

PENNICHUCK CORPORATION

COMPENSATION AND BENEFITS COMMITTEE  
MINUTES OF MAY 6, 2021 MEETING

A meeting of the Compensation and Benefits Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Thursday, May 6, 2021, 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 for the meeting, constituting a quorum. Each Committee Member stated that they were alone.

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

Attending the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer \*  
Mary V. DeRoche, HR Director \*  
Suzanne L. Ansara, Corporate Secretary  
Sarah Rossetti, Senior HR Generalist

\* Member of the Investment Committee

Attending the meeting from Summit Financial Corporation were:

Doug Johnson, Vice President  
Jason Denton, Senior Consulting Actuary  
David Mulkern, Senior Account Manager

S. Ansara recorded the minutes of the meeting.

## Approval of Minutes

There being no comments on the draft minutes of the March 18, 2021 Committee meeting and non-public session, on motion duly made by J. McGrath and seconded by E. Dunn, all of the Committee Members then voting by roll call, it was unanimously

Resolved: that the minutes of the March 18, 2021 meeting of the Compensation and Benefits Committee are hereby approved.

Resolved: that the sealed minutes of the March 18, 2021 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 and related items. A copy of Summit's presentation was provided to the Committee members in the written materials.

Empower Retirement - D. Johnson gave a brief update on the acquisition of MassMutual's record keeping business for both the Company's 401(k) plan and the pension plan by Empower Retirement. He said that Empower is the second largest retirement plan provider in the country, and the largest for plans under \$50 million, such as Pennichuck's. He indicated that nothing has changed from a plan participant's perspective. As to the 401(k) plan, the platform for the record keeping system remains with MassMutual for the time being. A transition to Empower's platform is due to take place sometime in mid-to-late 2022.

Investment Policy Statement Criteria – D. Johnson reviewed the criteria Summit uses to gauge performance of the funds in the pension plan and 401(k) plan relative to their peer group. Eleven different metrics are utilized. 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 seven consecutive quarters, Summit will recommend replacement of the funds.

Pension Plan - D. Johnson reviewed the pension portfolio allocation chart and style boxes. At March 31, 2021, the pension plan had approximately \$24.5 million in assets invested. The target allocations for investments is 60% in stocks and 40% in bonds or fixed income, of which 25% is targeted towards the guaranteed fund.

D. Johnson reviewed the Investments Monitoring Report. He reported that the JP Morgan Mid Cap Value fund, the MassMutual Select Mid Cap Growth fund and the Templeton Global Bond fund are currently on the watch list. The American Funds EuroPacific Growth fund, which was on the watch list last quarter, will be removed as it has received a passing grade.

D. Johnson indicated that Summit is recommending that the Templeton Global Bond fund, which has been on the watch list for at least 7 quarters, be removed from the pension plan portfolio, and that its 5% allocation be mapped into the PIMCO Income Instl fund. He said that the PIMCO fund is 5 star rated and very strong on long term performance. PIMCO is one of the largest fixed income managers in the marketplace, and the support staff, analysts, and research capabilities are very strong.

After discussion, on 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 the Compensation and Benefits Committee hereby approves (1) the removal of the Templeton Global Bond Fund from the pension plan's investment portfolio and (2) mapping Templeton's 5% allocation to the PIMCO Income Instl. Fund, which will increase PIMCO Income's allocation to 15%.

Committee Member J. McGrath left the meeting at 5:22 p.m.

American Rescue Plan Act – J. Denton reported that the federal government passed the American Rescue Plan Act (ARPA) in March. Included in the Act is legislation that provides funding relief for single-employer pension plans. The Act allows for (1) the amortization of funding shortfalls over a 15-year period instead of the current 7 years, and (2) interest rate stabilization. J. Denton said that under ARPA any unfunded liability will be paid off over a longer period of time and the required contribution will be reduced, but the Company would still have the option of making a larger contribution if it desires to do so. He indicated that adoption of both pieces of the legislation are mandatory effective in 2022, but that the Company can optionally adopt them early in 2021.

A lengthy discussion ensued regarding the impact of the ARPA provisions on the Company's contributions and on interest rates. L. Goodhue indicated that the Company's Investment Committee previously discussed with Summit whether the Company should be an early adopter of the ARPA provisions, and did not see any downside to doing so.

By roll call, the members of the Compensation and Benefits Committee (excluding J. McGrath who left the meeting prior to this discussion) unanimously agreed with Summit's recommendation that the Company be an early adopter of the ARPA provisions for pension plans.

Actuarial Review – J. Denton discussed the charts on pages 20-22 of the presentation regarding actuarial assumptions and projected funding obligations with the Committee members.

Contribution Payment Schedule - J. Denton indicated that Summit is suggesting that the Company consider moving to a level quarterly contribution payment schedule for the pension plan, and a discussion ensued relative to the advantages of doing so. L. Goodhue stated that he is recommending that the Company adopt a level funding for contributions at \$250,000 each quarter, payable on March 1, June 1, September 1 and December 1. By roll call, the Committee Members present unanimously agreed with L. Goodhue's recommendation.

Pension Plan – Benefit Payment Services - D. Johnson reported that Empower Retirement has made the decision to not continue to provide benefit payment services to its clients. He indicated that Summit has begun the process to look at possible solutions for the Company. Summit will provide their recommendations to the Company later this year.

401(k) Plan Investments - D. Johnson reviewed the activity in the 401(k) plan. He reported that there have been no major changes to the overall health of the plan year over year. He reviewed the Plan Investments Monitoring Report and indicated that the American Beacon Balanced fund will be removed from the watch list as it has received a passing grade, and that the MassMutual Select Mid Cap Growth fund will remain on the watch list at this time. He reviewed the target date funds and indicated that the American Funds continue to perform very well.

Secure Act 2.0 - D. Johnson gave an overview of some of the new features for 401(k) plans included in the Secure Act 2.0, which legislation is expected to be passed by the Senate, including (1) automatic enrollment in new plans, (2) increasing the age for required minimum distributions from 72 to 75, and (3) higher catch-up contributions.

#### Investment Committee Change of Name / Charter

L. Goodhue referred the Committee to the draft resolutions in the Agenda which (1) would change the name of the Investment Committee to the Retirement Plans Investment Committee, and (2) approve the adoption of a Charter for the Retirement Plans Investment Committee. There was a discussion as to the language in the Charter regarding the roles of the Investment Committee and the Compensation and Benefits Committee, and the ultimate responsibility of the Board of Directors, relative to the benefit plans.

It was agreed that management will discuss the issues concerning the draft Charter with its attorney and come back to the Compensation and Benefits Committee at a later date.

On motion duly made by S. Genest and seconded by G. Bower, all of the Committee members present then voting by roll call, it was unanimously

Resolved: that the Compensation and Benefits Committee hereby recommends to the Pennichuck Corporation Board of Directors that the “Investment Committee” change its name to “Retirement Plans Investment Committee”; and that the membership of the Retirement Plans Investment Committee will be comprised of the following officers and roles at the Company, to the extent these positions are currently held and occupied: CEO, CFO, HR Director, Treasurer and Assistant Treasurer.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:26 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara  
Corporate Secretary