

**AGENDA**  
**BOARD OF TRUSTEES**  
**PORTLAND WATER DISTRICT**  
**1-408-418-9388**

**Access Code 132 211 9409, Meeting Password 75998259**  
**6:00 p.m., Monday, June 28, 2021**

1. Roll Call Clerk
2. Convene Meeting with vote to conduct the meeting remotely. Clerk
3. Declaration of Election Results and Inauguration for the Trustee representing Falmouth and Cumberland elected on June 8, 2021. Clerk
4. Acceptance of Minutes of Regular Meeting of May 24, 2021, the Workshop Meeting of June 14, 2021. President Douglas
5. Invitation for Public Comment President Douglas
6. Reports:
  - Operations Committee Reports Trustee Burns
  - Planning Committee Reports Trustee Siviski
  - Administration & Finance Committee Reports Trustee Cote
  - General Manager's Report General Manager
7. New Business
  - A. **Order 21-018** authorizing the addition of Principal's Pension Builder product to the District's Deferred Compensation Plan. Administration and Finance Committee
  - B. **Resolution 21-008** authorizing additional depositories of the Portland Water District. Administration and Finance Committee
8. Other Business. An item may be added to this agenda provided seven trustees vote to waive the rule regarding agendas. President Douglas
9. Second Invitation for Public Comment. President Douglas
10. Trustee Comments. President Douglas
11. Executive Session. A motion may be made to go into Executive Session at any time during the meeting to discuss, pursuant to 1 M.R.S. §405(6)(A) personnel, 1 M.R.S. §405(6)(C) real estate, 1 M.R.S. §405 (6)(D) labor negotiations, or 1 M.R.S. §405(6)(E) legal matters. President Douglas
12. Adjournment. President Douglas

Donna M. Katsiaficas  
Clerk

**Portland Water District**  
**Board of Trustees Regular Meeting**

**June 28, 2021**

**New Business**

**Agenda Item 7A-7B**



Portland Water District  
*From Sebago Lake To Casco Bay*

**BOARD OF TRUSTEES / AGENDA ITEM SUMMARY**

Agenda Item: 7A Order 21-018  
Date of Meeting: June 28, 2021  
Subject: Deferred Compensation (457) Plan Amendment  
Presented By: David Kane, Treasurer

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**RECOMMENDATION**

The following proposed language is presented for Board of Trustee approval:

ORDERED, to facilitate the addition of Principal's Pension Builder product, Amendments to the District's Deferred Compensation Plan (the "457 Plan" or "Plan"), are hereby authorized to:

- Add more detailed language to the Plan describing the 180-day benefit election process; and
- Revise the Plan to permit Active Participants to take a distribution from the Plan at Normal Retirement Age (age 65).

BE IT FURTHER ORDERED, that the General Manager and the Treasurer, or each acting singly, is hereby authorized and directed to take any actions necessary or appropriate to effectuate the foregoing Order, including but not limited to: (i) finalizing the language of and executing one or more formal Plan Amendments; (ii) communicating Plan changes to Plan participants and eligible individuals; and (iii) working with legal counsel and/or the Plan's administrator to develop or update appropriate administrative forms and to develop an appropriate education and communication plan regarding Principal's Pension Builder product; and

BE IT FURTHER ORDERED, that all actions heretofore taken by any employee of the District in connection with the transactions authorized by the foregoing resolutions, and all transactions related thereto, are hereby approved, ratified and confirmed in all respects.

## **BACKGROUND**

The above Plan document changes are being made at the request of Principal to facilitate the addition of its Pension Builder product. Pension Builder is a way to build up guaranteed income for retirement while still working (see attached brochure describing the product in more details).

Principal has requested a 30-day period prior to implementation of the Plan Amendment; therefore, to implement the changes by August 1, 2021, the Plan Amendment must be finalized by June 30, 2021.

## **FISCAL REVIEW / FUNDING**

There is no fiscal impact to the District for offering the Pension Builder program

## **LEGAL REVIEW**

Corporate Counsel reviewed the proposed motion and approved it as to form.

## **CONCLUSION(S)**

Staff recommends offering the Pension Builder product to employees. The Committee recommended the motion be forwarded to the full Board for its consideration.

## **ATTACHMENT(S)**

A. Principal Pension Builder Brochure

# Building income for life

Guaranteed income with  
Principal Pension Builder<sup>SM</sup>



# Planning for a lifetime of income in retirement

**Have you ever had one of those crucial moments where a lot of things change? Well, retirement can be like that.**

And the financial part is a big issue. Instead of getting that regular paycheck, employees need to figure out how to use their retirement savings, Social Security and other possible sources of income to create an income stream — and make sure it will last through retirement.

How big of a concern is this? Well, more than half (56%) of Americans don't know how much they'll need to retire comfortably. On average, people think there is a 45% chance they will outlive their savings, and yet 41% have taken no steps to address it.<sup>1</sup>

Luckily, planning ahead can help. One of the simplest ways to get started is to fund your employer-sponsored 401(k) plan — and take full advantage of the company match if one is offered.<sup>2</sup>



express interest in putting some or all of their workplace retirement plan savings into an investment option within the plan today that would guarantee monthly income for life when they retire.<sup>3</sup>

<sup>1</sup> Northwestern Mutual Planning and Progress Study, 2019.

<sup>2</sup> CNBC.com, *Here's how much Americans have saved for retirement at different ages*, Jan 2020.

<sup>3</sup> EBRI/Greenwald Retirement Confidence Survey, April 2019.

## Principal Pension Builder

Principal Pension Builder is a way to build up guaranteed income for retirement while still working.<sup>4</sup> This helps a participant retire with a plan for income. And because it's offered within the existing retirement plan, participants don't have to take distributions to start taking action around guaranteeing income.

Once Principal Pension Builder is added to a plan's lineup, it's like other investment options that allow a lump sum transfer or ability to direct future contributions to it.<sup>5</sup> Each transfer or contribution purchases a known monthly amount of guaranteed income — providing a predictable base and helping ensure they don't outlive their savings.

### Planning ahead

While Principal Pension Builder allows for a lump sum purchase, there can be benefits to buying guaranteed income over time through ongoing contributions, too. Getting an early start with a deferred annuity through Principal Pension Builder means the contributions can typically purchase **a greater amount of guaranteed income rather than waiting until retirement.**

- Because it's in the plan, there is **increased buying power** of group pricing.
- Purchasing guaranteed income over time may **smooth the impact of changing interest rates** on the amount of income purchased.
- Retirement funds used to make Principal Pension Builder purchases are **protected from market fluctuations**, mitigating market risk.
- Having a known amount of guaranteed income helps participants **take control of retirement income planning.**

Here's an example:



\$72,000 Total contributions  
= **\$154,000** Total guaranteed income

**At age 50**, a participant starts contributing \$400 per month to Principal Pension Builder in addition to making contributions into other investment options in the plan.

These monthly contributions continue until the participant retires **at age 65.**

**Upon retiring**, the participant receives payments of \$642 per month (approximately \$7,704 per year).

Assuming a 20-year retirement, that's **more than \$154,000 in total guaranteed income** in return for \$72,000 in total contributions!\*

\*This hypothetical example is for illustrative purposes only. Hypothetical interest rates assumed in this example were based on annual historical averages during 2004 through 2015. Actual first of month Principal Pension Builder interest rates were used from 2016 through 2019. Calculations assume monthly contributions were annualized with a total annual purchase of \$4,800 on April 1 of each year from age 50 through age 64. A monthly income was calculated for each annual contribution and the sum of each purchase equals the final income at age 65. Assumes unisex pricing using a Life with 10-year certain period as the annuity form. The total income received over 20 years of retirement assumes the annuitant lives for 20 years after income payments commence. Actual payments will vary based on factors such as contribution amounts, actual interest rates in effect at the time of purchase, the participant's age at the time of purchase, income start date and annuity option selected.

<sup>4</sup>The ability of Principal Life Insurance Company to pay the guarantee is based on the claims-paying ability of the general account and is subject to the terms of the contract.

<sup>5</sup>Contribution and transfer limits to Principal Pension Builder apply.

## Principal Pension Builder may be right if a participant meets the following conditions:

- ✓ Is approaching retirement (say, within 10 to 15 years).
- ✓ Is in good health and has a family history of long life expectancy.
- ✓ Does not expect to access this portion of savings before retirement.
- ✓ Does not have guaranteed income from other sources (such as a defined benefit plan) to help cover fixed expenses in retirement.

## It may not be the right fit for a participant with any of the following conditions:

- ✗ Already has or anticipates solid sources of guaranteed income for retirement.
- ✗ Wants to take full advantage of possible market growth.
- ✗ Is comfortable with some investment risk.

## Flexible, portable — and guaranteed to last

Because Principal Pension Builder is available within the plan lineup, participants maintain control and flexibility:

- They decide when, how often and how much they wish to transfer or contribute.
- Although meant to be a long-term investment, participants can transfer funds out of Principal Pension Builder after they have made a purchase if their needs change. A surrender charge can occur if the transfer is more than 90 days from purchase.<sup>6</sup>
- As they near retirement, participants choose when guaranteed income payments start and what form the payments will take.
- If the participant leaves the plan before reaching retirement, we can issue a deferred annuity certificate to the participant upon request (they can no longer make contributions to Principal Pension Builder). Or, the funds can remain in the plan until the payment start date.

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**For more than 140 years,** Principal Life has demonstrated strength and stability, with consistently high financial strength ratings from A.M. Best Company, Moody's Investors Service, S&P Global, and Fitch Ratings.<sup>7</sup>

Our ongoing service and support will be there when Principal Pension Builder income payments start.

<sup>6</sup> See details of transfers on page 5

<sup>7</sup> Third-party ratings relate to Principal Life Insurance Company and Principal National Life Insurance Company only, and do not reflect any ratings actions or notices relating to the US life insurance sector generally. Source: Fitch Rating — 'AA-' Very Strong - fourth highest of 19 rating levels; S&P Global — 'A+' Strong - fifth highest of 20 rating levels; A.M. Best — 'A+' Superior - second highest of 13 rating levels; Moody's Investors Service — 'A1' Good - fifth highest of 21 rating levels. Ratings are not a recommendation to buy, sell or hold a security. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Information is current as of the creation of this piece.

Keep in mind that portfolio holdings are subject to risk. Information as of June 2020.

## Offer choice and manage costs

In addition to benefiting employees, adding Principal Pension Builder to the plan lineup can benefit plan sponsors, too:



**May help fulfill fiduciary duties.** This product broadens the lineup to include not just equity investment options, but also retirement income products, helping plan sponsors manage their fiduciary responsibility to provide a range of investment choices.



**Boost the bottom line.** The costs of delayed retirement can be substantial. On average, a one-year delay in retirement costs companies more than \$50,000 per employee.<sup>8</sup> Helping employees retire on time helps manage benefit costs and may boost the bottom line through decreased healthcare expenses and more engaged and productive employees.



**Maintain provider flexibility.** The guaranteed income purchase can remain in Principal Pension Builder as an outside investment option, even if the employer decides to change service providers. Principal will continue to administer Principal Pension Builder annuities for those participants and provide Form 5500 information for that portion of the plan.

Principal Pension Builder allows for the purchase of a deferred income annuity available through the retirement plan to build a guaranteed income stream for life in retirement. There are other types of in-plan annuities, including a variable annuity with a guaranteed minimum withdrawal benefit (GMWB).

**Let's look at key comparison points:**

	Principal Pension Builder	Systematic withdrawals	GMWB
<b>Market exposure</b>	Not subject to market downturns, but may miss out on market growth. In return, provides a guaranteed, known future income stream.  Payments based upon claims-paying ability of the issuing insurance company.	Money remains subject to market fluctuations. Income received depends on market performance; income is not guaranteed.	Guaranteed income amount depends on market performance, but generally will not fall below the guaranteed minimum withdrawal percentage of the original investment amount.  Payments based upon claims-paying ability of the issuing insurance company.
<b>Portability solution</b> (impact of participant termination or provider change)	Terminated participants can elect a deferred annuity certificate but can no longer make contributions. If the employer changes providers, may remain in plan with only a few static data points to communicate, or may be removed from plan, opening up a benefit event window to participants to elect deferred certificates.*	Money in the plan is typically fully portable.	Terminated participants must liquidate and rollover to a retail IRA with GMWB rider to continue to receive the guarantee. If the employer changes providers and keeps in plan, multiple data points continue to change and must be communicated to the new provider on an ongoing basis. Alternatively, employer may remove from plan opening up a benefit event window to participants to rollover to a retail IRA to continue to keep income benefit preserved.
<b>Fluctuation of Principal or Return</b>	Once invested in the annuity, the money is removed from market fluctuations.	Principal and return are subject to market fluctuations.	Principal and return are subject to market fluctuations.

<sup>8</sup> Pensions&Investments, Financial wellness programs can boost cost savings: report, November 2018.

\*Subject to Principal Pension Builder small amount surrender terms and conditions.

	Principal Pension Builder	Systematic withdrawals	GMWB
<b>Fee structure</b>	Incorporates all expenses into the guaranteed income purchase.	No additional product fee, but some providers may charge for plan distributions.	Charges an additional asset-based fee to the account balance to cover the guarantee.
<b>Tax Feature</b>	No difference for this example – qualified funds are the assumed source of investment.	No difference for this example – qualified funds are the assumed source of investment.	No difference for this example – qualified funds are the assumed source of investment.
<b>Liquidity</b> (ability to move funds out of the product)	Can be liquidated at any time. If more than 90 days past purchase date, a surrender charge may be deducted from the transfer amount.	For most retirement plan products, funds can be liquidated at any time with no fee.	Can be liquidated at any time. Participant forfeits the asset-based fee already paid for the guarantee; no other fee or penalty applies.
<b>Guarantees or Insurance</b>	Income is guaranteed at the stated amount, for life.	Not applicable.	Income is guaranteed at the stated amount, for life. Payments may increase if market performance allows.

## Learn more about Principal Pension Builder.

Talk to your financial professional or your Principal representative today.

More product details:	
<b>Purchase guidelines, requirements and surrender charges</b>	<ul style="list-style-type: none"> <li>• Participants can transfer up to 50 percent of the sum of total plan account balance minus outstanding loans and direct up to 50 percent of contributions to Principal Pension Builder.</li> <li>• The minimum transfer amount is \$10 per investment transfer.</li> <li>• The amount of monthly guaranteed income purchased varies based on current interest rates and age of the participant. Income amounts generally will be greater in high interest rate markets and at younger purchase ages.</li> <li>• A participant’s Principal Pension Builder balance cannot exceed \$2 million.</li> <li>• The purchased income assumes a single life with 10-year certain period annuity form and an income payment start date of age 65 or the plan’s normal retirement date, whichever is later. Purchases are based on unisex mortality rates.</li> <li>• Participants can surrender a purchased amount for up to 90 days after the purchase at no charge; after 90 days, amounts can be transferred from Principal Pension Builder subject to a possible surrender charge.</li> <li>• In order to access amounts invested in Principal Pension Builder for a loan or withdrawal, the participant must first transfer the desired amount to another investment option. A surrender charge can apply.<sup>9</sup></li> <li>• Principal Pension Builder is excluded from rebalancing.</li> </ul>

<sup>9</sup> The surrender charge is equal to the difference, if any, of the transferred amount from Principal Pension Builder and the surrender value of that transfer. The surrender value is the lesser of the amount transferred or the present value of the associated guaranteed income payments as determined by the annuity contract and disclosed in the annuity purchase certificate. The surrender value will never be more than the amount transferred from Principal Pension Builder, and may be less if current interest rates are the same or higher than the interest rates in effect at the time of the original purchase. Any transfer from Principal Pension Builder will result in a 12-month restriction period during which investment transfers into the product will not be allowed. Contributions directed to Principal Pension Builder can continue.

## More product details:

### Income start date election

- A participant's Principal Pension Builder balance must be greater than \$5,000 to receive monthly income payments. If the balance is \$5,000 or less at income start date, the participant will receive the present value of the guaranteed income payments. (This will never be less than the participant's balance in Principal Pension Builder.)
- The participant will be contacted to select an income start date at the earlier of reaching age 59 with separation of service, or 180 days prior to the plan's normal retirement date. They can start taking income as early as age 59½ with separation of service or as late as April 1 following the year in which he or she reaches age 70½.
- If the participant doesn't make an election, the income start date defaults to the later of age 65 or the plan's normal retirement date.
- If a participant elects an income start date other than the default, the guaranteed income amount will be adjusted up or down to reflect the new start date.
- Purchase of and investment transfers from Principal Pension Builder are not allowed within 60 days of the income start date.

### Type of annuity options and election

- Before the income start date, the participant can choose the type of annuity — including joint and survivor, period certain, cash refund and installment refund options — and cost of living adjustments (Consumer Price Index and fixed period).
- If the participant does not make an election, including providing marital status and spousal consent, income will be paid in the form of a 50 percent joint and survivor annuity, assuming the spouse is three years younger than the participant.
- The guaranteed income amount will be adjusted up or down to reflect the new type of annuity, if applicable.

### Death benefit

- If the participant dies before the income start date, his or her beneficiary will receive the participant's Principal Pension Builder balance (the amount of all contributions and transfers allocated to the option minus any previous distributions or surrenders, including applicable surrender charges).
- If the participant is married, the spouse may instead elect to receive the guaranteed income payments as an annuity based on his or her own age.
- If the participant dies after the income start date, the death benefit will depend on the decisions the participant made about Principal Pension Builder.

## More product details:

### Plan/trust requirements

We encourage plan sponsors to consult with their document providers to review their plan and trust documents and Principal Pension Builder product features for compatibility, including the following highlighted requirements. Plan documents prepared by Principal will meet these requirements.

#### Plan/Trust:

- Must not prohibit the purchase of an annuity contract as an allowable asset of the plan.
- Must permit a single sum distribution and not specifically prohibit distributions in kind.

#### Plan document:

- Must permit distributions at normal retirement date (as defined by the plan) prior to separation of service with the employer sponsoring the plan.
- Must permit a 180-day election period for the benefit event process.
- Must permit an immediate distribution upon separation of service.

### Revenue sharing and financial professional compensation

- Principal Pension Builder is a zero revenue sharing product.
- Financial professionals will be paid the same compensation schedule on Principal Pension Builder as other investment options in the plan. Compensation is paid until Principal Pension Builder is distributed to a participant (as a deferred annuity certificate or when payments begin at income start date).
- Financial professionals must have the normal licensing and broker-dealer selling agreements to sell our group annuity products (PCRP and FIA).



### The ability of Principal Life Insurance Company to pay the guarantee is based on the claims-paying ability of the general account and is subject to the terms of the contract.

Principal Pension Builder<sup>SM</sup> is a deferred income annuity rider available through certain group annuity contracts with Principal Life Insurance Company, a member of the Principal Financial Group®, Des Moines Iowa 50392. Principal Pension Builder is not available to plan sponsor located in New York.

Principal Pension Builder provides for the purchase of deferred income annuities that provide guaranteed income in retirement. Contributions and transfers used to purchase guaranteed income through Principal Pension Builder will no longer be subject to market gains or losses. In exchange, the participant is purchasing a guaranteed future income stream. In no instance shall the Income Start Date be earlier than your Normal Retirement Date unless you separate from service prior to the plan's Normal Retirement Date.

Guaranteed monthly income may change due to elections by the plan fiduciary or participant, such as changing the income start date or annuity form or surrendering guaranteed income. As an annuity, Principal Pension Builder does not have an investment performance, a management fee or expense ratio; those are concepts unique to investment products.

If you transfer funds out of Principal Pension Builder, annuities and the corresponding guaranteed income purchased with those transferred funds will be surrendered. A surrender charge may apply to annuities that are surrendered more than 90 days from the date of purchase.

The estimated monthly income is based on current Principal Pension Builder annuity purchase rates. Principal Pension Builder purchase rates may change on business days after the market closes, which is 4 p.m., Eastern time. Quotes and purchases after 4 p.m. Eastern time will be based on new purchase rates in effect at that time.

Insurance products and plan administrative services provided through Principal Life Insurance Co., a member of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Pension Builder is not available to plan sponsor located in New York.

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Portland Water District  
*From Sebago Lake To Casco Bay*

## **BOARD OF TRUSTEES / AGENDA ITEM SUMMARY**

Agenda Item: 7B Resolution 21-008  
Date of Meeting: June 28, 2021  
Subject: Authorization to Deposit Funds  
Presented By: David Kane, Treasurer

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### **RECOMMENDATION**

The following proposed language is presented for Board of Trustee approval:

RESOLVED, that Camden National Bank and Northeast Bank are designated as authorized depositories of the Portland Water District, and that the Treasurer is authorized to invest temporarily idle funds with said banks.

### **BACKGROUND ANALYSIS**

On August 23, 2010, the Board adding several local banks to the list of authorized financial institutions. The Treasurer reviewed a list of local institution and recommends Camden National Bank and Northeast Bank be added to the list of authorized financial institutions. In order for those institutions to be added to the allowable financial institution list, the Board must authorize the relationship.

### **FISCAL REVIEW / FUNDING**

Investments placed at the financial institutions must offer competitive rates compared to the other authorized financial institutions. Funds invested will be FDIC insured.

### **LEGAL REVIEW**

Corporate Counsel reviewed the proposed motion and approved it as to form.

### **CONCLUSION**

The Administration and Finance Committee reviewed the recommended authorized financial institutions list at their June 14, 2021 meeting. The Committee recommended the motion be forwarded to the full Board for its consideration.

### **ATTACHMENT(S)**

A. Authorized Financial Institutions and Maine Banks List.

**Authorized Financial Institutions**

Key Bank
Bangor Savings
Gorham Savings
Cumberland County Federal Credit Union
5 County Credit Union
TruChoice
Norway
Saco & Biddeford
Camden National Bank
Northeast Bank

Note: Red banks are being added to the list.

**List of Maine Banks**

Name	Regulator	City	Deposits / Assets	Deposits	Assets
				(USD, in thousands)	
<a href="#">BANGOR SAVINGS BANK</a>	FDIC	Bangor	0.7877	4,776,212	6,063,393
<a href="#">THE CAMDEN NATIONAL BANK</a>	OCC	Camden	0.8287	4,038,851	4,873,592
<a href="#">BAR HARBOR BANK &amp; TRUST</a>	FDIC	Bar Harbor	0.7831	2,917,013	3,724,842
<a href="#">FIRST NATIONAL BANK</a>	OCC	Damariscotta	0.7934	1,845,899	2,326,590
<a href="#">MACHIAS SAVINGS BANK</a>	FDIC	Machias	0.8721	1,607,493	1,843,300
<a href="#">KENNEBUNK SAVINGS BANK</a>	FDIC	Kennebunk	0.8959	1,387,145	1,548,388
<a href="#">NORWAY SAVINGS BANK</a>	FDIC	Norway	0.8428	1,284,552	1,524,188
<a href="#">GORHAM SAVINGS BANK</a>	FDIC	Gorham	0.8790	1,216,924	1,384,496
<a href="#">ANDROSCOGGIN SAVINGS BANK</a>	FDIC	Lewiston	0.8536	1,165,789	1,365,796
<a href="#">KENNEBEC SAVINGS BANK</a>	FDIC	Augusta	0.8004	993,617	1,241,419
<a href="#">NORTHEAST BANK</a>	FDIC	Lewiston	0.8096	999,126	1,234,092
<a href="#">BATH SAVINGS INSTITUTION</a>	FDIC	Bath	0.7958	885,820	1,113,083
<a href="#">SACO &amp; BIDDEFORD SAVINGS INSTITUTION</a>	FDIC	Saco	0.7382	816,221	1,105,702
<a href="#">MAINE COMMUNITY BANK</a>	FDIC	Biddeford	0.8481	828,917	977,414
<a href="#">KATAHDIN TRUST COMPANY</a>	FDIC	Patten	0.8681	812,927	936,410
<a href="#">SKOWHEGAN SAVINGS BANK</a>	FDIC	Skowhegan	0.8253	596,058	722,261
<a href="#">PARTNERS BANK OF NEW ENGLAND</a>	FDIC	Sanford	0.8425	586,403	696,040
<a href="#">FRANKLIN SAVINGS BANK</a>	FED	Farmington	0.7629	373,352	489,365