



Your Retirement

May 2010

For Employees of the Northwest, FCS Retirement Plan

Good News for Your Pension Plan

After Miserable 2008, Annual Returns on Market Value Goes Up 21%



The economic downturn of 2008 seems to be old news. After suffering through a miserable 2008 the results from 2009 are much more promising. How promising? The annual return on the market value of the assets in the trust was 21% in 2009, compared with a loss of 24% for 2008.

Numbers in More Detail

As of the measurement date of Dec. 31, 2009, and as reflected in Northwest's Annual Report, the assets in the trust increased

by \$8.7 million. More specifically, the fair market value of the plan assets was approximately \$74.6 million. The "accumulated benefit obligation" or ABO as of that same date was approximately \$82.6 million (qualified plan and \$85.6 million with the non-qualified plan) compared to \$76.1 million (qualified plan and \$78.6 million with the non-qualified plan) for the prior year. The ABO represents what the Retirement Plan currently owes to participants and their beneficiaries.

Employer Contribution

Even with the growth of 21% in the pension plan assets, Northwest contributed \$1.4 million to the Northwest Farm Credit Services Retirement Plan in 2009, though no contribution was required. 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.

Bottom Line

As a participant in the Retirement Plan, your accrued benefits are secure. More than \$74.6 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. The money deposited into the trust has been invested and the earnings from those

By the Numbers: Northwest, FCS Pension Plan

	2009	2008
ABO in Millions	\$82.6	\$76.1
Market Value in Millions	\$74.6	\$65.9
ABO Percentage	90%	87%
Employer Contributions in Millions	\$1.4	\$5.0

investments will also be available to pay benefits. Also, Northwest, FCS has continued to make contributions to the trust.

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 you. You also have the opportunity to save in the Farm Credit Foundations Defined Contribution / 401(k) Plan and receive matching contributions. Your employer 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.

Call New York Life Participant Center

- ▶ Representatives are available by calling 1-800-294-3575 on any New York Stock Exchange business day, Monday through Friday from 8 a.m. to 7 p.m. Central time.

Check Out Online Tools Available Through New York Life

- ▶ Looking for tools to help you map out your retirement goals? Check out the Online Education Center available in the right margin of the login screen at www.BComplete.com. After you log in to your account, you have more resources available.

It's 2010 – Now What?

Despite Rebound, Concerns about Economy Remain

Recent statistics indicate the economy is stabilizing across most fronts and several leading indicators have recently turned positive. However, there are still legitimate concerns regarding how vigorous and sustained the recovery will be. In the near-term, it appears that another downturn is unlikely.



While it seems that some segments of the economy will be slower to recover, the tide appears to be shifting (absent some unforeseen systemic shock). Some of the current economic indicators that signify a secondary recession is unlikely are as follows:

- A key indicator of a turnaround has been the increase in consumer spending during the last two quarters. At approximately 70% of the Gross Domestic Product (GDP), consumer spending drives GDP growth. Looking ahead, the median forecast is for consumer spending in 2010 to remain around its recent historical average. Importantly, this forecast excludes one-time consumer stimulus programs such as Cash for Clunkers.
- Recent data also indicates that personal income is beginning to rise from trough levels. Over time, it is expected that this rising income should contribute to increased consumption.
- The recent increase in temporary employment, which has historically been a leading indicator for permanent employment, suggests that employment may be nearing an inflection point.
- Corporate profits are picking up due to lower costs and revenue growth. Sales have recently picked up at the wholesale and manufacturing levels as companies have increased orders to replenish inventories. The combination of higher sales and lower costs has led to a resurgence of corporate profitability, causing corporate profit margins to return to their 36-year historical average of approximately 10.5% (according to the Bureau of Economic Analysis).

Despite the positive indicators, much concern remains about the health of the U.S. economy. Current capacity utilization in the economy is at a historic low point and unemployment is still hovering near 10%. Longer term, there are valid concerns that the U.S. government's recent stimulus programs will result in much higher inflation. Current indicators suggest that inflationary pressures will remain low for most of 2010 but economists and investors are actively monitoring market signals for any signs of change.

In summary, current economic data continues to be mixed – and much of the information is “less bad” rather than positive – but the markets broadly reflect improvement in investor sentiment and a belief that a “double dip” recession is unlikely.

Sources: Bloomberg, Commerce Department, Bureau of Economic Analysis, NBER, Bureau of Labor Statistics

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 accruing benefits
- Retirees receiving benefits
- Former employees entitled to future benefits under the Retirement Plan

What Information will be Included?

The information is financial data about the Retirement Plan as included in the Northwest, FCS 2009 Annual Report. While the Annual Financial Report presents information on all of the employee 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.

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 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, 2009 is \$82.6 million (qualified plan) and \$85.6 million with the non-qualified plan) compared to \$76.1 million (qualified plan) and \$78.6 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 2009 Annual Report.

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Based on this liability and the assets in the trust, the Plan has 90% of the money needed to pay benefits to employees, former employees, and retirees. This compares to the Plan's funding level of 87% 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 \$85.3 million (qualified plan and \$88.7 million with the non-qualified plan) compared to \$78.4 million (qualified plan and \$85.1 million with the non-qualified plan) for the prior year.

Taking into account these additional projected benefits, the qualified plan has 87% of the money needed to pay benefits compared with 84% in the prior year.

How Many Participants are in the Retirement Plan?

As of Jan. 1, 2010, there were 552 participants in the Plan. The breakdown is as follows: active employees, 39; former employees, 36; and retirees (or their beneficiaries), 477.

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.

Stay on Top of Your Plan

Many believe retirement planning is about preparing for life in the future. But that's not really what your Farm Credit Foundations 401(k) Plan (the "Plan") is for. That's right! It's not just to save for retirement. It's also to feel confident about taking the right steps to live the life you want – now and later.



Here are just a few things to consider now:

Savings

One of the benefits of your Plan is that you may elect contributions from your paycheck on a pre-tax basis which grow tax-deferred until you withdraw them. Or, you can elect Roth after-tax contributions which are tax-free if making a "qualified" withdrawal. So, ask yourself if you're saving enough and see if you can put away even more. Also, make sure you're taking advantage of the Farm Credit Foundations employer match.

Review and Update Your Beneficiary Designation

Designate your beneficiaries online. Beneficiary designations override a will and significantly affect your loved-ones' long-term security, if something happens to you unexpectedly. Enter or update your beneficiary designations via www.BComplete.com.

Morningstar Retirement ManagerSM

This free service offers professional investment recommendations based on the funds that are available in your plan. Through a personalized strategy, you'll get recommendations for:

- How much you should save to help reach your goals
- Which Plan investments make the most sense for you
- What percentage you should contribute to each Plan investment

To use Morningstar Retirement Manager, visit www.BCcomplete.com, go to "Financial Tools" and click on "Retirement Planning."

Automatic Rebalancing

This feature helps you keep investments aligned with your goals by periodically adjusting the balance of your investment mix based on your original target percentages. It's like having an account manager worry about the effects of market shifts on your portfolio so you don't have to. To take advantage of Automatic Rebalancing, visit www.BCcomplete.com, from the "Manage My Account" tab select "Investment Election Change."

Watch your mail for your 2010 Total Rewards Statement from New York Life Retirement Plan services in August. It's an important look into whether you're on target to meet your future goals!

If you have any questions, visit www.BCcomplete.com. You can also contact our Participant Service Center at 1-800-294-3575 between 8 a.m. and 10 p.m., Eastern time, Monday through Friday on New York Stock Exchange business days.

*Morningstar Associates, LLC, a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., serves as the independent financial expert for OnTarget and is not affiliated with New York Life Investment Management, LLC.

TimeSquare Capital Management Big on Growth Equities

Fund Profile

TimeSquare Capital Management was established in 2000 as an investment management firm focused exclusively on meeting the needs of institutional investors.

The firm manages growth equities

across the domestic equity market capitalization spectrum.

Farm Credit Foundations is currently invested in TimeSquare's small/mid cap growth strategy within the defined benefit plan and the small cap growth strategy within the defined contribution plan. The two strategies are led by the same portfolio manager, who is supported by a co-portfolio manager and a team of seven sector-specific research analysts that work across the small/mid cap market spectrum.

TimeSquare employs an intensive fundamental research effort, which places emphasis on assessing management quality and identifying superior business models, to build a diversified portfolio of approximately 100 growth stocks that it believes will generate superior risk-adjusted returns over time. The team's initial universe consists of companies that have demonstrated an ability to grow earnings at least 15% per year. The research analysts



closely follow 300-400 companies within the small/mid cap market place, focusing primarily on the fundamental aspects of each business. When building the portfolio, the team seeks companies that have the following attributes:

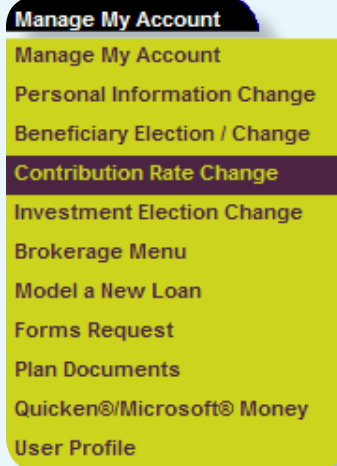
- Exceptional management
- Proprietary products/services
- Consistent, predictable earnings growth
- High probability of retaining or widening margins
- High recurring revenues
- Strong balance sheet
- High barriers to entry
- Relatively few competitors

Overall, TimeSquare's strategy is designed to provide a complementary, diversified approach to the total portfolio as a means to achieve the long-term objectives of the retirement plan.

Take Advantage of After-Tax Spillover Feature

Are you affected by the IRS limit on combined pre-tax and/or Roth after-tax contribution to the Farm Credit Foundations 401(k) plan? Then the new after-tax auto spillover feature could be just for you.

No more monitoring your pay checks to see when you reach the limit. With the new auto spillover feature, just make one election that will automatically switch your contributions every year to traditional after-tax when you reach the IRS limit. Your election will continue year after year, unless you make a contribution rate change.



Take Advantage of Employer-Matching Funds!

The maximum amount you can contribute into your 401(k) for 2010 is \$16,500, plus an additional \$5,500 catch-up, if you are age 50 or over at any time during the year. If you ever reach that limit, your pre-tax

No more monitoring your pay checks to see when you reach the limit.

and/or after-tax Roth contributions are automatically suspended and you will no longer receive the employer match. To keep receiving your employer match for the rest of the year, you can make after-tax contributions. Therefore, you will receive the maximum employer match if you continue to contribute at least 6%.

How to Enroll

Log in to your account on www.BComplete.com, and go to the Contribution Rate Change menu under the Manage My Account tab. You can also call BenefitsComplete at 1-800-294-3575.

Access Your Earnings Statement

You may access your Earnings Statement on Ceridian Self-Service each pay period to keep track of all your year-to-date contributions including any after-tax spillover contributions you elect. You may also view contributions to your 401(k) account at www.BComplete.com by accessing the Detailed Statement Online menu item under the View My Account tab.