



Aon
Consulting | Health and Benefits

Farm Credit Foundations
Benefit Index Results
Webinar

September 24, 2020

Farm Credit Foundations Benefits Philosophy

The overriding goal of Foundations benefits is to achieve value through economies of scale, offering an employee benefits package that allows Farm Credit leaders to compete successfully for talent, while ensuring their businesses have quality and cost-effective employee benefits administration.



Benefits Philosophy: To Provide Competitive Benefits

Talented employees are essential to the continued success of Farm Credit System institutions. Competitive employee benefits will enable us to attract and retain current and future talent, and in turn, to achieve our business strategies.

Key Principles for Benefits Design and Management

We provide a “safety net” of basic benefits protection against the financial impact of catastrophic life events.

Employees should bear a meaningful share of the cost to upgrade coverages over standard plan designs.

The targeted market position in benefits is within a range of 100% – 110% of the market average benefits value.

Highly valued benefits, medical and 401(k), will be positioned at, or slightly above, the overall targeted market position.

Medical plan design and pricing decisions will take into consideration “competitive drift” (benefit value increases if FCF benefits remain unchanged).

Employers have agreed to offer a standard set of benefits, but they have the flexibility to choose programs that respond to local/regional competitive marketplace conditions (and their own financial situation) by determining their own Paid Time Off (PTO) program and Defined Contribution (DC) discretionary contribution.

To measure the alignment of FCF benefit plan value with the Benefits Philosophy, the Plan Sponsor Committee commissions Aon to conduct a Benefit Index® study every other year.

2020 Benefit Index Comparators

Agriculture (6)

- Archer Daniels Midland Company
- Cargill, Inc.
- Caterpillar Inc.
- CHS Inc.
- ConAgra Foods, Inc.
- Land O' Lakes, Inc.

Banking/Lending/Insurance (14)

- Bank of America Corporation
- BMO Harris Bank N.A.
- Citigroup
- Fifth Third Bancorp
- HSBC North America Holdings, Inc.
- J.P. Morgan Chase & Co.
- KeyCorp
- Massachusetts Mutual Life Insurance Co.
- Nationwide Mutual Insurance Company
- The PNC Financial Services Group, Inc.
- Regions Financial Corporation
- SunTrust Banks, Inc.
- U.S. Bancorp
- Wells Fargo & Company

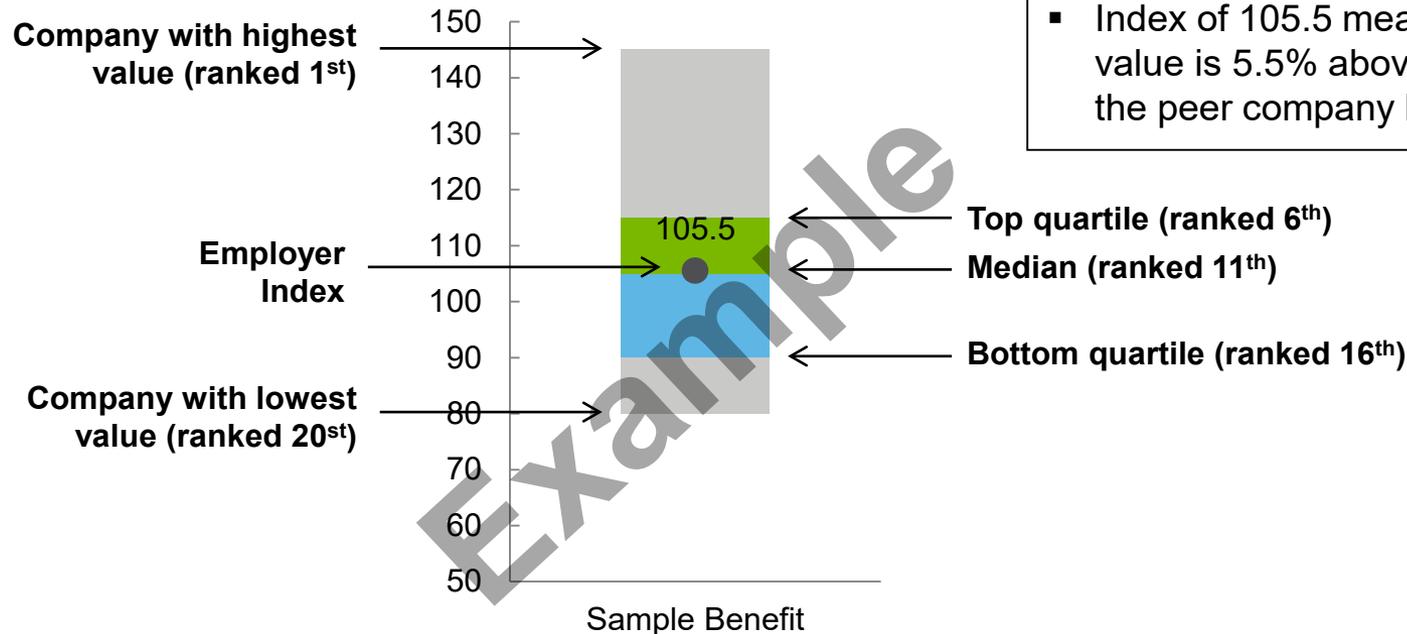
Note:

21 companies were in the 2018 study.

First National Bank of Nebraska and Farm Credit Benefits Alliance were removed; Citigroup was added.

Benefit Index Methodology

- Common population and consistent actuarial assumptions
- Plan design and employee contributions are only variables
- Measures relative benefit value (not cost)
- Employer-paid value is the focus vs. Total value
- Values benefits provided to new hires (grandfathered benefits are excluded)



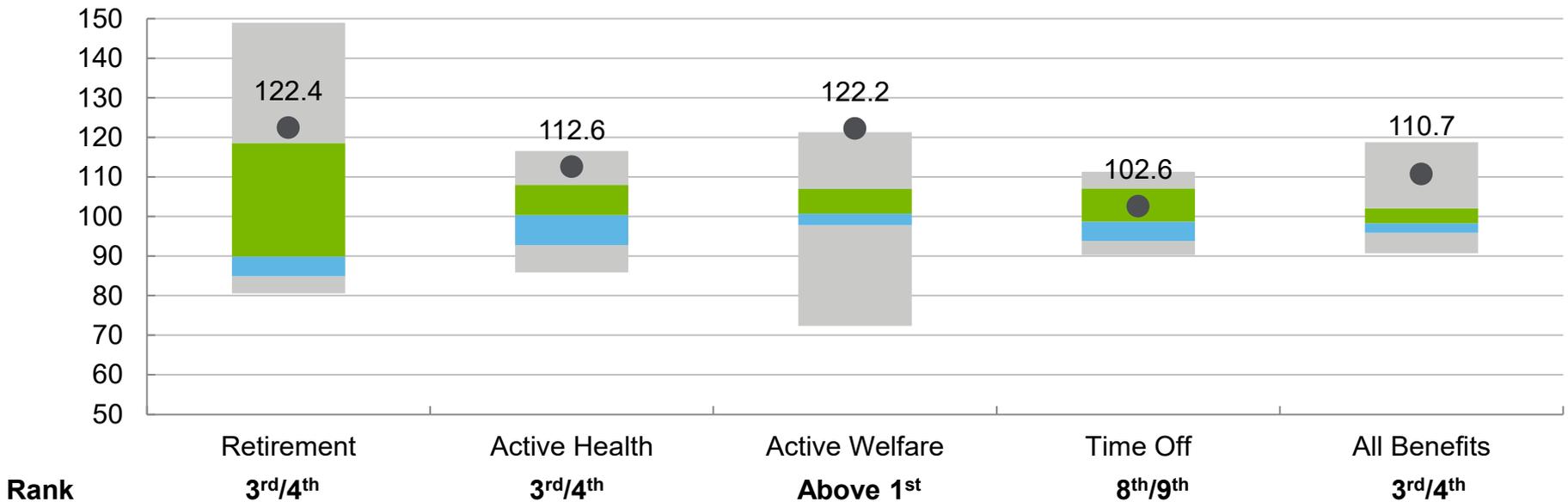
Relative value indexes

- Index of 100 equals the average
- Index of 105.5 means benefit plan value is 5.5% above the average of the peer company benefit plans

Summary of Results

The value of overall plan provisions (Total value) is average (103.6). However, employee contributions (when required) are lower than average. This results in a net Employer-paid All Benefits index of 110.7.

- Time off represents 37% of the All Benefits value, health care 31%, retirement 24% and welfare (death/disability) 8%



Retirement Income

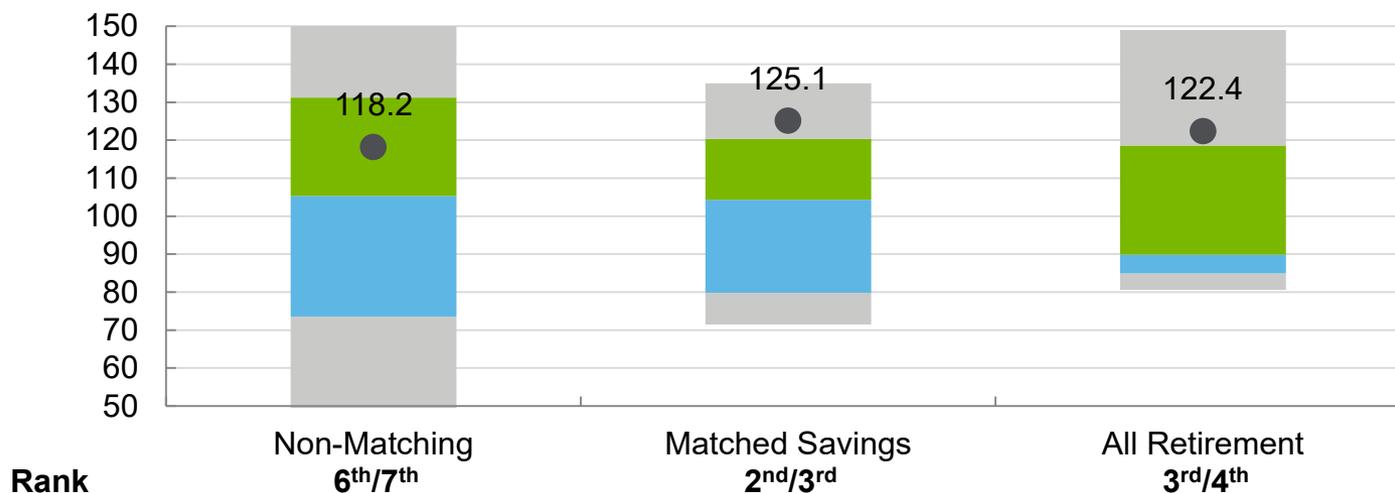
The FCF retirement plan is above average because the strong match and overall 9.0% available contribution is above average.

Non-Matching

- 6 companies provide cash balance pension plans worth about 4.0% of pay on average
- 14 companies provide noncontributory defined contribution plans with an average contribution of ~2.4% of pay
 - 11 of 14 use total pay definition

Matched Savings

- All 20 companies provide matched savings plans with average match of \$0.95 per \$1.00 (FCF is \$1.00:\$1.00)
- The average maximum employer contribution to 401(k) is about 5.1% of pay (FCF is 6.0%)
- 18 of 20 use total pay definition



Active Health Care

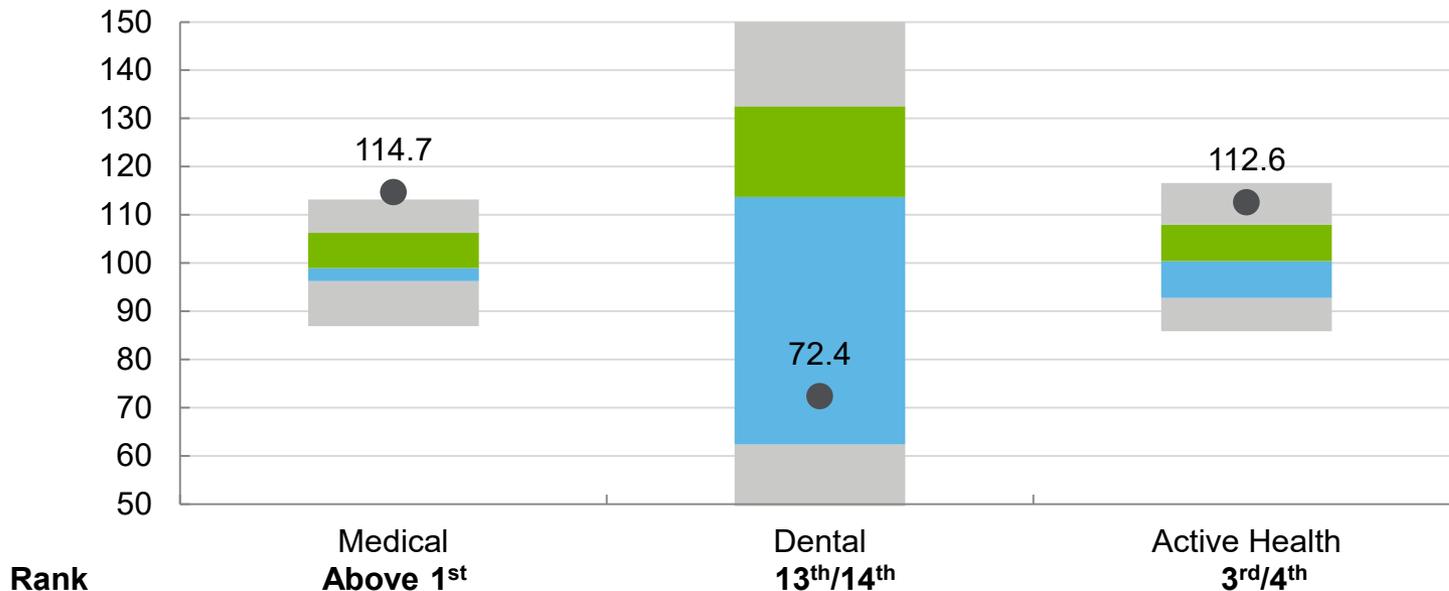
FCF health benefits are above average due to low employee premiums in the medical plans.

Medical

- Most companies have HDHPs (9 are full replacement like FCF)
- Low employee contributions for medical plans result in benefit value that exceeds all comparators (Total value is 93.3)

Dental

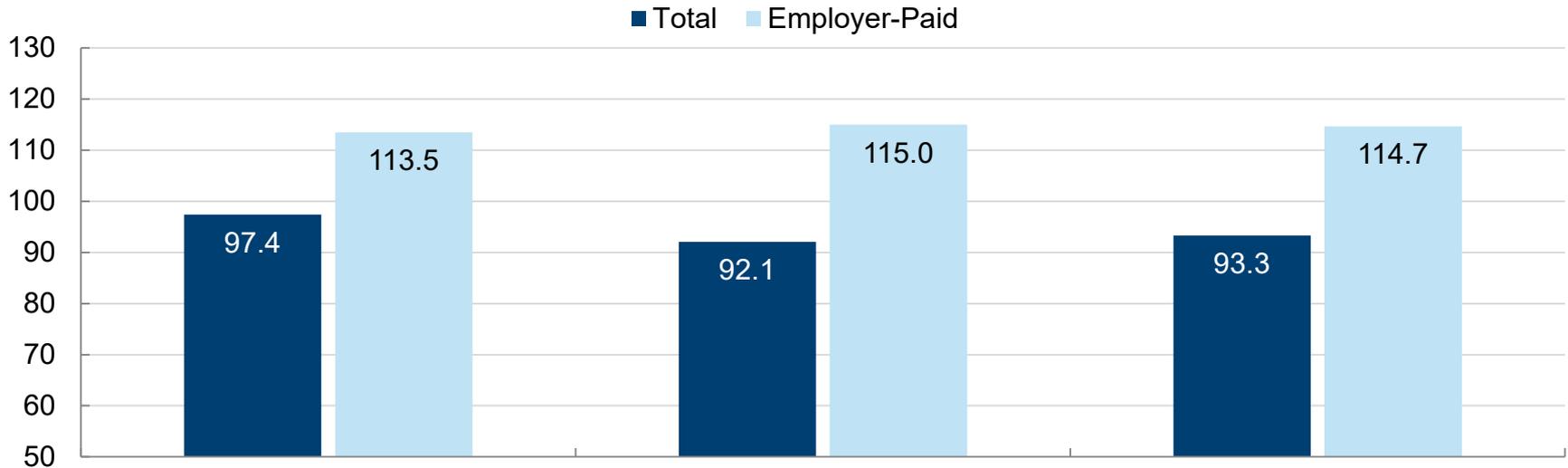
- FCF's base plan dental benefits cover preventive services at 100% and basic services but exclude major services and orthodontia (this option is popular with employees)
- Employee contributions for dental are higher than average



Active Medical Plan Detail

While Consumer Choice 1 provides greater Total value (lower deductibles) than Consumer Choice 2, employee premium differences result in both plans having a similar Employer-paid value.

- Election patterns are as follows:
 - Consumer Choice 1 (\$1,600 deductible): 24%
 - Consumer Choice 2 (\$3,550 deductible): 76%



Consumer Choice 1

- Plan design (Total value) is about average
- Low EE premiums result in better than average Employer-paid value

Consumer Choice 2

- Plan design (Total value) is below average
- Low EE premiums (\$0 Employee Only coverage) result in Employer-paid value similar to Consumer Choice 1

All Plans

Active Welfare

FCF welfare benefits are well above average based on the group life insurance and long-term disability (LTD) insurance benefits.

Life Insurance

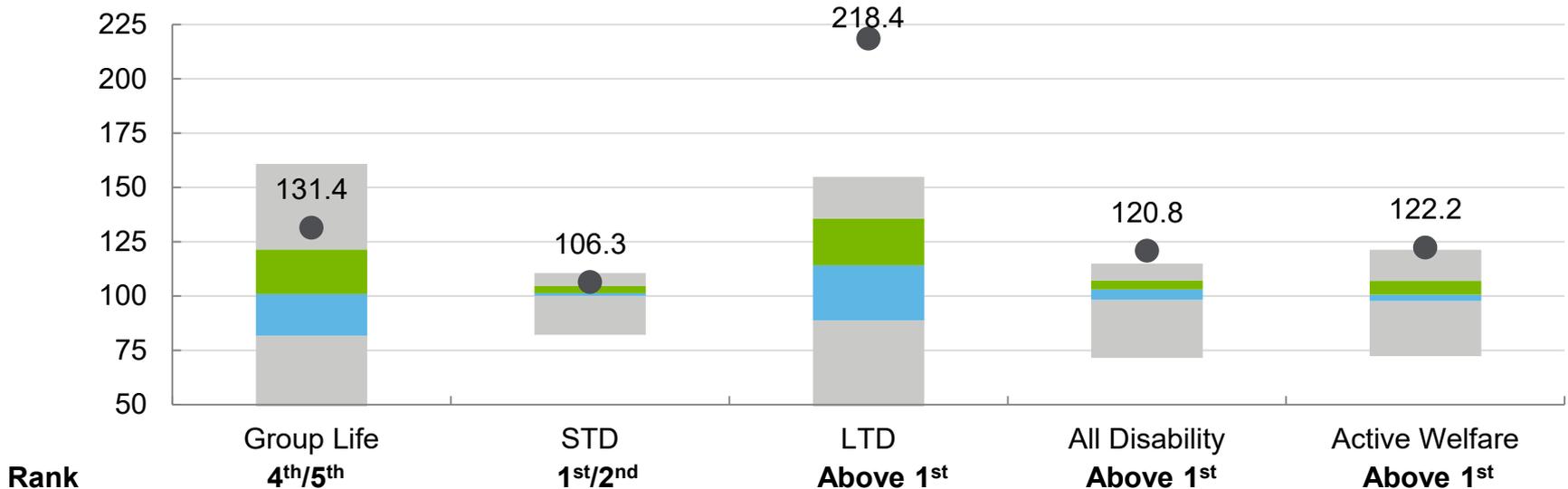
- 16 companies provide 1x pay basic life (like FCF) & 4 provide 2x pay (average is 1.2x)
- FCF value is better than average due to total pay definition & low premiums for voluntary coverage

Short-Term Disability

- STD measures benefits received during the first 26 weeks of disability
- STD varies by employer (the value of Foundations benefits are illustrated here)

Long-Term Disability

- FCF's 66.7% LTD plan (comparators average 59%) with 3% COLA and total pay definition provides value above most peers
- Also, the coverage is free resulting in Employer-paid value above all peers



Time Off With Pay

Time off benefits vary by employer. The value of Foundations benefits are illustrated below.

Holidays

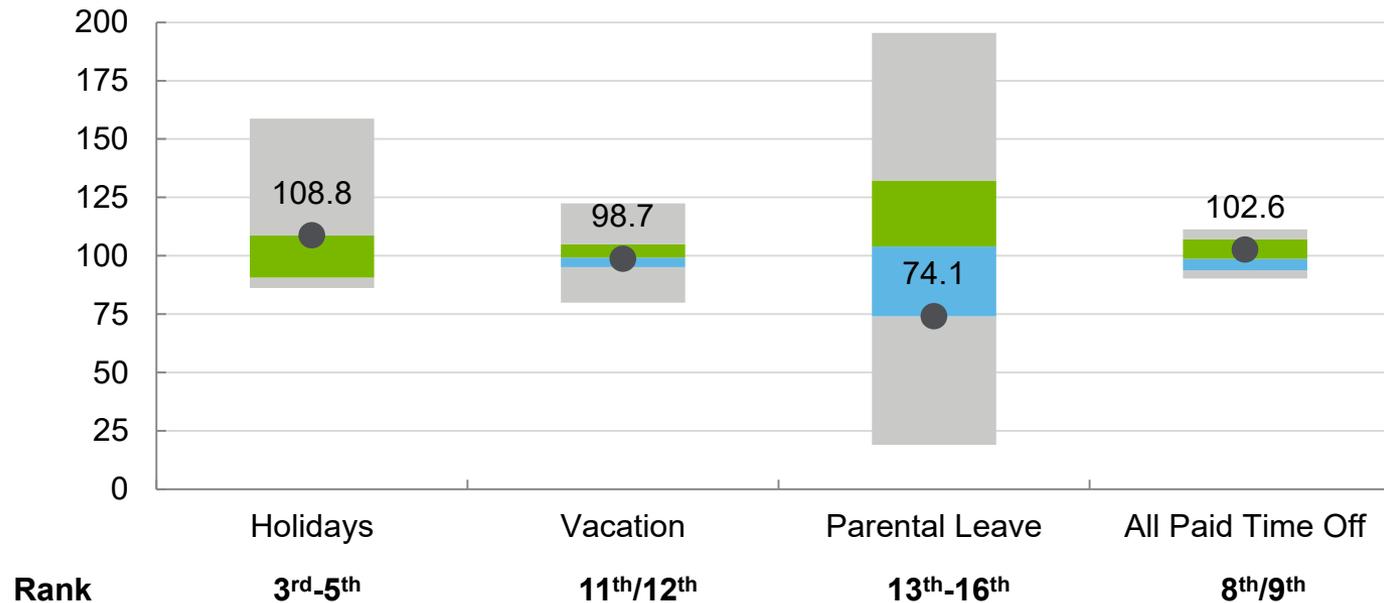
- Holidays (including shutdown days and personal days) range from 9.5 to 17.5
- 10 holidays are the most common
- The average is about 11 days

Vacation

- For the 13 peer companies without PTO banks:
- 3rd week of vacation is generally available after 2-3 years of service
 - 4th week after 11-12 YOS
 - 5th week after about 24 YOS

Parental Leave

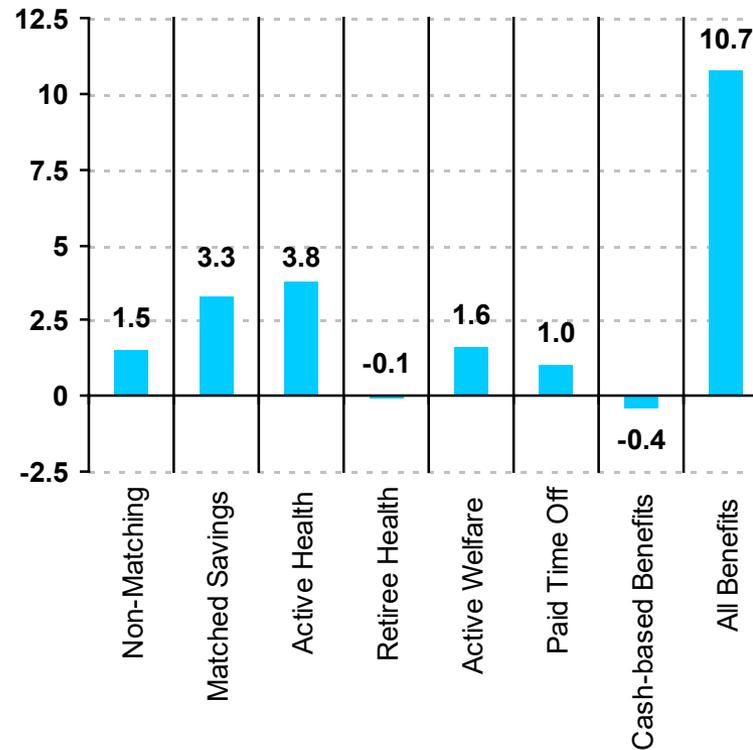
- All comparator organizations have paid time off for maternity, paternity and adoption
- Parental leave ranges between 1 and 16 weeks for the comparator organizations (average is slightly above 5 weeks)



Drivers of Overall Results

Retirement (non-matching and matched savings) and health benefits drive most of the “excess” benefit value relative to comparator organizations.

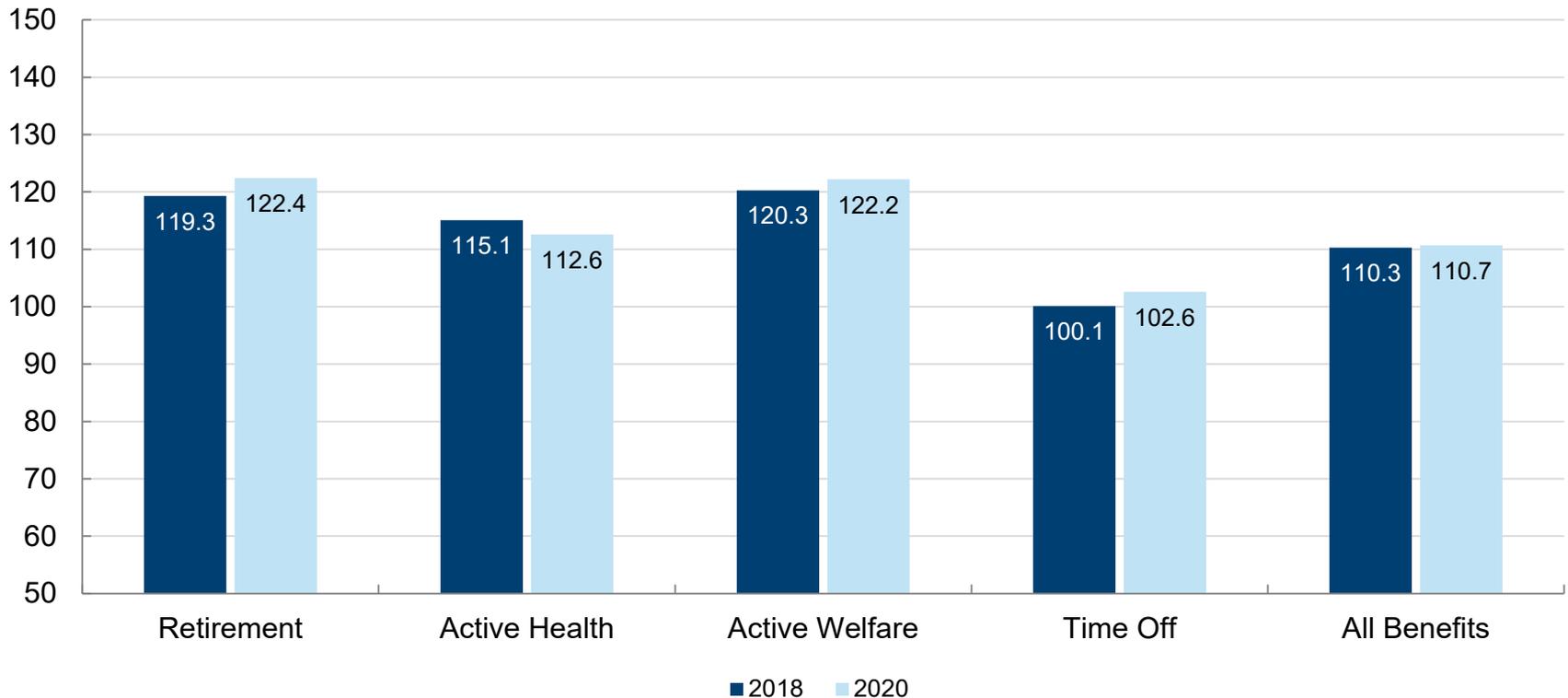
- This is consistent with the principle in the Benefits Philosophy that target better than market average positioning for these highly-valued benefits



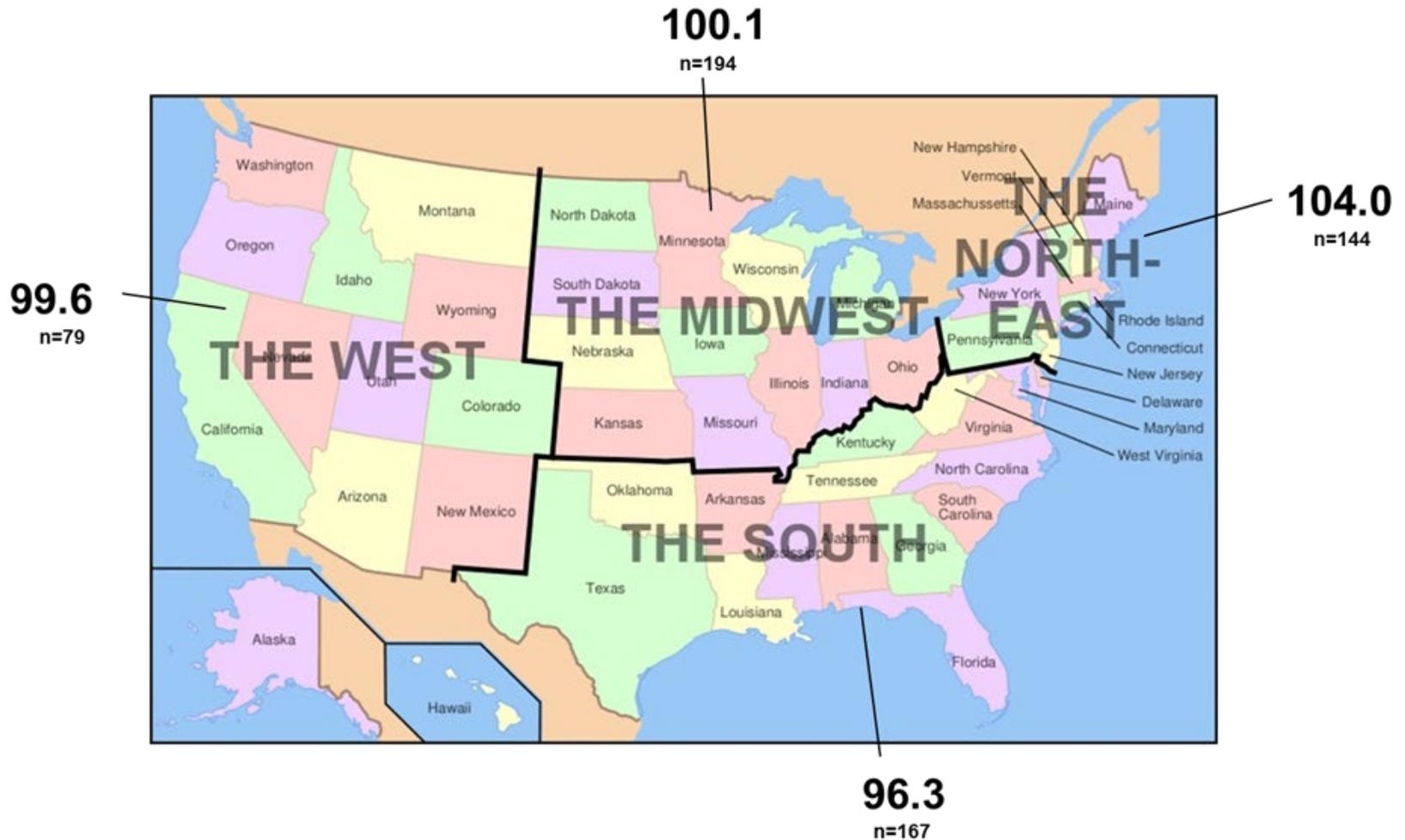
Changes Since 2018: Employer-Paid Value

The All Benefits index is consistent with 2018 due to off-setting movement in the retirement and health indices.

- Retirement value increased due to changes at comparator organizations
- Health value decreased due to annual indexing of the deductibles within the medical plan

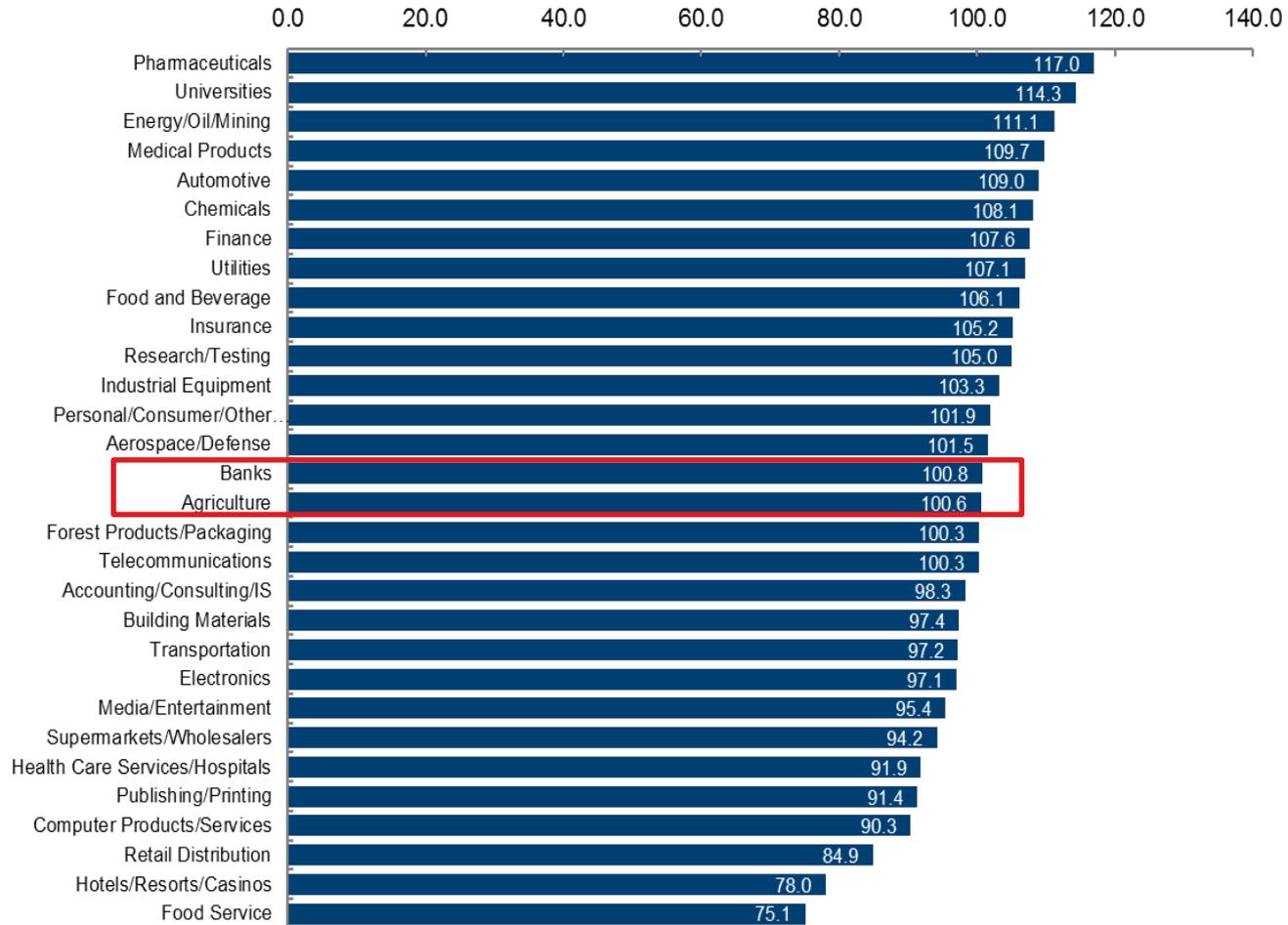


Employer-Paid Benefit Value Comparison By Region



An index of 100.0 represents the average employer provided benefit value of all groups valued using Aon's Benefit Index methodology. A value of 105.0 is 5% above average. Based on 2019 benefit designs.

Employer-Paid Benefit Value Comparison by Industry



Each industry index is calculated by comparing the average value for that industry versus the average value for all industries. An index value of 100.0 represents the average of all 30 industries. A value of 105.0 is 5% above average. Based on 2019 benefit designs.



Appendix

FCF's Aon Team—Health & Benefits



Davin Kangas
FSA, MAAA

- Senior Vice President / Consulting Actuary in our Twin Cities office for 16 years
- Lead Health & Benefits consultant for Farm Credit Foundations
- Other clients include Cintas, KeyBank, McKesson and Toro
- B.S. Mathematics, Michigan Technological University
- Math teacher prior to becoming an actuary



Josh Maahs
FSA, MAAA

- Assistant Vice President / Consulting Actuary in our Twin Cities office for 8 years
- Health Actuary for Farm Credit Foundations
- Other clients include Allianz, APi
- B.S.B Actuarial Science, University of Minnesota, Carlson School of Management