COST REIMBURSABLE	GENERAL FUND TOTAL	GENERAL FUND TOTAL
Revenue	\$ 36,262	\$ 73,749	\$ 149,602	\$ 259,613	\$ 251,347
Expense	40,311	64,861	142,085	247,257	242,287
<b>Net Operating (Loss) Margin Before Board Authorized Payments</b>	(4,049)	8,888	7,517	12,356	9,060
<b>Less Board Authorized Payments:</b>					
RS Plan VCAP Payment	3,696	1,047	7,517	12,260	9,000
<b>Net (Loss) Margin (Change in Members' Equity)</b>	<b>\$ (7,745)</b>	<b>\$ 7,841</b>	<b>\$ -</b>	<b>\$ 96</b>	<b>\$ 60</b>

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

# Summary of Changes in Members' Equity

[in thousands]

Members' Equity	Net Assets of 501(c)(6) and For-Profit Entities	Net Assets of 501(c)(3) Affiliated Entities	General Fund Subtotal	PACE Fund	Total
<b>Beginning Balance, December 31, 2019</b>	\$ 79,673	\$ 4,572	\$ 84,245	\$ 7,463	\$ 91,708
Net Margin (Loss)	292	(232)	60	79	139
<b>Balance, December 31, 2020</b>	79,965	4,340	84,305	7,542	91,847
Net Margin (Loss)	529	(433)	96	(1,465)	(1,369)
<b>Ending Balance, December 31, 2021</b>	<b>\$ 80,494</b>	<b>\$ 3,907</b>	<b>\$ 84,401</b>	<b>\$ 6,077</b>	<b>\$ 90,478</b>

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# 2021 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 2021, 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 \$27.6 billion, which was \$2.5 billion, or 9.9%, higher than the previous year. The main driver of the increase in net assets was the \$3.5 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 \$1.2 billion for the year.
- **Contributions and premiums** totaled \$2.6 billion, which was \$148.9 million, or 6.0%, higher than the previous year. The increase was due to RS Plan and 401(k) Plan contributions increasing \$34.0 million and \$121.7 million, respectively. The Group Benefits Program premiums decreased by \$6.8 million compared to prior year.
- **Benefits and claims** paid totaled \$3.8 billion, which was \$1.1 billion, or 42.3%, higher than the previous year. This variance is due to the increase of RS Plan benefits paid of \$803.6 million, 401(k) Plan benefits paid of \$296.0 million, and claims paid by the Group Benefits Program of \$29.7 million.
- **Administrative expenses** paid directly by the Plans totaled \$105.5 million, which was \$9.8 million, or 10.2% higher than the previous year. The increase in administrative expenses is directly related to the overall increase in assets under management. Administrative expenses totaled \$30.7 million for the RS Plan, \$40.5 million for the 401(k) Plan, and \$34.3 million for the Group Benefits Program.

# 2021 Financial Highlights of the Pension and Welfare Programs

## Total Assets [in thousands]

			Variance	
	2021	2020	Amount	%
Retirement Security Plan	\$ 11,665,144	\$ 10,989,197	\$ 675,947	6.2%
401(k) Pension Plan	15,331,125	13,567,872	1,763,253	13.0%
Group Benefits Program	760,101	742,012	18,089	2.4%
<b>Total</b>	<b>\$ 27,756,370</b>	<b>\$ 25,299,081</b>	<b>\$ 2,457,289</b>	<b>9.7%</b>

## Net Assets Available for Benefits [in thousands]

			Variance	
	2021	2020	Amount	%
Retirement Security Plan	\$ 11,569,657	\$ 10,895,208	\$ 674,449	6.2%
401(k) Pension Plan	15,315,188	13,531,910	1,783,278	13.2%
Group Benefits Program	748,890	728,828	20,062	2.8%
<b>Total</b>	<b>\$ 27,633,735</b>	<b>\$ 25,155,946</b>	<b>\$ 2,477,789</b>	<b>9.9%</b>

## Total Contributions/Premiums [in thousands]

			Variance	
	2021	2020	Amount	%
Retirement Security Plan	\$ 1,000,516	\$ 966,527	\$ 33,989	3.5%
401(k) Pension Plan	913,077	791,414	121,663	15.4%
Group Benefits Program	707,422	714,195	(6,773)	(1.0)%
<b>Total</b>	<b>\$ 2,621,015</b>	<b>\$ 2,472,136</b>	<b>\$ 148,879</b>	<b>6.0%</b>

## Benefits/Claims Paid [in thousands]

			Variance	
	2021	2020	Amount	%
Retirement Security Plan	\$ 2,069,323	\$ 1,265,727	\$ 803,596	63.5%
401(k) Pension Plan	1,054,938	758,901	296,037	39.0%
Group Benefits Program	673,502	643,790	29,712	4.6%
<b>Total</b>	<b>\$ 3,797,763</b>	<b>\$ 2,668,418</b>	<b>\$ 1,129,345</b>	<b>42.3%</b>

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

			Variance	
	2021	2020	Amount	%
Retirement Security Plan	\$ 30,678	\$ 25,308	\$ 5,370	21.2%
401(k) Pension Plan	40,561	37,749	2,812	7.4%
Group Benefits Program	34,310	32,713	1,597	4.9%
<b>Total</b>	<b>\$ 105,549</b>	<b>\$ 95,770</b>	<b>\$ 9,779</b>	<b>10.2%</b>

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# Contact



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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.