



Your Retirement

May 2009

For Employees of the Northwest, FCS Retirement Plan

Your Retirement Plan Funding

Employers Contribute \$5 Million to Retirement Plan Trust

The downturn in the economy in 2008 created losses for the entire financial industry, including most employees' 401(k) account balances.

However, the good news is despite the losses, Northwest voluntarily contributed \$5 million to the Northwest Farm Credit Services Retirement Plan in 2008.

We want you to know how your Retirement Plan is funded and provide updated financial information about the plan's ability to pay current and future benefits.



in the values shown in this notice reflect a period of 15 months rather than 12 months.

As of the measurement date of Dec. 31, 2008, and as reflected in Northwest's Annual Report, the assets in the trust declined by \$24.3 million. More specifically,

the fair market value of the plan assets was approximately \$65.9 million. The "accumulated benefit obligation" or ABO as of that same date was approximately \$76.1 million (qualified plan and \$78.6 million with the non-qualified plan) compared to \$79.3 million (qualified plan and \$81.6 million with the non-qualified plan) for the prior year.

The ABO represents what the Retirement Plan currently owes to participants and their beneficiaries.

Understanding the Projected Benefit Obligation

The Annual Report also refers to the Projected Benefits Obligation for the Retirement Plan. Many participants are still earning benefits, and their average compensation when they retire is likely to be higher than what it is right now. Therefore, the Retirement Plan will need more money in the future than it needs right now to pay benefits. The "projected benefit obligation" (PBO) takes into account the expected growth in compensation and liabilities, making assumptions about future compensation levels for participants.

Planning for Retirement

You should remember that the Retirement Plan is just one of the retirement-related benefit plans that your employer is offering

Q&A

Your Annual Retirement Plan Funding Information

The purpose of providing you with this information is to update you about the financial condition of the Northwest, FCS Retirement Plan. This information is intended for:

- Active employees who continue to accrue benefits under the Retirement Plan
- Retirees (or their beneficiaries) who are currently receiving benefits under the Retirement Plan
- Former employees who are entitled to future benefits under the Retirement Plan

This information is being provided by the Farm Credit Foundations Trust Committee, which is responsible for the administration of the Retirement Plan.

How often will this information be provided?

It is the intention of the Trust Committee to distribute this information on an annual basis.

What information will be included?

The information is financial data about the Retirement Plan as included in the Northwest, FCS 2008 Annual Report. While the Annual Financial Report presents information on all of the employee

Bottom Line

As a participant in the Retirement Plan, your accrued benefits are secure. More than \$65.9 million is being held in the trust to pay benefits for current and future retirees in this Retirement Plan. By law, that money may not be used for any purpose other than providing benefits to participants and their beneficiaries and/or paying the reasonable administrative expenses of the plan.

Additionally, the money that has been deposited into the trust has been invested and the earnings from those investments will also be available to pay benefits. Also, Northwest, FCS has continued to make contributions to the trust. In 2008, the participating employers voluntarily contributed \$5 million even though no contribution was required.

Numbers in More Detail

Last year the information in this notice was determined as of Sept. 30, 2007. This year the information was measured as of Dec. 31, 2008. Thus, the changes

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ACG Plays Key Fiduciary Role to Foundations, Trust Committee

As part of its role as a fiduciary, the Trust Committee has hired Asset Consulting Group (ACG) to assist the Committee in performing its due diligence and providing oversight on behalf of the retirement plans. ACG is a St. Louis-based firm that focuses solely on providing investment consulting services to institutional and high net worth clients.

One of the most important functions ACG serves is to provide investment education to the Trust Committee members to assist them in better fulfilling their fiduciary duties. In the past, this has included education on a wide spectrum of topics, ranging from asset allocation to the consideration of new strategies such as enhanced indexing, real estate or alternative assets. These education sessions are a regular part of the Trust Committee's quarterly meetings.

ACG acts as an extension of the Foundations' staff by providing additional resources and expertise to the Trust Committee to help the Trust Committee fulfill the objectives and goals of the retirement plans.

ACG's role is to provide objective advice, expertise, oversight and monitoring to the Trust Committee and the plans. At the onset of the relationship, ACG completed a comprehensive review of the investment guidelines, objectives, risk tolerances and constraints associated with the investment portfolios in each of the defined benefit plans.

At the same time, ACG also completed a thorough review of the options offered in the defined contribution plans, an analysis that included details regarding strategic asset allocation, long-term investment objectives and portfolio implementation.

As part of ACG's ongoing oversight, it meets with the Trust Committee at least quarterly and keeps the Trust Committee apprised of changes or developments in the investment markets as they relate to the portfolio. ACG also recommends changes to the existing manager/strategy lineup and identifies new managers or strategies where appropriate.

ACG reviews, in detail, the portfolio's performance with the Trust Committee each quarter and makes portfolio recommendations where appropriate. Additionally, ACG often participates in the annual joint Plan Sponsor/Trust Committee meetings to provide updates to both committees regarding broad topics relating to the retirement plans.

ACG also maintains ongoing dialogue with our investment managers to assess qualitative aspects of the investment firm. These discussions offer important opportunities to identify organizational changes, portfolio management departures or other factors that could impact future performance. The Trust Committee formally meets with each of the portfolio's investment managers every 12 to 18 months.

Retirement Plan Funding

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you. You also have the opportunity to save in the Farm Credit Foundations Defined Contribution / 401(k) Plan and receive matching contributions. Your employers will match dollar for dollar – up to the first 2% of pay, plus 50% of the next 4% of pay – the amount you contribute to the Plan on a combined pre-tax, Roth after-tax, and/or traditional after-tax basis each pay period. The maximum employer match is 4% of your pay if you contribute 6% or more.

How Your Defined Benefit Retirement Plans Are Funded

The Farm Credit Foundations Plan Sponsor Committee has a responsibility to monitor and approve the funding for your Retirement Plan.

Funding Policy

The Plan Sponsor Committee's funding policy is to require participating employers to contribute amounts which represent normal cost, plus amortization of the unfunded accrued liability over seven years, plus interest, subject to the full funding limitation or other IRS limitations for each plan.

Considerations

The considerations of a funding policy include:

- Relationship between return on plan assets and marginal costs of funds
- Limited accessibility of plan assets
- Diversification of income sources

Procedures

- Actuarial consultants will provide the Plan Sponsor Committee annual updates on funding valuation data
- Funding, when required, occurs twice a year with 40% of the recommended funding completed in June and 60% in December

Definitions

- **Accrued liability** — Present value of projected benefits actuarially determined that reflects each participant's service earned as of the measurement date as well as assumed future increases in salary until retirement
- **Full funding limitation** — A limit established by the IRS that limits the cash contribution to a plan no more than the amount of the unfunded accrued liability at the end of the year
- **Normal cost** — The present value of the participants' benefits earned for the current year's service
- **Unfunded accrued liability** — The accrued liability minus actuarial value of assets

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benefit plans established by Northwest, FCS, the information provided in this newsletter is limited to the Retirement Plan.



Who is the sponsor of the Retirement Plan?

The Retirement Plan is sponsored by Northwest, FCS.

How are benefits under the Retirement Plan funded?

Northwest FCS contributes money to a tax-exempt trust. These employer contributions along with the earnings are used to pay benefits to participants and their beneficiaries as they come due.

How can participants and their beneficiaries be sure that the benefits that have been earned will be paid?

Once money has been contributed to the trust for the Retirement Plan, it cannot be used for any purpose other than paying benefits to participants and their beneficiaries and paying the reasonable administrative expenses of the Retirement Plan.

Can the benefit formula be changed?

The Farm Credit Foundations Plan Sponsor Committee has the authority to amend the terms and conditions of the Retirement Plan. However, certain amendments, such as amendments that would terminate the Plan or change the Plan's benefit formula, must be approved by the Northwest, FCS Board of Directors.



What are the assets of the Retirement Plan as recognized under Generally Accepted Accounting Principles (GAAP)?

In accordance with GAAP, Retirement Plan liabilities and assets were measured as of December 31, 2008 for the Retirement Plan. The trust assets available to pay Retirement Plan benefits were \$65,870,000 compared to \$90,163,000 for the prior reporting period. During the plan year the Plan experienced a decrease in plan assets of \$24,293,000. This decrease reflects losses on plan assets (net of expenses) of \$20,531,000. Total benefits paid to plan participants from Oct. 1, 2007 through Dec. 31, 2008 were \$8,761,758.

What is the actuarial analysis of the Retirement Plan's liabilities?

Based on an analysis by the Plan's actuaries, the liability for benefits earned by participants and beneficiaries as of Dec. 31, 2008 is \$76.1 million (qualified plan and \$78.6 million with the non-qualified plan) compared to \$79.3

million (qualified plan and \$81.6 million with the non-qualified plan) for the prior year. This liability represents the value of all future benefits payable to Participants based on their service with the District through that date and is referred to as the Accrued Benefit Obligation in the 2008 Annual Report.

Based on this liability and the assets in the trust, the Plan has 87% of the money needed to pay benefits to employees, former employees, and retirees. This compares to the Plan's funding level of 114% from the previous year.

What is the projected benefit obligation for the Retirement Plan?

Under GAAP, the District is also required to report liabilities which include the value of additional benefits that will be earned by current employees based on future salary increases. This Projected Benefit Obligation (which includes the Accrued Benefit Obligation discussed above) is \$78.4 million (qualified plan and \$81.5 million with the non-qualified plan) compared to \$81.9 million (qualified plan and \$84.7 million with the non-qualified plan) for the prior year.

Taking into account these additional projected benefits, the qualified plan has 84% of the money needed to pay benefits compared with 110% in the prior year.

How many participants are there in the Retirement Plan?

As of Jan. 1, 2009, there were 564 participants in the Plan. The breakdown is as follows: Active employees 41, former employees 40 and retirees (or their beneficiaries) 483.

How are the assets of the Plan invested?

Plan assets are currently allocated 70% to equity investments and 30% to debt securities. The targeted allocation strategy is 60% to 70% to equity securities and 30% to 40% to debt securities. The intent of this investment strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and the participating employers' financial conditions. These allocations may change over time.

Disclaimer

The terms and conditions on which benefits are being provided through the Retirement Plan are set forth in a written plan document that has been formally adopted by the Farm Credit Foundations Plan Sponsor Committee as well as Northwest, FCS. The provisions of that document may be amended from time to time. In the event of an inconsistency between the information provided in these articles and the provisions of the Plan document, the provisions of the Plan document will control.

PIMCO: Invest Across a Full Spectrum of Financial Markets

Fund Profile

PIMCO, founded in 1971, is a global asset management firm serving a full range of institutional and retail investors worldwide. Its reputation as one of the world's top asset managers rests on PIMCO's

combination of a long-term investment approach, superior client servicing and cutting-edge technology.

With offices in nine countries in North America, Europe and Asia, PIMCO manages investments across a full spectrum of global financial markets. PIMCO's success is built on its ability to consistently provide attractive returns while maintaining a strong culture of risk management and long-term discipline.

PIMCO Total Return Fund

The Total Return Fund is a diversified portfolio of high-quality bonds that is actively managed to maximize return in a risk-controlled framework.

Investor Benefits

This Fund offers investors an actively managed core bond portfolio that can capitalize on opportunities within

multiple sectors of the fixed income market. Potential benefits of this Fund include:

- Attractive excess return potential in a risk-controlled framework
- Portfolio diversification, income and capital gains potential through active management
- An investment strategy managed for all market environments, emphasizing both top-down macroeconomic analysis and bottom-up issue selection

The Fund Advantage

As a pioneer in fixed income total return investing, the Fund Advantage takes a diversified approach to adding value in its effort to provide consistent performance by employing multiple strategies and taking modest risk in each. This reduces the risk of poor performance arising from any single source. PIMCO has a substantial and experienced team specializing in all sectors of the global bond market. It also has a solid record of actively pursuing an extensive global fixed income opportunity set and identifying innovative solutions in its effort to maximize returns.

Today the Seed ... Tomorrow the Harvest!

Enroll in OnTarget, Be Confident of a Bountiful Harvest

Farm Credit Foundations recently introduced a professional managed account service called OnTarget. OnTarget combines the investment and market expertise of New York Life Investment Management LLC

("New York Life Investments") and Morningstar Associates to provide personalized, ongoing 401(k) account management at a fraction of the cost of comparable retail financial advice.

For even more personalization, you can have OnTarget consider assets from investments outside the Plan, including those held by your spouse or partner.

Go to www.bcomplete.com, log in to your account and enroll in OnTarget today. You can sign up now and not be charged a fee until Aug. 18.

Closing Retirement Income Gaps

In late May, New York Life mailed participants a custom Gap Analysis. This personalized report showed if you are facing a retirement income gap based on your current saving and investment strategy.

Increasing Contributions to Maximize Savings

Studies show that steadily increasing your 401(k) contribution rate over time may have a major impact on your ability to reach your retirement income goal. For built-in discipline and convenience, OnTarget automatically increases your savings rate 1% every year until you are contributing 15%. You can stop this auto increase feature at any time.

Reclaiming Your Retirement Confidence

If you are frustrated because you don't know how to protect your retirement savings in these uncertain times, leave the investment decisions to the experts.

What Can You Do if an Investment Option is Not Available in Your 401(k) Plan?

From time to time, plan participants are interested in investment options that are not available in the Farm Credit Foundations Defined Contribution / 401(k) Plan (the "401(k) Plan").

As part of its responsibility for overseeing the assets held by the 401(k) Plan, the Farm Credit Foundations Trust Committee works with its investment consultant to carefully structure an investment lineup of diversified strategies and superior investment funds.

This includes constructing an array of investment fund options that will enable participants with wide-ranging risk / return profiles to select a combination of funds that will help them meet their strategic, long-term objectives.

Additionally, the 401(k) Plan features an "open brokerage window" option that allows participants to select investments outside of the pre-established funds (e.g. any publicly traded stock/mutual fund and options).

This can be used by participants to augment the current diversified choices with other investments in which they are interested.