

New Hampshire Electric Cooperative, Inc.

Minutes of the Meeting of the Funds Management Committee Meeting

Teams Meeting

02.06.2026 at 10:00 a.m.

Committee Members Present: Peter Laufenberg (Chair), Bill Darcy

Committee Members Excused: Pat Barbour

Other Board Members Present: Robert MacLeod, Harry Viens

NHEC Employees Present: Michael Jennings, Kristen Taylor, Christine Parent (Recording), Maria Stella

Others Present: Terry McMichael (McNair, McLemore, Middlebrooks & Co.)

Meeting Called to Order

Chair Laufenberg called the meeting to order at 10:00 a.m.

Agenda Review and Approval of Minutes

Mr. Darcy noted the plan is to have a report to the Board for the March meeting. Mr. Darcy sent a draft of the retiree benefit plan, and that will be included in the package. Mr. Jennings will upload the plan to OnBoard upon review.

Upon motion from Chair Laufenberg, seconded by Mr. Darcy, it was

VOTED: That the Committee approve the 01.16.2026 Funds Management Committee Meeting Minutes.

Vote was unanimous.

Discuss recommendation of Homestead as new custodian and allocation of funds

Chair Laufenberg asked for the Committee's thoughts on Homestead as the new custodian.

Mr. Darcy stated that he has a couple of concerns. First, none of the other major investment firms have any custodial fees. Second, expenses on their funds are higher than the comparison group, and their actual performance is worse than the actual indexes for which they're supposed to follow. He noted he has not looked at Fidelity, Schwab and Vanguard, but they are notorious for having low expense ratios, and the range of options for Homestead is far less than options available through the three major investment companies.

Chair Laufenberg replied there is no marketing built in fee. Homestead earns its revenue through fund expense ratios rather than advisor, load, or marketing fees, and even with those expenses included, the total cost is still lower than what was previously paid with the former custodian.

Mr. Darcy stated he is not comparing Homestead with our former firm, but with competitive firms, and he has no strong preference either way, but we need to be aware that their expense ratios are higher than their competition.

Chair Laufenberg stated that because Homestead's fees are built into the expense ratio, those costs reduce the fund's reported performance, unlike advisor fees which aren't reflected in performance reports. The way they charge fees is different, so it's not an apples-to-apples comparison.

Mr. Darcy stated that Chair Laufenberg is the professional in this matter and he will defer to what Chair Laufenberg recommends.

Chair Laufenberg asked the Committee if they would like to investigate other investment houses, including local banks.

Mr. Jennings stated Homestead can be trusted to have our best interest in mind long-term based on their affiliation with NRECA, and the net expense ratios are favorable. He is not opposed to going forward with Homestead.

Chair Laufenberg stated he is in favor of moving forward with Homestead. He agreed with Mr. Darcy that their fund menu is rather limited, but they are trying to keep it simple, and we can fit their options within the investment policy.

Upon motion from Mr. Darcy, seconded by Laufenberg, it was

VOTED: That the Committee will transfer funds to Homestead.

Vote was unanimous.

Chair Laufenberg stated he was under the impression the allocation of funds was going to be a 50/50 split.

Mr. Darcy stated that since both funds serve as reserve funds and neither has a clear advantage, and given the long-standing "pay as you go" practice for employee benefits, an even split between the two makes the most sense for the record.

Upon motion from Mr. Darcy, seconded by Chair Laufenberg, it was

VOTED: That the Committee will split retiree benefits and storm reserve funds equally.

Vote was unanimous.

Review draft Investment Policy

Chair Laufenberg reviewed the Investment Policy changes as follows:

- Change everything over from the name of the trust to the Funds Management Committee
- Appendix A – Change tolerances for the investment mix
- Change how often the investment mix is reviewed from twice a year to once a year in July

Mr. Jennings added we made minor convenience changes such as not requiring everything to be done via physical mail.

Mr. Darcy recommended the following additional changes:

- Control of assets – add “or the Funds Management Committee”
- Investment Mix – “review annually or more frequently as deemed prudent”
- Performance benchmark – change to “report annually to Funds Management Committee”
- Appendix A – change to “Funds Management Committee” from NHEC and update date to March after Board approves policy
- Mr. Darcy will send another draft with changes.

Chair Laufenberg asked if any other committee is authorized to make a decision without the full Board approving it.

Mr. Darcy responded the analog is to the trust agreement that this supplants, and the trustees did have authority to make changes. The decisions whether to withdraw or not to withdraw from the fund were never at the Board level. The purpose of this committee is to make those financial decisions and give the Board guidelines, the investment policy, and reporting to them.

Ms. Taylor added they had previously discussed reporting on performance whenever the Committee meets and annually reviewing the investment policy or the investment mix unless there was an event that would trigger it. She agreed Mr. Darcy’s language is reasonable.

Chair Laufenberg asked if the group of trustees was a separate entity from the Board of Directors. Mr. Darcy confirmed. Chair Laufenberg added the Funds Management Committee is a sub-committee of the full board and he wrote everything in the policy draft as NHEC because the full Board gives the Committee the power. He does not want to set a precedent that subcommittees can make decision outside of the main Board.

Mr. Darcy replied that precedent has been changed. The Board policy established gives the Committee as delegated to that Committee that authority and no other Committee as delegated similar authority, so that can be controlled by the policies established by the committees.

Mr. MacLeod referenced in the last sentence of Appendix B “Board” needs to be changed to Funds Management Committee be consistent with other changes.

Discuss auditor recommendation regarding adding or removing funds from the storm expense fund depending on budget margins

Ms. Taylor thanked Mr. McMichael for joining the meeting. She stated at the last meeting there was discussion on whether it was possible or not in the event of having higher than budgeted margins, if we could allocate those dollars to the storm reserve fund, and referenced Mr. McMichael’s email included in OnBoard.

Mr. McMichael stated that there are two components to the storm fund. One is the cash or reserve component, and if that should be restricted for financial reporting purposes. The second is taking potential margins and deferring them to a future period, which would be considered a regulatory liability at that point, so it would fall under accounting standard ASC 980. It can be done but would require Board action. There are other tax considerations as well. Should those funds be credited to the member in the year that they paid them, they would be a component of the allocation in the year that they were recovered or taken in. So, they would be allocated in that year and then the year that they were used, they would need to be accounted for in that assignment of capital credits.

Mr. Darcy confirmed we can do it, but we would need to add new notes to the financial statement that explain what we did and what its accounting consequences are.

Mr. McMichael confirmed that Mr. Darcy is correct and added it's not an unusual thing, but it would fall under a specific accounting pronouncement.

Chair Laufenberg asked if we need guidelines on how and when we want to use these funds, or if we leave it wide open and have the discussion when necessary.

Ms. Taylor stated we need to have a justification for regulatory liability through the Board action. It would be a proposed vote with the justification of the purpose of that action. Ms. Taylor asked Mr. McMichael if we would have to tie future collections through the rate structure, so we would be recovering that through future rates if we deferred that revenue for the storm fund.

Mr. McMichael replied it would ultimately be a component of the rate structure, but you wouldn't have a line item built into the rate structure. The plan would essentially say that these funds have been deferred to be used at some point in which there is a major storm event and they would then be recognized in that year to offset that unusual or unbudgeted major storm restoration event.

Mr. Darcy stated we are going to establish criteria for the withdrawal from the funds and that it is going to be approved by the Board.

Chair Laufenberg stated this should be created by the March Board meeting as well.

Ms. Taylor asked Mr. McMichael to go over the capital credit impact if we reduced our margin by deferring or moving the funds to a storm reserve and asked if we would still be allocating on the margin before we moved the funds. It is offset in the year where we recognize the funds.

Mr. McMichael confirmed that Ms. Taylor's statement was correct. The intent of that is less financial reporting and more tax compliance related that the member has paid the dollars receives the credit in the form of a capital credit.

Mr. Jennings asked if this requires Board action and confirmed that it doesn't have to be in the form of a full Board resolution and that the subcommittee would be authorized to take that action as long as that is how it is stated in the policy.

Mr. McMichael confirmed that is correct.

Mr. Darcy reiterated the importance of having all of the criteria clearly outlined for the Board.

Chair Laufenberg agreed that the criteria for when to use funds needs to be established. At the next meeting the Committee will approve documents to send to the Board, and the Committee should meet again in early March before the March Board meeting.

Mr. Darcy stated the plan document that he shared this morning was also shared with Mr. Fahey. He added the storm fund criteria is related to anticipated margin.

Mr. Jennings stated it is only eligible for withdrawal if there is a negative margin for the year, and this would be a massive event type of year where we would want a fund like this to fall back on.

Mr. Darcy stated he wouldn't be opposed to an interfund transfer between these two reserve funds.

Mr. McMichael stated it would have to be accounted for, but there is not a lot of restriction on this. If it is recognized in the margin that is when it becomes an accounting event. There is no obligation to fund the storm reserve or the benefit plan.

Chair Laufenberg stated we would pay as we go unless we have a negative margin. There should be one line that says the Committee can move assets between the different funds. We are choosing to put them in two separate accounts, and that is what the Board wants to see.

Mr. Darcy stated he believes we should maintain distinct funds, even though there is interoperability between the funds.

Ms. Taylor asked where the criteria and guidelines for the storm reserve fund and the post-retirement benefit reserve funds will live and if we are now going to draft a guideline document or a sub policy.

Mr. Darcy replied that there will be a policy document for the Committee and it can apply to both funds. There may be differences between the two in terms of withdrawals and transfers, but it should be a separate document.

Mr. Jennings stated it would be similar to an endowment policy.

Action Items:

- Mr. Jennings will upload the draft retiree benefit plan to OnBoard upon review.
- Ms. Taylor will contact Homestead to move forward with the new accounts.
- Mr. Darcy will send the Investment Policy redraft with changes.
- Mr. Jennings will draft the new policy for the storm fund reserve and post-retirement benefit reserve.

Adjournment

Upon motion by Mr. Darcy, seconded by Chair Laufenberg, the meeting was adjourned at 10:42 a.m.

Next Meeting

March 5, 2026 at 9:30 a.m.