

DEFINED BENEFIT PLAN FUNDING POLICY
PEDERNALES ELECTRIC COOPERATIVE, INC.
Board of Directors
Policy #####

1. Purpose:

To establish the manner and objectives for which the assets of the Pedernales Electric Cooperative Inc. Employees Defined Benefit Retirement Plan ("the Plan") shall be managed.

2. Scope:

This Policy applies to the funds allocated to the Pedernales Electric Cooperative Inc. Employees Defined Benefit Retirement Plan ("the Plan").

3. Definitions:

4. Policy Statement and Implementation:

- a) The Plan's Adjusted Funding Target Attainment Percentage (AFTAP), as required by the Pension Protection Act of 2006 ("PPA"), for any given plan year will be maintained at a level sufficient to avoid most or all "funding based" restrictions on benefit accruals or payouts per IRC Section 436. Therefore the Plan's AFTAP shall be maintained at a minimum of 80%.
- b) Contributions will be made timely and in amounts adequate to meet the minimum funding standards for single-employer defined benefit pension plans per IRC 430 and guidance issued thereunder.
- c) Contributions will generally be made to meet the minimum funding standards that would apply under item (b) above if MAP-21 funding relief was ignored. However, in order to reduce fluctuations in the annual contributions from year to year, The Plan Administration Committee may recommend the contribution amount under this item (c) be adjusted for the purpose of avoiding a significant increase or decrease in the annual contribution for a given year compared to the contribution amounts for other years.
- d) Plan assets should be invested such that negative investment returns will minimally impact assets available to fund accrued benefit liabilities.
- e) Plan assets should be invested with the long-term horizon in mind, though the Board may elect to modify aspects of the Plan and the corresponding time horizon at its discretion.

- f) Plan assets should be invested so as to maintain sufficient liquidity to provide, at a minimum, \$400,000 - \$500,000 per month, over a minimum 12 to 24 month period, to support additional benefit payments and other plan expenses.

5. Procedure Responsibilities

This Funding Policy is effective immediately upon adoption by the Board of Directors and shall continue in effect until such time as it may be revised in writing by the Board. Upon its adoption, this Funding Policy shall be delivered to the Plan Administration Committee which shall be guided by it in the development and execution of an Investment Policy for the Plan.

6. Enforcement

The Plan Administration Committee in conjunction with the CFO and Finance and HR departments shall enforce this Policy.

7. Superseding Effect

This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

8. References and Related Documents:

Policy Title:	Defined Benefit Plan Funding Policy
Policy Number:	
Review Frequency:	Biennially
Last Reviewed:	June 18, 2016
Date Adopted:	April 19, 2010
Effective Date:	
Amendment Dates:	June 16, 2014, June 18, 2016
Approver:	Board of Directors
Applies to:	
Administrator:	Finance
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.