



# Your Retirement

May 2011

For Employees of the Eleventh District Retirement Plan

## Pension Fund Assets Rise Again in 2010

### 10% Rate of Return; Employers Contribute \$6 million for Employees

The Eleventh Farm Credit District Retirement Plan trust fund assets exceeded \$153 million dollars on December 31, 2010 – well above the level of \$119 million on December 31, 2008, near the low point of the most recent economic turmoil.

#### Numbers in More Detail

As of the measurement date of December 31, 2010, and as reflected in the District's Annual Report, the assets in the trust increased by \$9.6 million (net of earnings, employer contributions, benefit payments and expenses) to approximately \$153.7 million. The "accumulated benefit obligation" or ABO as of that same date was approximately \$194.6 million (qualified plan; \$204.1 million with the non-qualified plan) compared to \$182.7 million (qualified plan; \$192.6 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 in the plan trust assets due to earnings of \$15.0 million, the employers participating in the Eleventh Farm Credit District Retirement Plan contributed \$6.0 million into the Plan in 2010. The District employers' funding policy is to contribute the Normal Cost (value of benefits accrued in the last calendar year) plus any additional amount based on a seven-year amortization of the prior year's unfunded liability.

#### Bottom Line

As a participant in the Retirement Plan, your accrued benefits are secure. More than \$153 million is being held in the trust to pay benefits for current and future retirees



in the Retirement Plan. By law, that money may not be used for any purpose other than providing benefits to participants and their beneficiaries and paying reasonable administrative expenses of the plan. Additionally, the money in the trust has been invested and the earnings from those investments will also be available to pay benefits.

#### 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.

### By the Numbers Eleventh District Pension Plan

As of December 31	2010	2009	2008
ABO in Millions	\$194.6	\$182.7	\$160.8
Market Value in Millions	\$153.7	\$144.1	\$119.0
ABO Funded Percentage	79%	79%	74%
Employer Contributions in Millions	\$6.0	\$9.9	\$20.6

#### Planning for Retirement

The Retirement Plan is just one of the retirement-related benefit plans that your employer offers 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 eligible pay plus 50% of the next 4% of pay the amount you contribute each pay period on a combined pre-tax, Roth after-tax, and/or traditional after-tax basis. 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 7 a.m. to 9 p.m. Central time.

#### Check Out Online Tools Available Through New York Life

- ▶ Looking for help mapping your retirement goals? Check out the tools and resources available under the My Learning Center tab at [www.mylife.newyorklife.com](http://www.mylife.newyorklife.com).

# Retirement Income: How Much Is Enough?

You may have heard you need 60 – 80% of your gross pre-retirement income to maintain your lifestyle during retirement. Some items will certainly decrease – like Social Security and Medicare taxes and 401(k) contributions.

The income you need will depend on many variables — your tax bracket, your lifestyle, the cost of retiree medical insurance, and your desire for activities during retirement for which you had neither time nor money while you were working, for example travel.

Perhaps you are timing your retirement to be coincident with other significant events when your expenses decrease, for example, paying off a mortgage or your last child finishing their education. All these can affect your desired income replacement.

According to “The Real Deal 2010,” a study of retirement income adequacy by human resources consulting firm, AonHewitt, those retiring at age 65 need on average 15.7 times their final year’s pay to provide for their retirement income needs.

Therefore, if your annual income prior to retirement is \$100,000, you may need a total value of \$1,570,000 to produce adequate retirement income. Remember, this is just an average and you may have to do some financial planning to determine your “number” and income requirements.

Income can come from defined benefit (pension) plans, defined contribution (401(k)) plans, Social Security, and other investments. AonHewitt also identifies some factors and risks that could increase the multiple of pay needed, e.g. retiring earlier, living longer, poor investment performance, higher inflation.

## Am I On Track?

Fortunately, you have help to keep up to date on your progress toward a financially secure retirement. Each year New York Life Retirement Plan Services, the record keeper for the pension and 401(k) plans, sends you a personalized Total Rewards Statement.

The retirement section provides you an annual “point-in-time” snapshot of the current values for your 401(k) and your pension benefit. Your Total Rewards Statement also provides you estimated retirement income at various projected ages.

At any time, you can calculate “on demand” estimates of retirement income from the “My Retirement” tab on [www.MyLife.NewYorkLife.com](http://www.MyLife.NewYorkLife.com).

## 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 Eleventh Farm Credit District Retirement Plan. This information is intended for:

- Active employees accruing benefits
- Retirees receiving benefits
- Former employees entitled to future benefits

#### What Information Will Be Included?

The information is financial data about the Retirement Plan as included in the 2010 U.S. AgBank District Annual Financial Report for the Eleventh Farm Credit District Employee’s Retirement Plan. While the Annual Financial Report presents information on all of the employee benefit plans established by the employers in the District, the information provided in this newsletter is limited to the Eleventh Farm Credit District Employee’s Retirement Plan.

#### Who is the Sponsor of the Retirement Plan?

The Retirement Plan is sponsored by the employers in the former Eleventh District.

#### How Are Benefits Under the Retirement Plan Funded?

Each of the employers that are participating in the Retirement Plan 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.

#### Where Can I Get More Information About the Employers in the U.S. AgBank District?

You are welcome to view the 2010 Annual Report. It is available at [www.usagbank.com](http://www.usagbank.com).

#### 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. Certain amendments, such as amendments that would terminate the Plan or change the Plan’s benefit formula, must be approved by the employers that are participating in the Plan. However, any changes cannot reduce benefits already earned.

#### What is the Actuarial Analysis of the Retirement Plan’s Liabilities?

Based on an analysis by the Retirement Plan’s actuaries, the liability for benefits earned by participants and beneficiaries as of December 31, 2010, is \$194.6 million (qualified plan; \$204.1

## Vanguard 2010 Target Date Fund

Now that 2010 has come and gone, you may be wondering about the status of the Vanguard 2010 Target Date Fund.

### Fund Profile

The Target Retirement Funds have a mix of stocks, bonds and cash that grow more conservative over time. For example, as of December 31, 2010, the 2010 Target Date Fund was 48.5% stocks, 48.5% bonds, and about 3% cash.

The Target Date funds are designed to reach their final

asset allocation seven years after the assumed age 65 retirement date. This means that the 2010 Fund will grow more conservative until 2017. At that time the 2010 Fund will likely be merged into the Vanguard Income Fund pending approval by the Vanguard Board of Directors.

The Target Date fund "glide path" assumes that investors retire at age 65 but the current higher equity allocation is a recognition that many investors at that age are either still working or do not need to draw down their retirement accounts.

## Q&A/Retirement Plan Funding Information

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million with the non-qualified plan) compared to \$182.7 million (qualified plan; \$192.6 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 Accumulated Benefit Obligation in the 2010 Annual Report.

Based on this liability and the assets in the trust, the Plan has 79% of the money needed to pay benefits to employees, former employees and retirees. This compares to the Plan's funding level of 79% from the previous year.

### What is the Projected Benefit Obligation for the Retirement Plan?

Under Generally Accepted Accounting Principles (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 Accumulated Benefit Obligation discussed above) is \$207.0 million (qualified plan; \$218.4 million with the non-qualified plan) compared to \$197.5 million (qualified plan; \$209.0 million with the non-qualified plan) for the



prior year.

Taking into account these additional projected benefits, the qualified plan has 74% of the money needed to pay benefits compared with 73% in the prior year.

### How Many Participants are in the Retirement Plan?

As of January 1, 2011, there were 995 participants in the Plan. The breakdown is as follows: 111 active employees; 384 former employees with vested benefits; and 500 retirees (or their beneficiaries) receiving benefit payments.

### How Are the Assets of the Plan Invested?

Plan assets as of December 31, 2010, were allocated 61% to equity investments and 39% to debt securities. The targeted allocation strategy is 50% to 60% to equity securities and 40% to 50% 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.

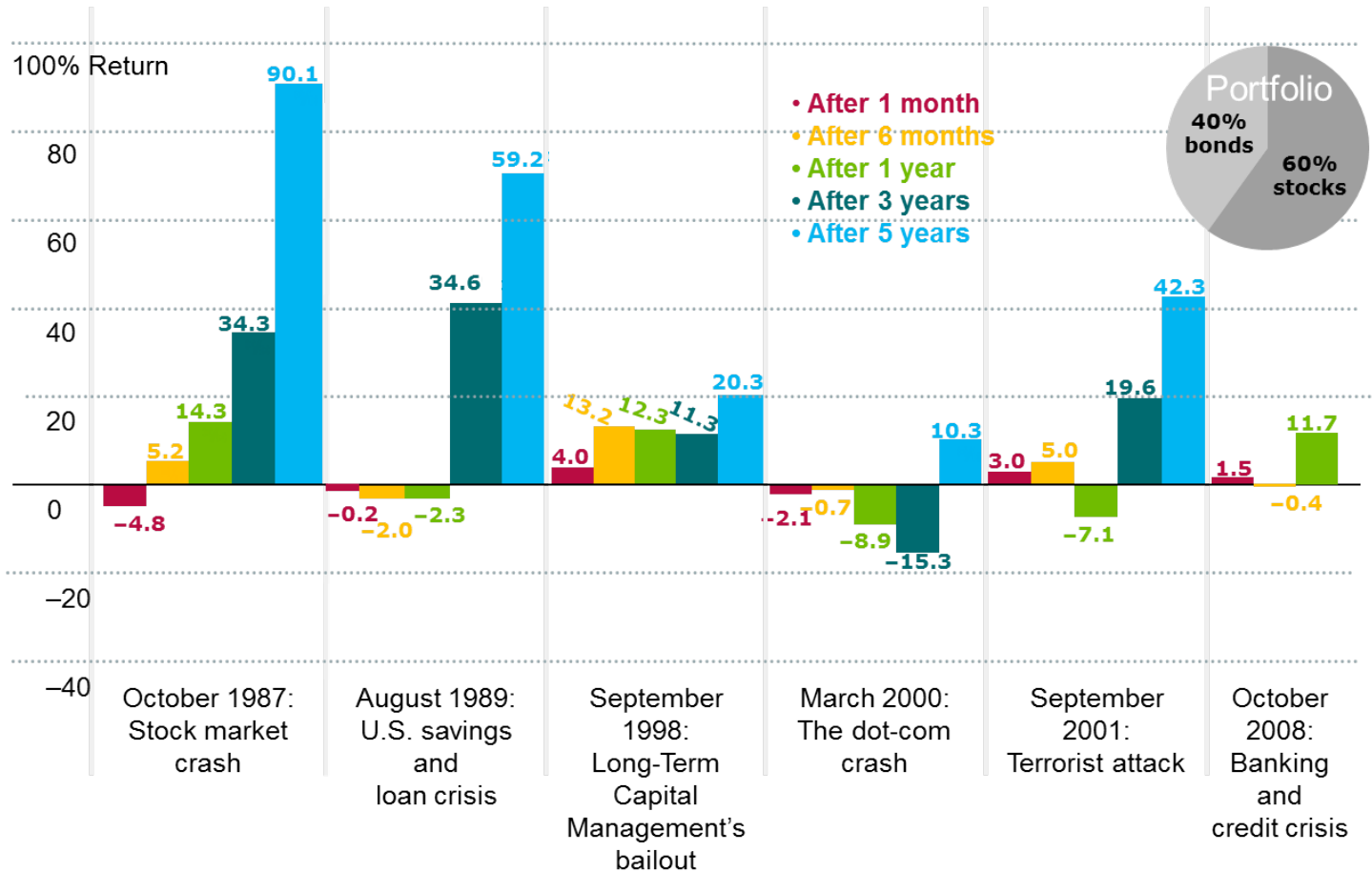
### Disclaimer

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 the former Eleventh District employers participating in the Plan. 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.

## Avoiding Investment Mistakes: Focus on the Short-Term

Has this ever happened to you? Right after you put money into a fund, the fund falls in value. You panic and pull out your money. Months later, the fund goes back up. Had you stayed invested, you might have been fine. Thinking about the short-term may not

be a good way to manage your retirement investments. Saving for retirement is all about the long-term. Long periods of time can expose you to more market rallies and give you more time to make up for losses. Here's a look at some recent market downturns and recoveries.



### Past Performance is No Guarantee of Future Results

Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved.

## Quick Tips: Saving and Investing for Your Financial Future

**Good News** – About 94% of eligible employees save in the Farm Credit Foundations 401(k) plan on a pre-tax, Roth after-tax and/or traditional after-tax basis. Many save at a 6% rate in order to receive the maximum employer match. However, saving at 6% may not be at a level to reach your retirement goals. See previous article (“How Much is Enough?”) about retirement income adequacy. You may want to review your savings rate in relation to your retirement goals. And, if you stopped contributing to your 401(k) for some reason, now's the time to think about starting up again. **Have you considered the managed savings feature?** You make one election and your contribution rate increases automatically 1% each year. Check out the managed savings option on

www.mylife.newyorklife.com in the Update Account Information drop down menu from the My Contributions tab or call New York Life at 1-800-294-3575.

**Good News** – If you stayed with your asset allocation and fund selection through the last market downturn and rebound, you likely recovered much of your losses. The recent market volatility may have gotten you away from your desired asset allocation. **Have you considered the auto-rebalance feature?** You make one election and your funds are realigned to your original asset allocation every three, six, or twelve months. Check out the auto-rebalance option on www.mylife.newyorklife.com in the View/Change My Investments drop down menu from the My Investments tab or call New York Life at 1-800-294-3575.