

PENNICHUCK CORPORATION

COMPENSATION AND BENEFITS COMMITTEE
MINUTES OF NOVEMBER 18, 2019 MEETING

A meeting of the Compensation and Benefits Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Monday, November 18, 2019, at 4:30 p.m., at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

Written materials relating to items listed in the Agenda were provided to the Committee members for their review prior to the meeting.

The following persons were in attendance for all or a portion of the meeting:

Committee Members:	Stephen D. Genest, Chairman David P. Bernier, telephonically C. George Bower Elizabeth A. Dunn Thomas J. Leonard John D. McGrath
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Donald L. Ware, Chief Operating Officer Mary V. DeRoche, HR Director Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer Sarah Rossetti, HR Generalist
Summit Financial Corp.:	Douglas Johnson, Vice President David Mulkern, Senior Account Manager Jason Denton, Senior Consulting Actuary

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

There being no comments on the draft minutes of the November 4, 2019 Committee meeting, on motion duly made by E. Dunn and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the minutes of the November 4, 2019 meeting of the Compensation and Benefits Committee are hereby approved.

Summit Financial Corporation - Pension Plan and 401(k) Plan Investments Review

The representatives from Summit Financial presented a review of the Company's pension plan and 401(k) plan investments. A copy of Summit's presentation was provided to the Committee members in the written materials.

Mr. Johnson reviewed the investment criteria Summit uses to gauge fund performance. He said that investments must receive a passing mark in at least 60% of the criteria or will be placed on the "watch list."

Pension Plan Investments

Mr. Johnson provided the Committee with an update on the performance of the pension plan assets. At September 30, 2019, the pension plan had approximately \$19.9 million in assets invested.

Mr. Johnson reviewed the fund Monitoring Report and indicated that 3 funds are currently on the watch list: Loomis Sayles Strategic Income, Templeton Global Bond, and Invesco Small Cap Value. He reported that the Invesco Small Cap Value fund has been on the watch list for 6 consecutive quarters and that Summit is recommending that the Invesco fund be replaced with the Wells Fargo Special Small Cap Value A fund. Mr. Johnson also reported that the MassMutual Select Fundamental Value I fund has been on the watch list for over 7 consecutive quarters and has failed Summit's monitoring process. He indicated that Summit is recommending that the fund be replaced with the Vanguard Equity-Income Adm fund.

S. Genest said that the Company's Investment Committee for the Pension Plan should meet to review these funds in more detail and make a decision on whether to replace these funds as recommended by Summit.

Mr. Denton conducted a slide presentation focused on the actuarial assumptions and projected funding obligations for the pension plan. He reviewed the Company's contribution schedule and PBGC premium rates which increase each year with inflation.

A discussion ensued relative to interest rates, which continue to trend down, and the impact they have on future Company contributions to the plan. Committee Members questioned whether the Company should continue to offer a pension plan to employees in light of the Company's cash flow issues, or rather offer an enhanced 401(k) plan.

J. Denton indicated that the Company looked at long-term options for the pension plan a number of years back but decided against any changes to the plan. The legal requirements for a frozen plan would vary little from those that applied prior to freezing the plan. The Company would still be required to make minimum annual contributions to the plan and pay PBGC premiums. Also, depending on the type of plan chosen, freezing the plan could be detrimental to employees in certain age groups, and could cause a divided workforce where employees have differing levels of benefits. Union negotiations would also be required.

L. Goodhue stated that switching to an LDI investment strategy would help with the Company's cash flow issues, but "gold certificates" held by former employees or their spouses are prohibiting the Company from doing so. Mr. Denton indicated that the 13 gold certificates guarantee the payment of retirement benefits by MassMutual and are paid out of the plan's General Investment Account. He said that the Company has two alternatives in dealing with the gold certificates: (1) carve them out of the General Investment Fund and bond the portfolio to cover payments, or (2) sever ties with the 13 individuals and sell to MassMutual who would take on the assets and continue payments. S. Genest said that the goal is to try and minimize increases in Company contributions year-over-year and cash flow risk. He asked that management and Summit explore further the best approach to deal with the 13 gold certificates and report back to the Committee at the next meeting with Summit.

Committee Member David Bernier joined the meeting at 5:00 p.m. He stated the reason that he was unable to attend the meeting in person, that he was alone and could hear the proceedings.

Mr. Denton reported that new mortality tables were released two weeks ago. Use of the new mortality tables would increase the Company's liability under the plan. Summit will review for the next meeting. Also, Mr. Denton indicated that the pension plan will need to be restated by April 2020 to include all legislative changes since the last restatement.

401(k) Plan Investments

Mr. Johnson reviewed the participant activity in the 401(k) plan. As of June 30, 2019, there were 145 participants in the plan with a 91% participation rate. There was approximately \$17.6 million invested in the plan at June 30, 2019.

Mr. Johnson reviewed the Fund Monitoring Report and indicated that one fund is currently on the watchlist - Loomis Sayles Strategic Income N. He reported that two funds have a failing grade - MassMutual Premier International Eq I and MassMutual Select Fundamental Value I. He indicated that Summit is recommending that the MassMutual Premier International EqI fund be replaced with the MFS International Growth R6 fund, and the MassMutual Select Fundamental Value I fund be replaced with the Vanguard Equity Income Adm fund. S. Genest said that the Company's Investment Committee for the 401(k) Plan should meet to review these funds in more detail and make a decision on whether to replace these funds as recommended by Summit. Mr. Johnson reported that the target date retirement funds (American Funds) were performing very well.

In-Plan Roth Conversions ("Super Roth")

L. Goodhue stated that management is looking to add an enhancement to the Company's 401(k) Plan known as an "In-Plan Roth Conversion" (Super Roth) option. The matter was discussed previously at the Committee's meeting in June. He said that this option would more than likely be utilized by highly compensated or younger employees. The Super Roth option allows employees to contribute after-tax money into a thrift plan once they have contributed the maximum allowable amount under the 401(k)/Roth. An employee can then withdraw money from the thrift plan, pay any tax on the gain, and convert it to the Roth. Once in the Roth, earnings on the converted money would be paid out of the plan tax free.

Summit indicated that there is minimal cost to the Company to add a Super Roth option. Mr. Johnson noted that the Company cannot put restrictions on how often an employee can make transfers. From Summit's experience, most 401(k) participants do a transfer once or twice a year. Mr. Johnson noted that it is important for the Company to provide education on the Super Roth option to employees.

On motion duly made by J. McGrath and seconded by G. Bower, all of the Committee members then voting, it was unanimously

Resolved: that the Compensation and Benefits Committee hereby recommends to the Pennichuck Corporation Board of Directors that the draft Amendment to Savings Plan for Employees of Pennichuck Corporation (a copy of which was presented at this meeting), which amends the Adoption Agreement to the Plan to add In-Plan Roth Conversions, be approved.

401(k) Plan – Paperless Process for Loans and Hardship Withdrawals

M. DeRoche indicated that management would like to streamline the process for requesting in-service withdrawals or loans under the 401(k) plan. Currently, an employee seeking a loan would contact MassMutual, who would prepare the documents and loan check and forward them to HR. M. DeRoche stated that she would like to have MassMutual handle the entire process by forwarding all documents and the loan check directly to the employee. A statement would be included on the check indicating that the employee, upon signing the check, is agreeing to repay the loan. Mr. Johnson stated that this process is now commonplace with 401(k) providers.

S. Genest questioned whether the Company had a fiduciary responsibility to approve loans. Mr. Johnson said that the Company has no involvement with respect to loans now, other than receiving the check. He indicated that the burden will go to MassMutual for any audit reports.

On motion duly made by J. McGrath and seconded by E. Dunn, all of the Committee members then voting, it was unanimously

Resolved: that the amendment to the Administrative Services Agreement between MassMutual and Pennichuck Corporation relating to the Company's Savings Plan for Employees of Pennichuck Corporation, as presented at this meeting, to include updated loan refinancing and in service withdrawal approval services, is hereby approved.

Committee Charter – Annual Review

There was a review of the Committee's Charter. The Committee agreed that the Charter was adequate for its purposes and no changes were necessary.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:16 p.m.

/s/ Suzanne L. Ansara
Suzanne L. Ansara
Corporate Secretary