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**MINUTES OF THE REGULAR BOARD MEETING
HELD TUESDAY, AUGUST 17, 2021
SMECO HEADQUARTERS AUDITORIUM
15035 BURNT STORE ROAD
HUGHESVILLE, MD 20637**

The regular meeting of the Board of Directors of Southern Maryland Electric Cooperative, Inc. (SMECO) was held on Tuesday, August 17, 2021, 1:00 p.m. in the SMECO Headquarters Auditorium, 15035 Burnt Store Road, Hughesville Maryland 20637 and via Zoom.

Attendance:

Directors:

W. Rayner Blair, III
Gilbert O. Bowling
Fern G. Brown
William R. Cullins, III
Daniel W. Dyer
Kenneth L. Dyson
J. Douglas Frederick
Susan Hance-Wells

Joseph Gilbert Murphy
W. Michael Phipps
William L. Purnell
James A. Richards
P. Scott White
Richard A. Winkler
Nancy W. Zinn

Board Attorney: Joseph R. Densford

SMECO Personnel:

President and Chief Executive Officer (CEO) Sonja M. Cox
Senior Vice President of Financial Services and
Chief Financial Officer (CFO) Beth Kennedy (via Zoom)
Senior Vice President of External Affairs and
General Counsel Mark A. MacDougall (via Zoom)
Senior Vice President of Customer & Enterprise Services and
Chief Information Officer (CIO) Joseph Trentacosta (via Zoom)
Senior Vice President and Chief Strategy & Innovation Officer (CSIO) Campbell Hawkins (via Zoom)
Senior Vice President and Chief Human Resources Officer (CHRO) Cindy Rauner (via Zoom)
Executive Assistant to the President & CEO Teresa M. Barringer
Administrative Services Supervisor Nicholas Sweetman (via Zoom)

Call to Order – Chairman P. Scott White called the meeting to order at 1:00 p.m.

Minute for Safety – Director Phipps gave the minute for safety.

NRECA Governance Talk Video: “Election of Board Officers and Their Roles” -

In this video, Pat Mangan, Director, Governance Education at NRECA interviews Susan Olander, vice president and general counsel of Federated Rural Electric Insurance Exchange, about the pros and cons of various ways to elect board officers as well as a discussion of the role of each board officer.

Approval of Minutes – The minutes of the July 20, 2021 Regular Board Meeting were considered. A motion was duly made, seconded, and unanimously carried approving the minutes of the July 20, 2021 Regular Board Meeting.

July 2021 Financial Performance and Statistics Reports– CFO Beth Kennedy reviewed the financial highlights for the period ending July 31, 2021.

Committee Reports:

Board Risk Oversight Committee (BROC) – Committee Chairman Winkler reported that the Board Risk Oversight Committee (BROC) did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Winkler advised that the Board Risk Oversight Committee will hold their next meeting on Tuesday, September 21, 9:00 a.m., in the SMECO Headquarters Auditorium and/or Via Zoom.

ACES August 12-13, 2021 Board Meeting Report ACES February Board Meeting - Committee Chairman Winkler & CEO Cox gave a brief report on the ACES Quarterly Board Meeting held in Indianapolis, Indiana.

Capital Projects Committee – Committee Chairman Blair reported that the Capital Projects Committee did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Blair advised that the Capital Projects Committee will hold their next meeting on Tuesday, September 14, 2021, 9:00 a.m., in the New Southern Region Facility and/or Via Zoom. All Directors are invited to attend. A tour of the new facility will be conducted after the meeting.

Committee on Strategy and Innovation – Committee Chairman White reported that the Committee on Strategy and Innovation held a meeting on Friday, July 30, 9:00 a.m., in the SMECO Headquarters Auditorium, and the following report was given:

Discuss Board Strategic Planning Retreat, October 18-19, 2021 Committee Chairman White discussed the Board Strategic Planning Retreat to be held October 18-19, 2021 at the SMECO Engineering and Operations Center. Chairman White and CEO Cox met with Joe Raia on July 12 to develop a draft agenda. The retreat will be a great opportunity to learn from the Executive Team Retreat's strategic management framework.

Quarterly Business Review & Proposed Strategic Vision, Goals, Targets, Statements– Committee Chairman White advised CSIO Hawkins presented the Management and Bargaining Unit Scorecards for the 2nd Quarter 2021. The proposed Strategic Vision, Goals, and Targets were reviewed and discussed. Current and Proposed Corporate Statements were shared as well as the updated 2021 Strategic Plan Roadmap.

LED Conversion and Streetlight as a Service (SaaS) – The business case summary and recommendation for entering into a 10-year service agreement (SaaS) with NextEra Energy, Inc. (NEE) was presented at the COSI Meeting. NEE would offer the opportunity to accelerate SMECO's already planned LED street and area light conversion while also benefitting from improved asset management and customer service capabilities. A demonstration of the NEE portal and process were presented. The COSI approved a motion to allow staff to proceed with further discussion and negotiations with NextEra. Staff will bring recommendations to the full Board at a later date.

Updates on Various Projects – Committee Chairman White advised that CSIO Hawkins shared information and status on battery storage and other various projects.

Personnel and Benefits Committee – Committee Chairman Cullins reported that the Personnel and Benefits Committee held a meeting on Tuesday, August 17, 2021, 10:00 a.m., in the SMECO Headquarters Auditorium and Via Zoom and the following report was given:

Actuarial Update - Committee Chairman Cullins advised that David Pappalardo (Prudential)

presented highlights of 2021 Actuarial Review of Pension and Postretirement Welfare Plans. The Qualified Pension Plan is at a funded status of 108% on a relief basis and 86% on a pre-relief basis. The 2021 minimum required contribution is \$3,568,947 on pre-relief basis. The cash contribution policy SMECO put in place continues to improve the pension funding status. 2021 results were reviewed as a result of the Actuarial Valuation, both relief and pre-relief. The Contribution Schedule was provided to outline the quarterly contributions per plan year. Committee Chairman Cullins advised the Personnel & Benefits Committee passed a motion to follow the Contribution Funding Schedule as presented on a pre-relief basis. A motion was duly made and unanimously carried to approve the Contribution Funding Schedule as presented on a pre-relief basis.

Second Quarter Investment Review: Defined Benefit Plan and Defined Contribution Plans
(Morgan Stanley & Prudential Representatives) - Discussion was held regarding how to best derisk the Defined Benefit Plan with the allocation of Equities, Fixed Income, Alternatives, and Cash/Stable Value. The timeline to make moves is driven by the funding percentage. SMECO's Investment Policy Statement is to be updated to reflect removal of underlying subcategories and leaving broad categories. Committee Chairman Cullins advised that changes were recommended to align the asset allocation and the duration of the fixed income managers.

SMECO's participation rates in the Defined Contribution Plans, average account balances, and deferral rates continue to perform above the national and industry norms. There are currently funds on the Watch List, however there are no changes recommended to the investment lineup at this time.

On behalf of the Personnel and Benefits Committee, Chairman Cullins recommended that the Board accept the recommendation to change the asset allocation in the Defined Benefit Plan to match the 80% funded target glidepath as stated in SMECO's Investment Policy Statement – 51% Equities, 32% Fixed Income, 9% Alternatives, and 8% Cash/Stable Value. A motion was duly made and

unanimously carried to change the asset allocation to match the 80% funded target glidepath as stated in SMECO's Investment Policy Statement – 51% Equities, 32% Fixed Income, 9% Alternatives, and 8% Cash/Stable Value.

On behalf of the Personnel and Benefits Committee, Chairman Cullins recommended that the Board accept the recommendation to change the makeup within the fixed income allocation in the Defined Benefit Plan to longer duration fixed income managers in an effort to match the duration of the fixed income to the duration of the liabilities in the plan. A motion was duly made and unanimously carried to change the makeup within the fixed income allocation to longer duration fixed income managers in an effort to match the duration of the fixed income to the duration of the liabilities in the plan.

2022 Health Benefits Renewal - SMECO's 2022 benefits renewal recommendations were presented to the Personnel and Benefits Committee by Benefits and Wellness Manager Victoria St. Arnold. Based on recommendations from the Personnel and Benefits Committee, a motion was duly made and unanimously carried to approve the following renewal recommendations:

- renew medical, dental, vision, Medicare D, and life plans with the current carriers
 - no plan structure changes
- premium changes for medical plans
 - active employees: 8%
 - retiree/inactive: 8%
- maintain upfront employer funding for HDHP/HSA
 - current participants: \$500 individual, \$1,000 family
 - year 1 participants: \$750 individual, \$1,500 family
- renew all other product lines with no change

Policy, Audit and Budget Committee – Committee Chairman Phipps reported that the Policy, Audit and Budget Committee did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Phipps advised that the Policy, Audit and Budget Committee will hold their next meeting on Tuesday, September 21, 11:00 a.m., in the SMECO Headquarters Auditorium and/or Via Zoom.

Public Relations Committee – Committee Chairman Frederick reported that the Public Relations Committee did not hold a meeting; therefore, no report was given.

Date of Next Committee Meeting – Committee Chairman Frederick advised that the Public Relations Committee will hold their next meeting on Monday, September 20, 2021, 10:00 a.m., in the President's Conference Room and/or Via Zoom.

Reading Material – Chairman White called attention to board reading material.

Board Policy of the Month – Board Policy 3-18: Health Insurance Portability and Accountability Act (HIPAA). A synopsis was provided in board materials.

President's Report – CEO Cox updated the Board on current topics of interest regarding the business of the Cooperative and entertained questions regarding her written report.

Directors' Comments:

Discussion ensued on various topics.

Unfinished Business:

SMECO Annual Members' Meeting – Chairman White confirmed that the Annual Meeting will take place on Thursday, August 26, 2021, 6:00 p.m., at the Mechanicsville Volunteer Fire Department, Mechanicsville, Maryland. The dress code will be business casual. Masks will be required for all attendees.

SMECO Family Fun Day - Chairman White advised that SMECO Family Fun Day will be held Saturday, September 18, 2021, from 10 a.m. to 4 p.m. at Gilbert Run Park. Parking passes were distributed

Note: This event has since been canceled

New Business:

2021 CoBank Energy Directors Forum - Chairman White advised that the 2021 CoBank Energy Directors Forum will be held October 25-27, 2021 at the Marriott Tampa, Tampa, Florida. Directors Dyer, Murphy, and Winkler are scheduled to attend.

Proposed Board Meeting Dates for 2022 – Chairman White advised the Board of the proposed 2022 Board Meeting Dates. The meetings are scheduled to be held on the third Tuesday of the Month:

- Tuesday, January 18, 2022
- Tuesday, February 15, 2022
- Tuesday, March 15, 2022
- Tuesday, April 19, 2022
- Tuesday, May 17, 2022
- Tuesday, June 21, 2022
- Tuesday, July 19, 2022
- Tuesday, August 16, 2022
- Tuesday, September 20, 2022
- Tuesday, October 18, 2022
- Tuesday, November 15, 2022
- Tuesday, December 20, 2022

A motion was duly made, seconded and unanimously carried to accept the proposed 2022 Board Meeting dates.

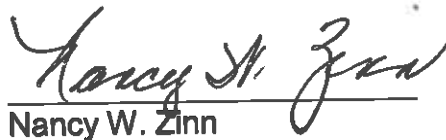
Confirm Date/Time for Next Board Meeting – The next regular meeting of the Board of Directors will be held on Tuesday, September 21, 2021, at 1:00 p.m., SMECO Headquarters Auditorium.

Executive Session – A motion was duly made, seconded, and unanimously carried to go into Executive Session at 2:45 p.m. (Senior Vice President of External Affairs and General Counsel Mark A. MacDougall , Senior Vice President of Customer & Enterprise Services and Chief Information Officer (CIO) Joseph Trentacosta, Senior Vice President of Financial Services and Chief Financial Officer (CFO) Beth Kennedy, Senior Vice President and Chief Human Resources Officer (CHRO) Cindy Rauner, Senior Vice President and Chief Strategy and Innovation Officer (CSIO) Campbell

Hawkins, and Administrative Services Supervisor Nicholas Sweetman were excused from the meeting).

A motion was duly made, seconded, and unanimously carried to come out of Executive Session at 3:08 p.m. and resume the Regular Board Meeting.

Adjournment of Meeting – There was no further business to come before the Board of Directors; therefore, a motion was duly made, seconded, and unanimously carried approving the adjournment of the meeting at 3:08 p.m.



Nancy W. Zinn

Secretary-Treasurer