

**Pedernales Electric Cooperative
Employees' 401(k) Savings Plan
Employees' Defined Benefit Retirement Plan
Activity Report
of
PEC Plan Administration Committee
to
Board of Directors**

July 17, 2017

The PEC Plan Administration Committee (“Committee”) was appointed by the Board of Directors of Pedernales Electric Cooperative to be the fiduciary committee for the Pedernales Electric Cooperative Employees' 401(k) Savings Plan (“401(k) Plan”) and the Pedernales Electric Cooperative Employees' Defined Benefit Retirement Plan (“Pension Plan”) (collectively “Plans”). This report is provided periodically to inform the Board of Directors, at a high level, of the fiduciary activities of the Committee.

The Committee actively carried out its responsibilities during the 18-month period from January 1, 2016 to June 30, 2017 (Reporting Period), taking the following actions, among others:

1. The Committee met 6 times—quarterly—during the Reporting Period.
2. In view of Brenda Snider's departure from the Committee during the Reporting Period, the Committee selected Bernie Dawson to be its chairperson.
3. At each regular quarterly meeting, the Committee's independent investment advisor, and investment co-fiduciary, provided detailed reporting on the investments offered in the Plans. This reporting included a review of the following elements, among others: (a) any matters affecting the Plans' investment firms, (b) any matters affecting the investment managers and their staff, (c) any variance from the investment manager's stated investment style, (d) performance of the investments relative to peers and an appropriate benchmark, (e) risk and (f) costs.
4. With the assistance of its independent investment advisor, the Committee replaced one investment in both the 401(k) Plan and Pension Plan with stronger alternatives.
5. With the assistance of its independent advisor, the Committee considered alternatives to the risk-based asset allocation portfolios in the 401(k) Plan, and determined to shift to age-based target date funds. The Committee also selected a specific target date fund series for use in the 401(k) Plan.

6. With the assistance of its independent investment advisor, the Committee selected a Qualified Default Investment Alternative (QDIA), which will be the investment for any monies in the 401(K) Plan allocable to a particular participant, but for which participant direction has not been received.
7. The Committee received a report on the results of the most recent financial statement audits of the Plans, which are filed with the annual Form 5500.
8. The 401(k) Plan's administrative record keeper reported on participation, participant diversification, participant deferral rates and participant communications as well as other topics.
9. The Committee received an annual report on the allocation of revenue sharing received by the plan record keeper to the accounts of the participants whose investments produced the revenue sharing.
10. From time to time the Committee considered and voted proxies that were presented to it in connection with investments held in the Plans.
11. The Committee received formal training on the responsibilities of fiduciaries under ERISA (Employee Retirement Income Security Act).
12. At each meeting the Committee received an update on legal and regulatory developments that affect ERISA, which covers the Committee and the Plans.
13. Minutes were kept of each meeting along with all of the materials reviewed at the meeting.

Bernie Dawson, Committee Chair

Date signed