

Report from the Secretary Treasurer



Curtis Wynn
Secretary-Treasurer

It's my pleasure to provide a summary of NRECA'S 2015 financial results. The summary is presented in two sections. The first describes the financial highlights of the Association's general membership, fee-for-service and cost reimbursable programs. The second reports the financial results of the Pension & Welfare Programs administered by NRECA.

A handwritten signature in black ink, appearing to read "Curtis".

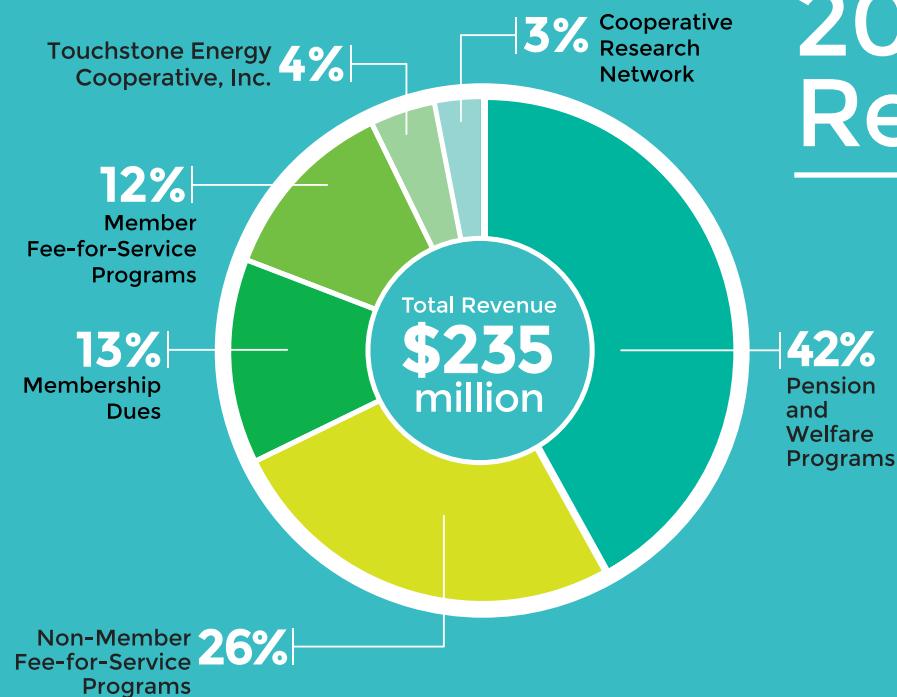
2015 Financial Highlights

[the association]

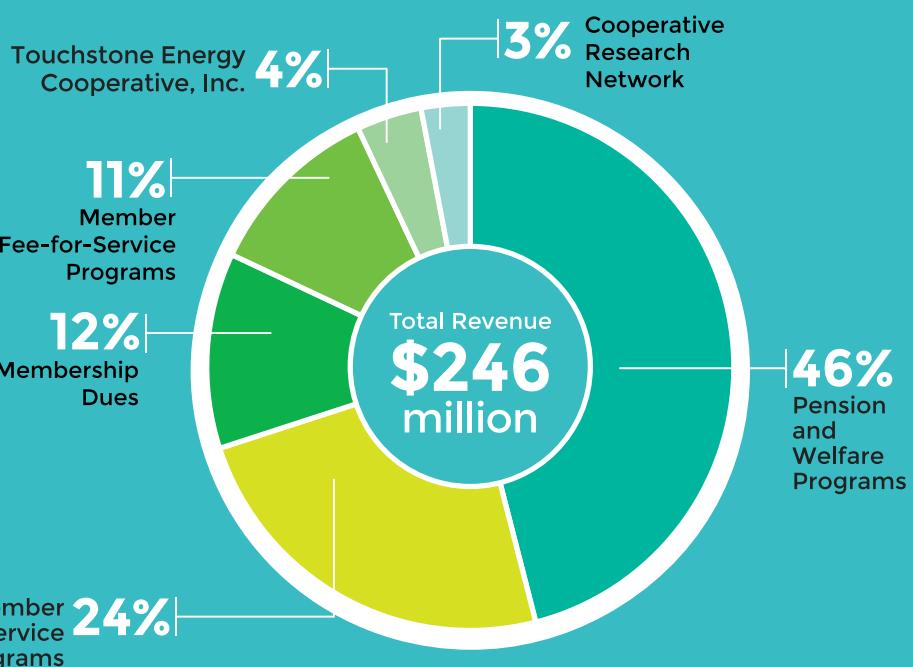
Summary of Operations

The Association's operations include general membership, fee-for-service and cost reimbursable programs. NRECA ended the year with total revenue of \$235 million and a net operating margin of \$2.6 million in the general fund. The NRECA Political, Advocacy, Communications and Education (PACE) fund ended the year with \$732,000 in expense. After the NRECA Board-approved transfer of \$2.3 million, the PACE fund balance increased to \$6.3 million as of December 31, 2015.

2015 Revenue



2014 Revenue



Summary of Operations by Revenue Source

GENERAL MEMBERSHIP PROGRAMS

Membership Dues

\$29.6 million

Membership programs consist of government relations, business & technology strategies, communications and other programs. Dues of \$29.6 million partially funded the \$44.4 million cost of these programs. NRECA funded the deficit of \$14.9 million from margins earned on fee-for-service programs.

FEE-FOR-SERVICE PROGRAMS

Member Programs

\$28.5 million

\$28.5 million in revenue was generated from member fee-for-service programs, including training and conferences, consulting, *RE Magazine*, the annual and regional meetings and other programs, for which the members that use them pay a fee.

Non-Member Programs

\$61.1 million

\$61.1 million in revenue was generated from non-member fee-for-service programs, including international programs, the buildings owned by NRECA and fees for managing the Homestead Funds. The fee-for-service programs ended the year with a net margin of \$17.5 million.

COST REIMBURSABLE PROGRAMS

Pension and Welfare Programs

\$98.4 million

NRECA is the plan sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis and received \$98.4 million in reimbursements in 2015.

Touchstone Energy Cooperative, Inc.

\$10 million

NRECA provides administrative services to Touchstone Energy Cooperative, Inc. on a cost reimbursable basis and received \$10 million in reimbursements in 2015.

Cooperative Research Network

\$7.4 million

CRN conducts research to accelerate technological innovation, which is primarily funded by member research dues and government grants. CRN revenue is recognized to the extent program expenses are incurred and totaled \$7.4 million in 2015.

Consolidated Summary Balance Sheet [in thousands]

ASSETS	2015	2014
Cash & Cash Equivalents	\$ 49,121	\$ 41,101
Accounts Receivable, Net	20,746	21,827
Receivables - Due from the Plans	15,610	25,255
Investments	2,533	2,251
Other Assets	21,532	25,156
Property and Equipment, Net	88,306	90,062
TOTAL ASSETS	\$ 197,848	\$ 205,652

Liabilities & Members' Equity	2015	2014
Liabilities		
Accounts Payable & Accrued Expenses	\$ 24,394	\$ 21,066
Health Reimbursement Arrangement Plan Payable	7,200	7,200
Deferred Revenue	44,200	37,972
Other Liabilities	19,654	38,066
Post-Retirement Benefit Obligations Other Than Pensions	15,308	16,121
Total Liabilities	\$ 110,756	\$ 120,425
Members' Equity		
General Fund	\$ 80,818	\$ 80,547
Political, Advocacy, Communications and Education Fund	6,274	4,680
Total Members' Equity	\$ 87,092	\$ 85,227
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 197,848	\$ 205,652

General Fund Summary of Operations

[in thousands]

	2015					2014
	GENERAL MEMBERSHIP	FEE-FOR- SERVICE	COST REIMBURSABLE	TOTAL	TOTAL	
Revenue	\$ 29,584	\$ 89,613	\$ 115,741	\$ 4,938	\$ 245,189	
Expense	43,992	72,108	115,741	231,841	240,746	
Net Operating (Loss) Margin Before Board Authorized Payments	(14,408)	17,505	-	3,097	4,443	
Board Authorized Payments: CRN Contribution	500	-	-	500	1,000	
Total Board Authorized Payments	500	-	-	500	1,000	
Net Operating (Loss) Margin	\$ (14,908)	\$ 17,505	\$ -	\$ 2,597	\$ 3,443	

Summary of Changes in Members' Equity

[in thousands]

Members' Equity	General Fund	PACE Fund*	Total
Beginning Balance, December 31, 2014	\$ 80,547	\$ 4,680	\$ 85,227
Net Operating Margin (Loss)	2,597	(732)	1,865
Transfer to Board-Designated Fund	(2,326)	2,326	-
Ending Balance, December 31, 2015	\$ 80,818	\$ 6,274	\$ 87,092

* Political, Advocacy, Communications and Education Fund

The 2015 financial information is preliminary and may change

2015 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 2015, NRECA continued its commitment to control overall costs in the Plans and deliver high quality services to participants, as well as improve product design and service delivery to better meet the needs of its members and their employees. In addition, NRECA continued its focus on key initiatives aimed at maintaining high quality participant services and market competitiveness, such as the RS Platform replacement, National Network Strategy and NRECA Employee Benefits website redesign projects.

- **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 \$16.6 billion, which was \$425.3 million, or 2.5%, less than the prior year. The main drivers of the overall consolidated decrease in net assets was primarily due to a \$484.5 million decrease in the market value of plan assets and a shortfall of contributions to benefits paid and administrative expenses of \$220.5 million. The decrease in net assets was offset by an increase of \$271.4 million in dividends and interest income. Additionally, net transfers into the RS and 401(k) plans totaled \$4.2 million and \$4.1 million, respectively.
- **Contributions and premiums** totaled \$2.1 billion, which was \$61.8 million, or 3.1%, more than the prior year. The increase was primarily due to an estimated increase of \$28.4 million in RS Plan contributions and an additional \$52.4 million in 401(k) Plan contributions over the prior year. Slightly offsetting the increase in contributions, the Group Program's premiums decreased \$19.1 million compared to the prior year due to retiree participants moving to the exchange.
- **Benefits and claims paid** totaled \$2.2 billion, which was \$167.1 million, or 7.1%, lower than the prior year. This decrease in benefits and claims paid was primarily due to the normalizing of benefits paid and related market interest rates. In addition, the Group Program continued to realize savings generated from the National Network Strategy initiative.
- **Administrative expenses** paid by the Plans totaled \$100.2 million, which was \$15.6 million, or 18.5%, more than the prior year. The increase is primarily due to a \$23.3 million increase in RS Plan administrative expenses, mainly related to increases in Pension Benefit Guaranty Corporation (PBGC) premiums, and an increase in the 401(k) Plan's administrative expenses of approximately \$0.8 million, primarily due to an increase in plan administration costs. These increases are offset by a decrease in the Group Program's administrative expenses of \$8.5 million, primarily due to an exemption received from the Affordable Care Act's transitional reinsurance fee, which totaled \$5.5 million in 2014.

2015 Financial Highlights of the Pension & Welfare Programs

Total Assets [in thousands]

	2015	2014	Amount	Variance
				%
RS Plan	\$ 8,059,279	\$ 8,557,371	\$ (498,092)	-5.82%
401(k) Plan	8,153,550	8,107,559	45,991	0.57%
Group Benefits Program	503,716	481,432	22,284	4.63%
Total	\$ 16,716,545	\$ 17,146,362	\$ (429,817)	-2.51%

Net Assets Available for Benefits [in thousands]

	2015	2014	Amount	Variance
				%
Retirement Security Plan	\$ 7,973,631	\$ 8,480,276	\$ (506,645)	-5.97%
401(k) Pension Plan	8,142,492	8,091,121	51,371	0.63%
Group Benefits Program	488,162	458,218	29,944	6.53%
Total	\$ 16,604,285	\$ 17,029,615	\$ (425,330)	-2.50%

Total Contributions/Premiums [in thousands]

	2015	2014	Amount	Variance
				%
Retirement Security Plan	\$ 844,587	\$ 816,167	\$ 28,420	3.48%
401(k) Pension Plan	664,381	611,987	52,394	8.56%
Group Benefits Program	563,852	582,904	(19,052)	-3.27%
Total	\$ 2,072,820	\$ 2,011,058	\$ 61,762	3.07%

Benefits Paid [in thousands]

	2015	2014	Amount	Variance
				%
Retirement Security Plan	\$ 1,154,053	\$ 1,248,629	\$ (94,576)	-7.57%
401(k) Pension Plan	527,731	586,760	(59,029)	-10.06%
Group Benefits Program	511,381	524,898	(13,517)	-2.58%
Total	\$ 2,193,165	\$ 2,360,287	\$ (167,122)	-7.08%

Administrative Expenses Paid By the Plans [in thousands]

	2015	2014	Amount	Variance
				%
Retirement Security Plan	\$ 47,214	\$ 23,883	\$ 23,331	97.69%
401(k) Pension Plan	25,134	24,369	765	3.14%
Group Benefits Program	27,806	36,270	(8,464)	-23.34%
Total	\$ 100,154	\$ 84,522	\$ 15,632	18.49%

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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.