

SUBJECT: Retirement Plan and Deferred Compensation Plan
Model of Plan Governance

POLICY NO. 316

RESPONSIBLE AREA: Corporate Operations

PAGE 1 OF 6

POLICY OBJECTIVE

To provide Lincoln Electric System (LES) employees with savings plans for retirement.

The Model of Plan Governance ("MPG") sets forth the authority and responsibilities of the various parties regarding the administration of the Lincoln Electric System Employees' 401(k) Retirement Plan and the Deferred Compensation Plan of Lincoln Electric System, City of Lincoln, Nebraska (referred to collectively as the "Plans").

The MPG is intended to outline the following:

1. The authority, duties, and responsibilities of the LES Administrative Board, the Investment Committee ("Committee"), and certain LES employees;
2. The types of outside consultants and third parties that may be retained from time to time to provide services for the Plans; and
3. The roles and responsibilities of outside consultants and third-party service providers.

DEFINITIONS

Committee – The LES Investment Committee for the Plans, which is comprised of the following:

- Chief Executive Officer;
- Vice President Financial Services and Chief Financial Officer;
- Vice President Corporate Operations;
- Vice President Communications & Corporate Records and General Counsel; and
- Manager, Human Resources.

Investment Consultant – A service provider chosen by the Committee to identify, monitor, provide expert advice, and make recommendations regarding the Investment Options and Investment Funds to be offered under the Plans to meet the Investment Objectives of the Plans.

Third-Party Administrator – A service provider engaged by LES to be the custodian of the Plans and provide administrative, recordkeeping, participant communication and educational strategy for the Plans.

REQUIREMENTS

1. Identification of Parties and Responsibilities

The following parties will have the following roles and responsibilities in the administration of the Plans.

a. LES Administrative Board:

- 1) The LES Administrative Board will have the following roles and responsibilities with respect to the Plans:
 - a) Designate the positions that constitute members of the Committee and Plan Administrator (designation is found within the Plan document);
 - b) Adopt amendments to the Plan documents; and
 - c) Authorize the execution of service provider agreements for the Plans.

REQUIREMENTS (Continued)b. Committee:

- 1) The Committee, as Plan Administrator, provides oversight for the Plans, makes best efforts to mitigate and manage risk, and establishes practices to facilitate effective, timely and justifiable decisions.
 - a) Appointment process:

The Administrative Board has designated the Committee members in the Plan documents. Unless removed by the Administrative Board, the Committee members will serve permanent terms on the Committee during their tenure in the positions identified. Committee meetings may be expanded to include other individuals as appropriate.
 - b) Qualifications and training:

The Committee is composed of representatives from LES based upon their position and/or experience in investments, finance, or plan administration. LES will provide the Committee with training sessions and other education that is reasonably necessary for Committee members to increase their knowledge of investments, finance and plan administration to fulfill their duties and responsibilities.
 - c) Standard of Care:

The Committee will use its best efforts to exercise reasonable care, skill and caution, as a prudent investor would, in light of the purposes, terms, and other circumstances of the Plans, but will not warrant any financial outcome or guarantee performance for Participants and/or beneficiaries ("Participants"). The Committee will administer the Plans solely in the interest of the Participants.
 - d) Expectations of Committee members:
 - Attend Committee meetings regularly and training sessions as scheduled;
 - Maintain confidentiality;
 - Consider suggestions from Participants on potential Plan enhancements or changes;
 - Encourage open discussion during Committee meetings;
 - Apply best judgment to issues confronting the Committee and the Plans;
 - Allocate time to ensure key issues and topics are effectively addressed; and
 - Use best efforts to follow the MPG and the Investment Policy Statement (IPS).
 - e) Committee responsibilities:

The Committee, as Plan Administrator, will use its knowledge, skills and best efforts to act in the best interest of the Participants. The Committee shall be authorized to perform the following functions at such time and in such manner as it determines to be necessary or appropriate:

 - Evaluate LES' overall retirement benefit plan philosophy within LES and competitively within the industry;
 - Maintain and oversee the amendment of the documents as appropriate;
 - Review and submit recommendations and proposals to the LES Administrative Board regarding amendments to the Plans;
 - Interpret the terms of the Plans in accordance with the Plan documents and interpret and resolve any ambiguity in the Plans;
 - In the event of a dispute by a Participant regarding his or her eligibility under the Plans, determine the eligibility of an employee to be a Participant in the Plans and settle other questions related to the Plans;
 - In the event of a dispute by a Participant regarding his or her benefits under the Plans, determine the right of any person to a benefit, including a determination of the amount, manner and time of distribution of any benefits, according to the terms of the Plans;
 - Issue instructions to the Third-Party Administrator in connection with all benefits which are to be paid according to the Plans;
 - Adopt rules and regulations as necessary from time to time in connection with the management of the Plans, and to interpret, alter, amend and revoke any rules and regulations;
 - Define the Investment Options to be offered under the Plans and select the Investment Funds through which the Investment Options will be implemented;

REQUIREMENTS (Continued)

- Review the performance of Investment Funds on a quarterly basis;
 - Create, implement and maintain the Plans' IPS and MPG programs;
 - Perform a detailed review and evaluation of the performance of each party assigned duties under this MPG, including the responsibilities and related fees;
 - Employ such third-party service providers as may be necessary in the administration of the Plans or the IPS;
 - Provide periodic updates to Administrative Board Committees as warranted;
 - Document the actions and reasoning for Committee meetings and key decisions; and
 - Coordinate and implement the Participant communication strategy for the Plans.
- f) The Committee may designate any of its members to execute and deliver on its behalf documents and instruments of such types and bearing on such matters as may be specified in such designation, and any such document or instrument may be accepted and relied upon as the act of the Committee.
- g) Approval by a majority of the Committee is required for any action taken. A member may not vote on any specific issue or matter specifically or uniquely involving him or herself.
- h) The Committee may retain the services of an Investment Consultant to serve as a fiduciary to the Plans and provide expert advice and recommendation to the Committee in support of meeting the Investment Objectives and regarding the Investment Options and Investment Funds offered under the Plans.
- i) The Committee may retain the services of a Third-Party Administrator to provide recordkeeping and administrative services for the Plans.
- j) The Committee may engage such other service providers as it determines necessary or appropriate to perform specialized functions for the Plans.
- c. LES Corporate Operations (CO), Financial Services (FS) and General Counsel (GC):
- 1) Corporate Operations Division responsibilities include:
- a) Take the lead in issues requiring direct interaction with Participants;
 - b) Manage and monitor LES and Participant contributions to the Plans;
 - c) Coordinate and deliver communications to Participants to allow Participants to make informed decisions;
 - d) Maintain records of Participant communications;
 - e) Provide oversight and direction related to Qualified Domestic Relations Orders (QDRO);
 - f) Serve as the day-to-day contact with Participants;
 - g) Issue instructions to the Third-Party Administrator in connection with all benefits which are to be paid according to the Plans;
 - h) Determine the eligibility of an employee to be a Participant in the Plans;
 - i) Determine the right of any person to a benefit, including a determination of the amount, manner and time of distribution of any benefits, according to the terms of the Plans;
 - j) Operate the Plans in accordance with the Plan documents;
 - k) Require information from Participants as is necessary to properly administer the Plans;
 - l) Maintain the Plan documents including taking the lead on identifying, implementing and soliciting approval for changes or updates to Plan documents and summaries of the Plans;
 - m) Develop "working" versions of Plan documents following the approval of Plan amendments (prior to restatement of a Plan);
 - n) Maintain records and documentation for all Committee training;
 - o) Identify issues relating to Participant support and bring them before the Committee, and prepare recommendations on those matters;
 - p) Make recommendations to the Committee if the Investment Objectives are not being met, if Investment Consultant or Third-Party Administrator services are not being delivered, or if IPS guidelines are not being followed; and
 - q) Carry out such other duties as are directed or delegated by the Committee from time to time.

REQUIREMENTS (Continued)

- 2) Financial Services Division responsibilities include:
 - a) Coordinate Committee meetings, presentations, and discussions, including preparation of meeting minutes;
 - b) Document and distribute to Committee members on a timely basis, information regarding Committee meetings, key decisions and rationale, assignment of action items, and follow-up on action items;
 - c) Serve as the primary contact for the Investment Consultant;
 - d) Coordinate the review, analysis and payment of third-party service providers;
 - e) Make recommendations to the Committee regarding the Plan Administration Fees charged to plan Participants to cover Participant-related Plan costs;
 - f) Coordinate the development of an annual work plan for the Committee;
 - g) Forward Participant and LES contributions to the Custodian;
 - h) Coordinate responses to investment proxies received;
 - i) Identify issues to be brought before the Committee, and prepare recommendations to the Committee on those matters;
 - j) Make recommendations to the Committee if the Investment Objectives are not being met, if Investment Consultant or Third-Party Administrator services are not being delivered, or if IPS guidelines are not being followed; and
 - k) Carry out such other duties as are directed or delegated by the Committee from time to time.
 - 3) General Counsel responsibilities include:
 - a) Ensure updates in legal and regulatory requirements communicated by outside counsel are incorporated into the Plan documents;
 - b) Support the amendment of the Plan documents as appropriate; and
 - c) Carry out such other duties as are directed by the Committee from time to time.
- d. Third-Party Service Providers:
- 1) Investment Consultant responsibilities include:
 - a) Serve as a fiduciary to the Plans;
 - b) Identify asset classes which would be appropriate and prudent to make available to Participants;
 - c) Review and recommend Investment Options and Investment Funds which are appropriate to fulfill the criteria of the identified asset classes;
 - d) Make recommendations of Investment Funds to implement the Plans' Investment Options;
 - e) Identify a benchmark index for each Investment Fund;
 - f) Measure, evaluate, and report on the performance results of the Investment Funds to the Committee on a quarterly basis, including a summary of fees for each of the Investment Funds, any fees paid by Investment Funds to any party supporting the Plans, comparisons of performance against benchmarks and peer funds, and analysis of style adherence;
 - g) Monitor investment results by means of regular reviews and analyses to determine whether the Investment Funds are meeting the Investment Objectives of the Plans;
 - h) Monitor long-term capital market trends and provide education to the Committee on these trends;
 - i) Maintain contact with and report on changes within the investment managers' organizations of the Investment Funds (including the gain or loss of key individuals and accounts);
 - j) Periodically review the IPS and MPG and suggest appropriate changes;
 - k) Communicate on a frequent and open basis with the Committee on all significant matters pertaining to the agreed upon investment policies and the management of Investment Options;
 - l) Periodically review Participant education and communication efforts by the Third-Party Administrator to ensure Participants are receiving adequate information to make informed decisions;
 - m) Notify the Committee and/or its designees in advance of potential changes in fund operation under consideration or about to be implemented (i.e. changes in the investment process); and,
 - n) Any other duties assigned by the Committee from time to time.

REQUIREMENTS (Continued)

- 2) Third-Party Administrator responsibilities include:
 - a) Maintain Participant account balances on a daily valued basis;
 - b) Maintain accurate records of the value of all accounts for all Participants;
 - c) Distribute account balances of Participants in accordance with Plan documents;
 - d) Provide Participants the ability to obtain balances and move funds via an automated telephone response system and internet system;
 - e) Provide Participants with information regarding the terms of the Plans;
 - f) Provide education to Participants regarding Plan features and benefits;
 - g) Provide Participants with copies of prospectuses or other informational items as required to comply with applicable law;
 - h) Provide prospectuses, annual reports and other pertinent information on a timely basis to the Committee and/or its designees;
 - i) Provide communications to the Committee and Participants regarding educational seminars, market and economic events, legislative actions that will impact the Plans, and other information regarding financial planning;
 - j) Issue quarterly statements on a timely basis to all Participants;
 - k) Complete requested transactions by Participants in accordance with Plan documents;
 - l) Manage the QDRO and beneficiary designation process;
 - m) Perform all requirements related to distributions, including Participant notification, tax withholding and deposit, and direct rollover;
 - n) Perform quarterly plan administration and other investment fee sweeps as directed by the Committee;
 - o) Issue reports to the Committee regarding Participant activity;
 - p) Implement the investment and divestiture of Plan assets among the selected Investment Options as directed by the Committee and/or Participants;
 - q) Ensure vendor system is configured to accurately administer the Plan documents and subsequent amendments;
 - r) Periodically review the IPS and MPG and suggest appropriate changes; and
 - s) Any other duties assigned by the Committee from time to time.

2. Adoption and Acceptance

- a. Committee members will annually execute a statement accepting their role and the respective responsibilities toward the Plans.

3. This MPG may be amended by the Committee from time to time.

REFERENCES

1. Policy 315 Retirement Plan and Deferred Compensation Plan Investment Policy Statement

APPROVED BY _____ **VICE PRESIDENT,
CORPORATE OPERATIONS**
TRISH OWEN **TITLE** **DATE**

APPROVED BY _____ **VICE PRESIDENT, FS /
CHIEF FINANCIAL OFFICER**
LAURA L. KAPUSTKA **TITLE** **DATE**

APPROVED BY _____ **CHIEF EXECUTIVE OFFICER**
KEVIN G. WAILES **TITLE** **DATE**

APPROVED BY _____ **ADMINISTRATIVE BOARD
CHAIR**
LAYNE SUP **TITLE** **EFFECTIVE DATE**

Revision History			
Supersedes	Revision Date	Revised By	Revision Description
Program 303.02 dated 3/6/2017	03/12/2018	Manager, Treasury & Risk Management	The content was reviewed and updated in accordance with the requirement of Policy 316. In addition, the document was reformatted into the new corporate governance documentation structure.
Policy 316 dated 3/15/2018	1/14/2019	Investment Committee	Annual review; made minor wording updates in appointment process and consultant responsibilities, and to remove text referring to loan documentation.

Policy 316: Retirement Plan and Deferred Compensation Plan Model of Plan Governance (MPG)

The MPG identifies authority and responsibilities of all parties related to the 401(k) and 457 Plans

Laura L. Kapustka, VP & CFO
March 15, 2019

The Policy identifies the Boards oversight duties related to the 401(k) and 457 Plans

- **LES Administrative Board**

- Designate members (by position) on Investment Committee
- Adopt Plan document amendments
- Authorize service provider agreements

- **Investment Committee**

- Members: CEO, CFO, General Counsel, VP – CO, & HR Manager
- Serves as Plan Administrator
- Acts in best interest of Participants in oversight of Plans
- Responsibilities include: meet regularly, review fund performance, update Board Committees, seek training, etc.
- Specific duties assigned to the Corporate Operations and Financial Services Divisions

The MPG identifies the authority and responsibilities of external parties

- **Investment Consultant (Portfolio Evaluations, Inc. - PEI)**
 - Serves as a plan fiduciary
 - Recommend investment options and benchmarks to provide allow appropriate diversity
 - Report on fund performance
 - Provide market trend updates
- **Third-Party Administrator (Vanguard)**
 - Maintain Participant account balances
 - Provide Participants a means to obtain balances via phone and internet
 - Provide education to Investment Committee and Participants