

PENNICHUCK CORPORATION

COMPENSATION AND BENEFITS COMMITTEE  
MINUTES OF NOVEMBER 9, 2020 MEETING

A meeting of the Compensation and Benefits Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Monday, November 9, 2020, at 4:30 p.m.

Due to the COVID-19 virus and in accordance with the state of emergency declared 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.

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.

By roll call, the following Committee Members were present at the start of the meeting, constituting a quorum. Each Committee Member stated that they were alone.

Committee Members:        Stephen D. Genest, Chairman  
                                      David P. Bernier  
                                      C. George Bower  
                                      Elizabeth A. Dunn  
                                      Thomas J. Leonard  
                                      John D. McGrath

Also attending all or a portion of the meeting were:

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  
                                      Deborah Novotny, Director

\* Member of the Pension and 401(k) Investment Committees

Summit Financial Corp.:    Douglas Johnson, Vice President  
                                      David Mulkern, Senior Account Manager  
                                      Jason Denton, Senior Consulting Actuary

MassMutual:                 Melissa Mueller

S. Ansara recorded the minutes of the meeting.

### Approval of Minutes

There being no comments on the draft minutes of the September 14, 2020 Committee meeting, on motion duly made by E. Dunn and seconded by G. Bower, all of the Committee members then voting, it was unanimously

Resolved: that the minutes of the September 14, 2020 meeting of the Compensation and Benefits Committee are hereby approved.

### MassMutual – Strategic Plan Review (Pension and 401(k))

Ms. Mueller, Pennichuck’s dedicated relationship manager at MassMutual, gave a presentation on MassMutual’s pending sale of its retirement services business to Empower Retirement, which will include the Company’s pension and 401(k) plans. She indicated that the sale is expected to close at the end of December 2020. Empower has indicated that the guaranteed fixed fund currently part of the Savings Plan investment options offered by the Company will be maintained by Empower, which fund guarantees a 3% annual rate of return. She discussed the benefits Empower will bring to the table, including product offerings which will allow for better efficiencies, cost savings, better solutions and better technology. She said that she does not anticipate much of a change for Pennichuck on an administrative or plan level. The transfer will occur over a weekend so as not to cause any disruption to participants. The day to day team at MassMutual will continue to serve Pennichuck after the acquisition. D. Johnson said that Summit has worked with Empower for a number of clients and has a good relationship with them.

Ms. Mueller then reviewed participant activity in the 401(k) plan. As of September 30, 2020, there were 149 participants in the plan and there was approximately \$19.9 million invested in the plan.

Ms. Mueller left the meeting at 5:10 p.m.

### 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 a “watch list.” If there are no signs of improvement for up to 7 consecutive quarters, Summit will recommend removal of the fund.

### Pension Plan Investments

Mr. Johnson provided the Committee with an update on the performance of the pension plan assets. At September 30, 2020, the pension plan had approximately \$21.3 million in assets invested, allocated 60% in equities or stocks and 40% in bonds or fixed income. Mr. Johnson said that the

pension portfolio is well diversified, with exposure covering all the major asset classes. Performance of the investments is up 2.57% at September 30, 2020.

Mr. Johnson reviewed the Investment Watch List Summary. Four funds are currently on the watch list - Templeton Global Bond, Loomis Sayles Strategic Income Y, American Funds EuroPacific Growth and MassMutual Select Mid Cap Growth. Mr. Johnson indicated that Summit is recommending that the Loomis Sayles Strategic Income fund, which has been on the watch list for at least 7 quarters, be removed from the pension plan portfolio. He said that there are three potential replacement options for the Loomis fund - Fidelity Advisor Strategic Income I, Morgan Stanley Global Fixed Inc Opps I, and PIMCO Income Instl - and reviewed the Fund Scoring Executive Summary for those replacement options. Mr. Johnson indicated that Summit is recommending replacing the Loomis fund with the PIMCO Income Instl fund. He said that the PIMCO fund is 5 star rated (a gold rating from Morningstar), is very strong on long term performance, and very strong on the risk metrics. Also, PIMCO is one of the largest fixed income managers in the marketplace, and the support staff, analysts, and research capabilities are very, very strong. He said that the only downside is that PIMCO's expense is a little bit higher than the other two options.

After a brief discussion, on a motion duly made by T. Leonard and seconded by D. Bernier, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that consistent with the recommendation of Summit Financial, the Loomis Sayles Strategic Income fund be removed from the pension plan's investment portfolio and be replaced with the PIMCO Income Instl. fund.

#### Golden Certificates

J. Denton reviewed the recent annuitization of the golden certificates held by certain individuals in the pension plan to MassMutual, which was completed in October. He reviewed the final pricing of the annuity purchase. He indicated that going forward, these individuals have been removed from the Pennichuck pension plan, and this year will be the last year the Company will pay PBGC credits for them. Communications from MassMutual have been sent to these individuals letting them know that they are no longer part of the Pennichuck pension plan and that they will be getting paid directly from MassMutual.

#### LDI (Liability-Driven Investing) Strategy

Mr. Denton led a lengthy discussion relative to whether the Company is ready to proceed with switching to an LDI strategy for its pension plan investments. Mr. Denton said that the LDI process has been discussed a number of times over the past few years, but was tabled until the Golden Certificates were annuitized. He said that Summit had looked at a number of possible solutions, and decided to move forward on an LDI approach with Parametric. He said that Parametric would construct a dedicated bond portfolio specific to the pension plan's expected future benefit payments, in order to immunize as much as possible changes in interest rates with the Plan's liability changes. He also discussed Summit's role in monitoring the process on either a monthly or quarterly basis. The Committee Members asked a number of questions of Summit and expressed their concerns that there could be unexpected consequences in making the switch to LDI and indicated that they would like more information. It was agreed that no decision will

be made at this time on adopting an LDI strategy for the pension plan investments. Summit agreed to research whether there is any available case study information from other companies that have adopted an LDI strategy and what their experience has been, and will set up a future meeting with the Committee and representatives from Parametric to discuss further.

Mr. Denton then 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. He said that the Company is looking at just over \$2 million in pension expense in 2021.

#### 401(k) Plan Investments

Mr. Johnson reviewed the Investment Watch List Summary. There are three funds currently on the watch list - Loomis Sayles Strategic Income N, MassMutual Select Mid Cap Growth and American Beacon Balanced. He indicated that Summit is recommending that the Loomis Sayles Strategic Income N fund be replaced and offered two replacement options - PIMCO Income Instl fund and Thornburg Strategic Income fund, both 5 star rated funds. Mr. Johnson indicated that both funds are very strong options, but that he likes PIMCO better for their support staff and research capabilities. He said that Thornburg is not as big of an investment manager, but is still a strong option. Thornburg was not available for the pension plan, but is available for the 401(k) plan. T. Leonard indicated that with all things considered it makes sense to choose PIMCO, for consistency in the two plans.

After a brief discussion, on motion duly made by T. Leonard, and seconded by J. McGrath, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the Loomis Sayles Strategic Income fund be removed from the Company's Employee Savings (401k) plan's investment portfolio and be replaced with the PIMCO Income Instl fund.

Mr. Johnson reported that the target date retirement funds (American Funds) were performing very well. Mr. Johnson then reviewed the Fee Disclosure Report included in Summit's presentation.

Mr. Johnson, Mr. Denton and Mr. Mulkern left the meeting at 6:39 p.m.

#### 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.

It was agreed by the Committee Members to delay the presentations on Workers' Compensation/Safety and the HR Dashboard to a future Committee meeting, to be scheduled prior to December 16.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:47 p.m.

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