

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

**Financial Statements
December 31, 2008 and 2007**

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
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INDEPENDENT AUDITORS' REPORT

Farm Credit Foundations Trust Committee
Farm Credit Foundations Benefit Plans -
Health & Welfare Benefits
St. Paul, Minnesota

We have audited the accompanying statements of net assets available for benefits and benefit obligations of Farm Credit Foundations Benefit Plans - Health & Welfare Benefits as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits and benefit obligations for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Farm Credit Foundations Benefit Plans - Health & Welfare Benefits as of December 31, 2008 and 2007, and the changes in financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management of the Farm Credit Foundations Benefit Plans - Health & Welfare Benefits discovered the statement of changes in benefit obligations for the year ended December 31, 2007 for the Life and AD&D Plan was overstated by \$73,000 due to numerical error. Accordingly, the 2007 benefit obligations have been restated to correct the error.


LarsonAllen LLP

Minneapolis, Minnesota
September 10, 2009



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Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Net Assets Available for Benefits
December 31, 2008

	Medical Plan	Dental Plan	Retiree Life Benefit Plan	Life and AD&D Plan	Flexible Spending Account	Vision Plan	Long-Term Disability Plan	Total Memorandum Only
Assets								
Investments (at fair value)								
Short-term investments	\$ 6,995,898	\$ 834,325	\$ -	\$ -	\$ 169,357	\$ -	\$ -	\$ 7,999,580
Dividends and interest receivable	7,482	869	-	-	198	-	-	8,549
Rebates receivable	93,543	-	-	-	-	-	-	93,543
Total assets	<u>7,096,923</u>	<u>835,194</u>	<u>-</u>	<u>-</u>	<u>169,555</u>	<u>-</u>	<u>-</u>	<u>8,101,672</u>
Liabilities								
Administrative and other expenses payable	362,371	19,568	-	-	6,608	-	-	388,547
Net assets available for benefits	<u>\$ 6,734,552</u>	<u>\$ 815,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,713,125</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Net Assets Available for Benefits
December 31, 2007

	<u>Medical Plan</u>	<u>Dental Plan</u>	<u>Retiree Life Benefit Plan</u>	<u>Life and AD&D Plan</u>	<u>Flexible Spending Account</u>	<u>Vision Plan</u>	<u>Long-Term Disability Plan</u>	<u>Total Memorandum Only</u>
Assets								
Investments (at fair value)								
Short-term investments	\$ 6,112,757	\$ 468,758	\$ 157,802	\$ -	\$ 451,501	\$ -	\$ -	\$ 7,190,818
Mutual fund	-	-	6,887,364	-	-	-	-	6,887,364
Total investments	<u>6,112,757</u>	<u>468,758</u>	<u>7,045,166</u>	<u>-</u>	<u>451,501</u>	<u>-</u>	<u>-</u>	<u>14,078,182</u>
Dividends and interest receivable	23,621	1,564	210	-	1,741	-	-	27,136
Rebates receivable	109,897	73,397	-	-	-	-	-	183,294
Total assets	<u>6,246,275</u>	<u>543,719</u>	<u>7,045,376</u>	<u>-</u>	<u>453,242</u>	<u>-</u>	<u>-</u>	<u>14,288,612</u>
Liabilities								
Administrative and other expenses payable	299,227	750	46,870	-	875	-	-	347,722
Net assets available for benefits	<u>\$ 5,947,048</u>	<u>\$ 542,969</u>	<u>\$ 6,998,506</u>	<u>\$ -</u>	<u>\$ 452,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,940,890</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2008

	Medical Plan	Dental Plan	Retiree Life Benefit Plan	Life and AD&D Plan	Flexible Spending Account	Vision Plan	Voluntary Benefits Plan	Total Memorandum Only
Additions								
Employer contributions	\$ 44,739,363	\$ 2,575,057	\$ 3,746,003	\$ 963,983	\$ -	\$ -	\$ 1,407,399	\$ 53,431,805
Employee contributions	15,875,045	2,694,256	-	2,642,204	3,848,450	543,528	186,882	25,790,365
Net investment income (loss)								
Net depreciation in fair value of investments	-		(664,343)					(664,343)
Interest and dividends	167,859	13,427	221,905	-	16,185	-	-	419,376
Total additions	<u>60,782,267</u>	<u>5,282,740</u>	<u>3,303,565</u>	<u>3,606,187</u>	<u>3,864,635</u>	<u>543,528</u>	<u>1,594,281</u>	<u>78,977,203</u>
Deductions								
Benefits to participants	42,756,147	4,744,751	15,000	-	2,436,945	-	-	49,952,843
Insurance premiums	1,717,159	-	533,986	3,606,187	-	543,528	1,594,281	7,995,141
Funding for guaranteed life insurance	-	-	9,750,085	-	-	-	-	9,750,085
Transfers to health savings accounts	10,400,248	-	-	-	-	-	-	10,400,248
Transfers to dependent care accounts	-	-	-	-	1,639,706	-	-	1,639,706
Administrative and other expenses	5,121,209	265,332	3,000	-	77,404	-	-	5,466,945
Total deductions	<u>59,994,763</u>	<u>5,010,083</u>	<u>10,302,071</u>	<u>3,606,187</u>	<u>4,154,055</u>	<u>543,528</u>	<u>1,594,281</u>	<u>85,204,968</u>
Net increase (decrease)	787,504	272,657	(6,998,506)	-	(289,420)	-	-	(6,227,765)
Net assets available for benefits								
Beginning of year	5,947,048	542,969	6,998,506	-	452,367	-	-	13,940,890
End of year	<u>\$ 6,734,552</u>	<u>\$ 815,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,713,125</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2007

	Medical Plan	Dental Plan	Retiree Life Benefit Plan	Life and AD&D Plan	Flexible Spending Account	Vision Plan	Voluntary Benefits Plan	Total Memorandum Only
Additions								
Employer contributions	\$ 42,367,441	\$ 2,376,877	\$ 15,000	\$ 2,761,502	\$ -	\$ -	\$ 1,440,236	\$ 48,961,056
Employee contributions	12,797,062	2,578,858	111,701	818,994	3,338,013	494,458	-	20,139,086
Net investment income (loss)								
Net depreciation in fair value of investments	-	-	(46,980)	-	-	-	-	(46,980)
Interest and dividends	280,494	16,868	394,970	-	10,061	-	-	702,393
Total additions	<u>55,444,997</u>	<u>4,972,603</u>	<u>474,691</u>	<u>3,580,496</u>	<u>3,348,074</u>	<u>494,458</u>	<u>1,440,236</u>	<u>69,755,555</u>
Deductions								
Benefits to participants	34,221,527	4,200,525	15,000	-	2,987,084	-	-	41,424,136
Insurance premiums	1,902,810	-	521,256	3,580,496	-	494,458	1,440,236	7,939,256
Transfers to health savings accounts	9,228,996	-	-	-	-	-	-	9,228,996
Administrative and other expenses	4,144,616	229,109	2,927	-	3,820	-	-	4,380,472
Total deductions	<u>49,497,949</u>	<u>4,429,634</u>	<u>539,183</u>	<u>3,580,496</u>	<u>2,990,904</u>	<u>494,458</u>	<u>1,440,236</u>	<u>62,972,860</u>
Net increase (decrease)	5,947,048	542,969	(64,492)	-	357,170	-	-	6,782,695
Transfers	-	-	7,062,998	-	95,197	-	-	7,158,195
Net assets available for benefits								
Beginning of year	-	-	-	-	-	-	-	-
End of year	<u>\$ 5,947,048</u>	<u>\$ 542,969</u>	<u>\$ 6,998,506</u>	<u>\$ -</u>	<u>\$ 452,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,940,890</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Benefit Obligations
Years Ended December 31, 2008 and 2007

	Farm Credit Foundations Benefit Plans - Health and Welfare Benefits					
	Medical Plan	Dental Plan	Retiree Life Benefit Plan	Life and AD&D Plan	Flexible Spending Account	Total Memorandum Only
December 31, 2008						
Amounts currently payable to or for participants - medical claims drafts outstanding and premiums due to insurers	\$ 743,272	\$ 86,466	\$ -	\$ 130,179	\$ -	\$ 959,917
Other obligations for current benefit coverage - estimated liability for claims incurred but not reported	<u>5,563,728</u>	<u>94,534</u>	<u>-</u>	<u>-</u>	<u>86,694</u>	<u>5,744,956</u>
Total benefit obligations other than postretirement benefit obligations	<u>6,307,000</u>	<u>181,000</u>	<u>-</u>	<u>130,179</u>	<u>86,694</u>	<u>6,704,873</u>
Postretirement benefit obligations						
Current retirees	19,098,911	209,917	-	-	-	19,308,828
Other participants fully eligible for benefits	3,378,000	143,000	-	-	-	3,521,000
Other participants not yet fully eligible	<u>12,336,137</u>	<u>387,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,724,022</u>
	<u>34,813,048</u>	<u>740,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,553,850</u>
Total benefit obligations	<u>\$ 41,120,048</u>	<u>\$ 921,802</u>	<u>\$ -</u>	<u>\$ 130,179</u>	<u>\$ 86,694</u>	<u>\$ 42,258,723</u>
December 31, 2007						
Amounts currently payable to or for participants - medical claims drafts outstanding	\$ 721,950	\$ 34,219	\$ -	\$ -	\$ -	\$ 756,169
Other obligations for current benefit coverage - estimated liability for claims incurred but not reported	<u>4,501,050</u>	<u>350,781</u>	<u>-</u>	<u>-</u>	<u>451,723</u>	<u>5,303,554</u>
Total benefit obligations other than postretirement benefit obligations	<u>5,223,000</u>	<u>385,000</u>	<u>-</u>	<u>-</u>	<u>451,723</u>	<u>6,059,723</u>
Postretirement benefit obligations						
Current retirees	18,562,000	165,000	6,003,000	4,841,000	-	29,571,000
Other participants fully eligible for benefits	2,879,000	112,000	726,000	311,000	-	4,028,000
Other participants not yet fully eligible	<u>11,231,000</u>	<u>439,000</u>	<u>702,000</u>	<u>857,000</u>	<u>-</u>	<u>13,229,000</u>
	<u>32,672,000</u>	<u>716,000</u>	<u>7,431,000</u>	<u>6,009,000</u>	<u>-</u>	<u>46,828,000</u>
Total benefit obligations	<u>\$ 37,895,000</u>	<u>\$ 1,101,000</u>	<u>\$ 7,431,000</u>	<u>\$ 6,009,000</u>	<u>\$ 451,723</u>	<u>\$ 52,887,723</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Changes in Benefit Obligations
Year Ended December 31, 2008

	<u>Medical Plan</u>	<u>Dental Plan</u>	<u>Retiree Life Benefit Plan</u>	<u>Life and AD&D Plan</u>	<u>Flexible Spending Account</u>	<u>Total Memorandum Only</u>
Amounts currently payable to or for participants - medical claims drafts outstanding and premiums due to insurers						
Balance at beginning of year	\$ 721,950	\$ 34,219	\$ -	\$ -	\$ -	\$ 756,169
Claims reported and approved for payment	(42,734,826)	(4,692,504)	(15,000)	-	(2,436,945)	(49,879,275)
Premiums reported and approved for payment	-	-	-	(3,476,008)	-	(3,476,008)
Claims and premiums paid	<u>42,756,148</u>	<u>4,744,751</u>	<u>15,000</u>	<u>3,606,187</u>	<u>2,436,945</u>	<u>53,559,031</u>
Balance at end of year	<u>743,272</u>	<u>86,466</u>	<u>-</u>	<u>130,179</u>	<u>-</u>	<u>959,917</u>
Other obligations for current benefit coverage - estimated liability for claims incurred but not reported						
Balance at beginning of year	4,501,050	350,781	-	-	451,723	5,303,554
Net change in estimated liability	<u>1,062,678</u>	<u>(256,247)</u>	<u>-</u>	<u>-</u>	<u>(365,029)</u>	<u>441,402</u>
Balance at end of year	<u>5,563,728</u>	<u>94,534</u>	<u>-</u>	<u>-</u>	<u>86,694</u>	<u>5,744,956</u>
Total benefit obligations other than postretirement benefit obligations	<u>6,307,000</u>	<u>181,000</u>	<u>-</u>	<u>130,179</u>	<u>86,694</u>	<u>6,704,873</u>
Postretirement benefit obligations						
Balance at beginning of year	32,672,000	716,000	7,431,000	6,009,000	-	46,828,000
Benefits earned	617,000	24,000	45,000	16,000	-	702,000
Interest	2,159,000	45,000	476,000	381,000	-	3,061,000
Transfer for Retiree Life Buy-out	-	-	(5,774,402)	(3,975,569)	-	(9,749,971)
Benefits paid	(2,471,000)	(15,000)	-	(44,301)	-	(2,530,301)
Changes in actuarial assumptions and other gains and losses	1,836,048	(29,198)	(731,598)	(937,130)	-	138,122
Plan amendment	-	-	(1,446,000)	(1,449,000)	-	(2,895,000)
Balance at end of year	<u>34,813,048</u>	<u>740,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,553,850</u>
Total benefit obligations at end of year	<u>\$ 41,120,048</u>	<u>\$ 921,802</u>	<u>\$ -</u>	<u>\$ 130,179</u>	<u>\$ 86,694</u>	<u>\$ 42,258,723</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Statement of Changes in Benefit Obligations
Year Ended December 31, 2007

	<u>Medical Plan</u>	<u>Dental Plan</u>	<u>Retiree Life Benefit Plan</u>	<u>Life and AD&D Plan</u>	<u>Flexible Spending Account</u>	<u>Total Memorandum Only</u>
Amounts currently payable to or for participants - medical claims drafts outstanding						
Balance at beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Claims reported and approved for payment	(33,499,577)	(4,166,306)	(15,000)	-	(2,987,084)	(40,667,967)
Claims paid	<u>34,221,527</u>	<u>4,200,525</u>	<u>15,000</u>	<u>-</u>	<u>2,987,084</u>	<u>41,424,136</u>
Balance at end of year	<u>721,950</u>	<u>34,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,169</u>
Other obligations for current benefit coverage - estimated liability for claims incurred but not reported						
Balance at beginning of year	-	-	-	-	-	-
Net change in estimated liability	<u>4,501,050</u>	<u>350,781</u>	<u>-</u>	<u>-</u>	<u>451,723</u>	<u>5,303,554</u>
Balance at end of year	<u>4,501,050</u>	<u>350,781</u>	<u>-</u>	<u>-</u>	<u>451,723</u>	<u>5,303,554</u>
Total benefit obligations other than postretirement benefit obligations	<u>5,223,000</u>	<u>385,000</u>	<u>-</u>	<u>-</u>	<u>451,723</u>	<u>6,059,723</u>
Postretirement benefit obligations						
Balance at beginning of year	-	-	-	-	-	-
Transfer due to merger	38,478,000	877,000	7,733,000	6,351,000	-	53,439,000
Benefits earned	829,000	29,000	58,000	52,000	-	968,000
Interest	2,294,000	53,000	464,000	379,000	-	3,190,000
Benefits paid	(2,206,000)	(10,000)	(444,000)	(305,000)	-	(2,965,000)
Changes in actuarial assumptions and other gains and losses	(2,736,000)	(233,000)	(380,000)	(468,000)	-	(3,817,000)
Plan amendment	<u>(3,987,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,987,000)</u>
Balance at end of year	<u>32,672,000</u>	<u>716,000</u>	<u>7,431,000</u>	<u>6,009,000</u>	<u>-</u>	<u>46,828,000</u>
Total benefit obligations at end of year	<u>\$ 37,895,000</u>	<u>\$ 1,101,000</u>	<u>\$ 7,431,000</u>	<u>\$ 6,009,000</u>	<u>\$ 451,723</u>	<u>\$ 52,887,723</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plans

The Medical Plan, the Dental Plan, the Retiree Life Benefit Plan, the Life and AD&D Plan, the Flexible Spending Account, the Vision Plan, and the Long-Term Disability Plan (the "Plans") represent seven of the Plans comprising the Farm Credit Foundations Benefit Plans – Health and Welfare. The Farm Credit Foundations Benefit Plans provide health and welfare benefits to eligible member employers. The following description provides general information regarding the Plans. Refer to the respective Plans' documents for a complete description of Plan provisions.

Plan Provisions

The member employers of the Farm Credit Foundations Benefit Plans include AgriBank, FCB and its affiliated Associations, Northwest Farm Credit Services, ACA, and U.S. AgBank, FCB and its affiliated Associations (the "Employers"). Except as discussed below, all full-time and part-time employees of the Employers working an average of 20 hours or more per week are eligible to participate in the Plans.

Plan Governance

The Farm Credit Foundations Plan Sponsor and Trust Committees provide consideration and oversight of the benefit Plans offered by participating employers of the AgriBank District, U.S. AgBank District, and Northwest, FCS as defined by the Farm Credit Foundations Administrative Agreement. There are 48 participating employers across 26 states with over 7500 active employees. The governance committees are either elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and Plan administrative functions.

Medical Plan

The Medical Plan provides self-insured hospital and health care benefits to all eligible active and retired employees. The cost of medical coverage for active employees and retirees is shared by the Employers and Plan participants. Employees and retirees may make contributions to obtain coverage for themselves and/or dependents.

The Employers have purchased specific excess loss insurance on the self-insured PPO features through the Farm Credit System Association Captive Insurance Company. Under the terms of the policy, the insurer will reimburse 100 percent of eligible expenses in excess of \$300,000 per covered person. For claims above \$800,000 the reinsurance for this stop-loss is through Blue Cross Blue Shield of Illinois (BCBS IL). The Medical Plan is administered by BCBS IL and CVS Caremark for pharmacy benefit management.

Fully insured medical Plans are offered for employees in the State of Hawaii through Hawaii Medical Service Allocation (HMSA), the State of Utah through SelectHealth, and the State of California through Blue Cross of California.

A Supplemental Cancer Plan is being offered and provides supplemental coverage for certain specified conditions for employees, their spouse and family. The cost of the Plan is borne by employees. The insurance coverage is provided by AFLAC.

Transfers to the health savings and dependent care accounts are employee contributions withheld from payroll, which are deposited into each participant's account.

Dental Plan

The Dental Plan is self-insured which provide employees with the option of basic or comprehensive dental coverage. The basic program covers routine annual expenses such as examinations, X-rays, fillings, and cleanings. The comprehensive program covers all expenses provided for by the basic

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

Plan as well as major and orthodontia treatment. The Employers and employees share the cost of the Plan. The Dental Plan is administered by Delta Dental of Kansas.

Retiree Life Benefit Plan

The Retiree Life Benefit Plan provides for a \$5,000 payment to the beneficiaries of retired employees of AgriBank, FCB, and affiliated Associations. To be eligible, a person must not have attained age fifty-seven on or before May 1, 1974, and must retire on or after that date. The participating Employers' bore the cost of the Plan through contributions made to the trust. As of December 31, 2001, the Plan was closed to employees hired after January 1, 2002. Insurance coverage is provided by Minnesota Life. Payments of premiums are made through trust assets for AgriBank, FCB and its affiliated Associations. All other Employers make premium payments directly to Minnesota Life as requested.

The Retiree life insurance described above is also available to the employees and retirees of Northwest Farm Credit Services, ACA, the former Western Farm Credit Bank and the Associations of the Eleventh Farm Credit District, and U.S. AgBank and affiliated Associations. As of December 31, 2001, the Plan was closed to employees hired after January 1, 2002 for Northwest and Western employers. U.S. AgBank no longer offers this insurance for all active employees as of January 1, 2007, but the policy remains in effect for current retirees. The amount of benefit varies by employer. The cost is borne by the individual Employers by paying premiums for the life insurance policies through Minnesota Life.

The Retiree Life Benefit Plan was terminated in December 2008. Retiree Life benefits for all current employees was eliminated effective January 1, 2009. A life insurance buy-out was concluded with MetLife whereby MetLife has taken over responsibility and liability for all future claims from the current retired population only as of December 1, 2008. Through this transaction, the participating Employers have eliminated all Plan liability.

Life and AD&D Plan

The Employers provide basic life insurance and accidental death and dismemberment ("AD&D") coverage to eligible employees equal to one times the employees' total compensation. The cost of the Plan is borne by the Employers, who make premium payments to the insurance company in return for coverage for the employees. Employees also have the option to purchase additional life insurance, additional AD&D insurance, dependent life insurance or group universal life insurance. The cost of these optional policies is borne by the participating employees and remitted to the insurance company as premium payments. All insurance coverage is provided by Minnesota Life.

Flexible Spending Account

The Flexible Spending Accounts allow employees to set aside pre-tax dollars for out-of-pocket health care and dependent care expenses. This Plan is funded entirely by the employees. Forfeited contributions are used to pay Plan administrative and other expenses.

Vision Plan

The Vision Plan provides comprehensive services that focus solely on eye care. The cost of the Plan is borne by the employees. Employee contributions are remitted to the insurance company, Vision Service Plan, as premium payments. The Plan provides coverage for the employee and eligible family members for eye exams, lenses, frames, and contact lenses. The Vision Plan also covers laser vision correction surgery at a discounted fee when network providers are used. For participating providers, services are paid in full after an initial employee copayment. Employees are given allowances for services provided by nonparticipating providers.

Long-Term Disability Plan

The Long-Term Disability Plan provides payment of 66 2/3 percent of an employee's eligible monthly earnings. Benefits begin on the 181st day after disability, subject to the approval of the

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

insurance provider, Hartford. The cost of the Plan is borne by the Employers, with contributions remitted to Hartford as premium payments.

Funding Policy

Employers and employees contribute to the various Plans in amounts necessary to fund the benefits provided.

Postretirement costs of the Medical Plans are shared by the participating employers and retirees. In addition to deductibles and copayments, contributions are subsidized by the Employers as follows:

Retiree Participants	Retiree Contribution
(1) Former 7th District Retirees (retired prior to December 31, 1992)	
Under age 65	Employer subsidy is 50 percent of total premium
Over age 65	Employer subsidy is 50 percent of total premium
(2) Former 6th District Retirees (retired prior to December 31, 1992)	
Under age 65	Employer subsidy is 75 percent of total premium
Over age 65	Employer subsidy is 75 percent of total premium
(3) Former 4th District Retirees (retired or eligible to retire on December 31, 1992)	
Under age 65	Employer subsidy is 33 percent of total premium
Over age 65	Employer subsidy is 10 percent of total premium
(4)* Current AgriBank, FCB District Retirees (hired prior to January 1, 2002, and retired after January 1, 1993)	
Under age 65	Employer subsidy is based on a formula of \$50 x number of years of service (10 year minimum/30 year maximum)
Over age 65	Employer subsidy is based on a formula of \$30 x number of years of service (10 year minimum/30 year maximum)
(5) Current 11th District Retirees (hired prior to January 1, 2002)	
Under age 65	Employer subsidy is 25 percent of total premium
Over age 65	Employer subsidy is \$50 a month for each retiree
(6) Current Northwest Farm Credit Services Retirees (hired prior to January 1, 2002)	
Under age 65	No employer subsidy
Over age 65	No employer subsidy
(7) Current Farm Credit Services of America Retirees (hired prior to January 1, 2002)	
Under age 65	Employer subsidy is a percentage of retiree premium, in excess of active premium, ranging from 0 percent to 100 percent depending on years of service
Over age 65	No employer subsidy

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

(8) Current U.S. AgBank Retirees (hired prior to January 1, 2004)

Under age 65

Employer subsidy varies by service and retirement date

Over age 65

Employer subsidy varies by service and retirement date

* Note: Employees retiring from Farm Credit Services of Mid-America, an employer in the AgriBank, FCB District, are not eligible for subsidy; they are charged the total premium. Also, employees retiring from Farm Credit Services of America receive a different subsidy. (See (6) above.)

Any employee hired after January 1, 2002 has access to retiree medical coverage provided they retire at age 55 or later with ten or more years of service, however there will be no employer subsidy. U.S. AgBank and its affiliated (former 9th District) Associations eliminated the retiree medical subsidy for all active employees as of September 30, 2007. Access to Retiree Medical Insurance at age 55 or later with ten or more years of service is still available.

Regulatory Compliance

The Department of Labor has determined the Plans to be governmental Plans; therefore, the Plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Plan Administration

The Plans provide that an employee of a participating employer who has adopted the Plans, and who has satisfied the eligibility requirements of the Plans, has rights to benefits under the Plans. AgriBank, FCB serves as Plan Administrator under the Plans. The Trust Committee has primary responsibility for administration and interpretation of the Plans and investment of the assets of the Plans.

Wells Fargo is the primary custodian for the invested assets of the Plans and is the investment manager for the Plans. As the investment manager, Wells Fargo supervises and administers all investments and related activities including such functions as purchases, sales, reinvestment, collection of interest, dividends and other forms of income and voting.

Plan Termination

Although it has not expressed any intention to do so, the Plan sponsor has the right under the Plans to modify the benefits provided, to discontinue its contributions at any time, and to terminate the Plans. Upon such termination, assets will be used to pay benefits under the terms of the Plans and coverage for all covered persons would end.

2. Summary of Significant Accounting Policies

A description of the Plans' significant accounting policies follows:

Basis of Accounting

The accounts of the Plans are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, income is recorded in the year earned and expenses are recorded in the year incurred.

Fair Value Measurements

On January 1, 2008, the Plans adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plans have the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investment Valuation and Income Recognition

The Plans' investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Plans' investments are valued at fair value according to SFAS 157. The fair value of the mutual fund is determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities. The short term investments are valued at cost which approximates fair market value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying instrument and dividend income is recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Insurance Contracts

Insurance carriers provide coverage under the Medical Plan, Retiree Life Insurance Plan, Life and AD&D Plans, Vision Plan, and Voluntary Benefits Plan. Under the terms of the contracts with each respective carrier, the insurer has received premium payments and has a legal obligation to make all benefit payments. As such, these insurance contracts are excluded from Plan assets.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Notes to Financial Statements
December 31, 2008 and 2007

Benefits and Expenses

All benefits under the Life and AD&D Plans, Vision Plan, and Voluntary Benefits Plan as well as certain benefits under the Medical Plan and Retiree Life Insurance Plan are paid by the insurance companies to which the Employers and/or employees pay premiums. All other benefit payments are paid from Plan assets and are recorded upon distribution.

Administrative and other expenses of the Plans are generally paid from Plan assets. The Employers, however, may pay directly certain administrative expenses of the Plans. Costs paid directly by the Employers are not recorded in the statements of changes in net assets available for benefits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of benefit obligations at the date of the financial statements. Actual results could differ from those estimates.

Income Tax Status

A trust was established under the Plans to hold Plan assets. The Plans have not obtained a determination letter from the Internal Revenue Service, but management is of the opinion that the Plans and related trusts are operating in compliance with applicable sections of the Internal Revenue Code (IRC) and are exempt from Federal income taxes.

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4. Investments

Significant Investments

The following table identifies the individual investments that represent 5 percent or more of the Plans' net assets at December 31, 2008 and 2007:

Description	2008	2007
Medical Plan		
Wells Fargo Cash Investment Fund	\$ 6,995,898	\$ 6,112,757
Dental Plan		
Wells Fargo Cash Investment Fund	834,325	468,758
Retiree Life Benefit Plan		
Wells Fargo Stable Income Fund (A)	-	6,887,364
Flexible Spending Account		
Wells Fargo Cash Investment Fund	169,357	451,501

(A) Administrator Class

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Notes to Financial Statements
December 31, 2008 and 2007

Depreciation of Investments

The depreciation in fair value of investments includes the realized gains and losses on investments that were sold during the year and the increase or decrease in unrealized appreciation or depreciation on investments held at year-end. Net depreciation for the year ended December 31, 2008 and 2007, is summarized below:

	<u>2008</u>	<u>2007</u>
Retiree Life Benefit Plan		
Mutual Fund	\$ (664,343)	\$ (46,980)

5. Benefit Obligations

Postretirement Benefit Obligations-Medical Plan, Dental Plan, Retiree Life Benefit Plan and Life and AD&D Plan

The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the Plan to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current Plan participants. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with participating employers. The postretirement benefit obligation represents the amount that is to be funded by contributions from the Plan's participating employers and from existing Plan assets. Prior to an active employee's full eligibility date, the postretirement benefit obligations is the portion of the expected postretirement benefit obligations that is attributed to that employees service rendered to the valuation date.

The actuarial present value of accumulated Plan benefits is determined by the Plan's actuaries by applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment.

The significant assumptions used in the valuations as of December 31, 2008 and 2007, are detailed in the following table:

Average retirement age	Graduated rate beginning at age 55 with the 100% retirement assumption varying by employer and ranging from age 62 up to age 67
Mortality	RP-2000 Table (projected through the valuation year)
Interest rate	6.30 % per annum for 2008 6.40 % per annum for 2007

The foregoing assumptions are based on the presumption that the Plans will continue. Were the Plans to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

For measurement purposes with regard to the Medical Plan, the following annual rates of increase in the per capita cost of covered health care benefits were assumed for 2008:

AgriBank, FCB District participants	9.00% grading to 5.00% by 2016
FCS of America and Northwest participants	9.00% grading to 5.00% by 2016
Former Eleventh District participants	9.00% grading to 5.00% by 2016
Former Ninth District participants	9.00% grading to 5.00% by 2016

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits

Notes to Financial Statements

December 31, 2008 and 2007

For measurement purposes with regard to the Medical Plans, the following annual rates of increase in the per capita cost of covered health care benefits were assumed for 2007:

AgriBank, FCB District participants	9.00% grading to 6.00% by 2011
FCS of America and Northwest participants	9.00% grading to 6.00% by 2011
Former Eleventh District participants	10.00% grading to 6.00% by 2011
Former Ninth District participants	11.00% grading to 6.00% by 2011

AgBank, AgVantis and certain Associations also offer health care and other postretirement benefits to eligible retired employees through the Retiree Medical Plan. These Plans are contributory and noncontributory. The anticipated costs of these benefits were accrued during the period of the employee's active service. Beginning in 2007, the Retiree Medical Plan was amended to continue employer subsidized benefits only for current retirees. Accrued balances as of September 30 for eligible employees were converted to present value and an equivalent amount was contributed to the Ninth Pension Plan and/or Spinoff Pension Plan as an additional pension benefit. This amendment resulted in a decrease of in the postretirement benefit obligation of approximately \$4.0 million.

The weighted average health care cost trend rate assumption has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point in each year, it would increase the obligation by \$867 thousand as of December 31, 2008 and the obligation by \$1.9 million as of December 31, 2007.

Liability for Claims Incurred But Not Reported

The estimated liabilities for claims incurred but not reported for the Medical Plan and Dental Plan at December 31, 2008 and 2007, were estimated by the Plan's actuary in accordance with accepted actuarial principles based on actual claims reported through March of the following year and prior year experience. The estimated liability for claims incurred but not reported is estimated based on actual claims reported through March of the following year.

6. Risks and Uncertainties

The Plans provide for investments in investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the estimated liabilities for claims incurred but not reported and postretirement benefit obligations are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Farm Credit Foundations Benefit Plans - Health & Welfare Benefits
Notes to Financial Statements
December 31, 2008 and 2007

7. Fair Value

The Plan uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Plan measures fair value, refer to Note 2. The following table presents the fair value hierarchy for the assets of the Plan measured at fair value on a recurring basis as of December 31, 2008:

	Investment Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$ 7,999,580	\$ -	\$ -	\$ 7,999,580
Total Investments at Fair Value	<u>\$ 7,999,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,999,580</u>