

PENNICHUCK CORPORATION

COMPENSATION AND BENEFITS COMMITTEE
MINUTES OF MAY 6, 2020 MEETING

A meeting of the Compensation and Benefits Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Wednesday, May 6, 2020, at 4:30 p.m.

Due to the COVID-19 virus and in accordance with the emergency stay at home order imposed by Governor Sununu, the meeting was held electronically using the Microsoft Teams platform, for the safety of the Committee Members and Pennichuck employees. Telephone access to the meeting was provided for members of the public, and for any directors who were unable to log on to Microsoft Teams.

Pursuant to Governor Sununu’s Emergency Order #12 dated March 23, 2020, the requirement under RSA 91-A:2, III(b) that a quorum be physically present at a meeting has been waived.

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 the meeting:

Committee Members:	Stephen D. Genest, Chairman David P. Bernier 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 and Treasurer 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 March 24, 2020 Committee meeting and non-public session, on motion duly made by E. Dunn and seconded by J. McGrath, all of the Committee members then voting by roll call, it was unanimously

Resolved: that the minutes of the March 24, 2020 meeting of the Compensation and Benefits Committee are hereby approved.

Resolved: that the sealed minutes of the March 24, 2020 non-public session of the Compensation and Benefits Committee are hereby approved.

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

Summit Financial presented a review of the Company's 401(k) plan and pension 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 evaluate fund performance in the pension and 401(k) plans.

Mr. Johnson discussed the volatility in the markets due to the COVID-19 virus.

401(k) Plan Investments

Mr. Johnson reviewed the activity in the 401(k) plan. He reported that total assets were down 10% in the 1st quarter (\$16.7 million) compared to year-end (\$18.5 million). As of March 31, 2020, there were 148 participants in the plan with an average contribution rate of 6%. There were no major changes in participant behavior during the 1st quarter relating to loans and withdrawals.

Mr. Johnson discussed the options available under the Coronavirus Aid, Relief and Economic Security Act (CARES ACT) to participants in the 401(k) plan:

1. the ability to withdraw up to \$100,000 from their retirement account without paying the 10% early withdrawal penalty regardless of age; the withdrawal will be taxable income but the participants have the option to pay the taxes over a 3 year period.
2. an option to repay all or part of the withdrawal provided the repayment is within 3 years of the date the withdrawal was made, to minimize tax implications.
3. the ability to delay repayment of outstanding loans; however, interest will still accrue.

To qualify under the CARES ACT, a plan participant or their spouse or dependent would have to be diagnosed with the virus, or the plan participant has to have endured a financial hardship due to the virus, such as being laid off or furloughed.

Mr. Johnson reviewed the Monitoring Report which summarizes the performance of each of the funds in the Plan, and indicated that two funds are currently on the watchlist: Loomis Sayles Strategic Income N, and American Beacon Balanced. He reported that the performance of the target date retirement funds (American Funds) continues to be strong.

MassMutual - Overcharge

Mr. Johnson reported that Summit discovered that MassMutual has been overcharging fees to plan participants for its record keeping system. MassMutual has fully acknowledged their error. Mr. Johnson said that MassMutual is preparing an initial calculation of the error and will then meet with Summit to review. He presented a Cost and Disclosure Statement to the Committee.

During discussion, the Committee members stressed that it is important to find out from MassMutual what they intend to do to make the Plan participants whole, and what they are doing to improve their system of internal controls, so that the Company has confidence that MassMutual will not allow an error like this to happen again.

The Chairman requested that Summit meet with the Company's Investment Committee to review MassMutual's initial calculation, and that the Investment Committee keep the Compensation and Benefits Committee informed of the progress on the matter.

Pension Plan Investments

Mr. Johnson reviewed the pension portfolio allocation chart. The target allocation is 60% stocks and 40% bonds. He indicated that at March 31, the portfolio is a little over at 43% bonds, and a rebalance of the funds will be done to make sure that the allocation remains on track with the Company's investment policy.

Mr. Denton reviewed the 2020 valuation results and pension funding levels found on pages 17-18 of Summit's presentation. He indicated that interest rates continue to slide down. He then reviewed the slides on pages 19-22 relating to actuarial assumptions and projected funding obligations, and the Company's contribution schedule and PBGC premium rates.

Mr. Johnson provided the Committee with an update on the investment performance of the pension plan assets. At March 31, 2020, the pension plan had approximately \$18.2 million in assets invested.

Discussions took place relative to funding levels, the impact of the possible phase out of HAFTA, and the impact of the virus on the markets.

Mr. Denton then reviewed the pension fund Monitoring Report, and indicated that 3 funds are currently on the watch list: Loomis Sayles Strategic Income, Templeton Global Bond, and American Funds EuroPacific Growth. Summit will continue to monitor these funds.

Golden Certificates / LDI Strategy

Mr. Denton reported that there are currently 12 individuals holding golden certificates with MassMutual. Last year, Summit discussed with the Committee the possibility of annuitizing these certificates. After discussion, the Committee asked Summit to obtain from MassMutual the cost to annuitize the golden certificates.

There was a discussion relative to moving to a LDI portfolio in order to take as much volatility off the table as possible. Mr. Denton indicated that he would be more comfortable holding off on moving to an LDI strategy at this time to wait to see if any relief is coming from the federal government in new legislation.

Mortality Tables

There was a discussion relative to new mortality tables released by the IRS for pension plans. The Chairman proposed that Summit discuss the matter further with the Investment Committee.

Pension Plan Restatement

Mr. Denton indicated that the deadline for restatement of the pension plan has been extended to July 31.

There being no further business to discuss with Summit Financial, Mr. Johnson, Mr. Mulkern and Mr. Denton left the meeting at 6:39 p.m.

The Chairman said that a number of important issues were discussed with Summit today, and that the Committee members and the Company's Investment Committee should take some time to think about the issues and then plan to meet in the summer to discuss prior to meeting with Summit in the fall.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:45 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary