

**SUMMARY PLAN DESCRIPTION**  
**of the**  
**401(k) PENSION PLAN**  
**as adopted by**  
**COLES-MOULTRIE ELECTRIC COOPERATIVE**  
**14-008-003**



A Touchstone Energy® Cooperative 

**The National Rural Electric Cooperative Association**  
**4301 Wilson Boulevard, Arlington, VA 22203**

**Edition Date: 1/08**



## TABLE OF CONTENTS

INTRODUCTION .....	1
SUMMARY OF YOUR PLAN BENEFITS .....	2
GENERAL PLAN INFORMATION .....	3
What is the name of my plan? .....	3
What kind of plan is this? .....	3
What is the plan year? .....	3
Who is the Plan Administrator? .....	3
Who is the plan's Trustee? .....	4
Who is the person responsible for receiving legal documents? .....	4
Who is the plan's sponsor? .....	4
ELIGIBILITY AND PARTICIPATION IN THE PLAN .....	5
Who is eligible to become a participant in the plan? .....	5
Does my employer exclude any employees in certain job classifications from participation in the plan? .....	5
What do I have to do to become a participant in the plan? .....	5
Does my year of eligibility service begin over if I terminate employment and am rehired? .....	5
What happens if I complete 1,000 hours, but my employment is terminated before the end of my eligibility computation period, and I am rehired after the start of the subsequent year? .....	6
How is a year of eligibility service determined if I do not work at least 1,000 hours in my first twelve months of employment? .....	6
What is an hour of service? .....	6
Does service with other related employers count for eligibility service in this plan? .....	6
If I am a part time employee, may I participate in this plan? .....	6
CONTRIBUTIONS TO YOUR ACCOUNT .....	7
Does my plan contain a Cash or Deferred Arrangement (CODA), 401(k) feature? .....	7
How much of my Compensation is used to determine the contributions to the plan? .....	7
How much does my employer contribute to the plan for me? .....	7
Do I have to make a contribution to receive the Employer Base Contribution? .....	7
Does my employer make a contribution to match the amount that I contribute? .....	8
May I make after-tax Voluntary Employee Contributions? .....	8
Will contributions be made to my account if I become disabled? .....	8
What if I am disabled but come back to work under the rehabilitative provision of my long-term disability plan? .....	8
Are there any special rules regarding the maximum amount that may be deposited into my 401(k) Pension Plan account? .....	9
Will I continue to receive contributions to my account if I work beyond retirement age? .....	9
What does it mean to be vested in my account? .....	9
How do I become vested in my account? .....	9
I have an account from the plan of my former employer. May I move that account to this plan? .....	9
I have a 403(b) account from a former employee and/or a traditional IRA. May I move these types of accounts to this plan? .....	10
Do I have to be making contributions to this plan in order to roll over my account from my former plan? .....	10
LIMITATIONS ON AMOUNTS CREDITED TO YOUR ACCOUNT .....	11
Is there a maximum amount that may be added to my account each year? .....	11
Does a direct transfer or rollover to my account affect my annual contribution limit? .....	11
Are there other limits that affect my contributions to the plan? .....	11
How do I determine if I am a highly compensated employee? .....	11
How does the nondiscrimination test for highly compensated employees' contributions work? ....	11

DETERMINING THE VALUE OF YOUR ACCOUNT .....	13
When are my contributions credited to my account?.....	13
What happens to the money contributed to my account?.....	13
May I choose where to invest my contributions?.....	13
What are the available investment funds?.....	13
How often are the investment funds valued? .....	15
How often may I change my investment choices?.....	15
How do I use the Advantage Voice system?.....	16
What services are provided through Advantage Voice? .....	16
How are investment earnings (or losses) allocated to my account?.....	16
How often will I receive a statement of the value of my account? .....	16
LOANS FROM THE PLAN .....	17
What effect do loans have on the total value of my account?.....	17
What are the requirements to borrow from my account?.....	17
What if I am on disability, will I still be able to take out a loan? .....	17
What are the minimum and maximum amounts that I can borrow? .....	17
How long do I have to repay a loan?.....	17
How is the interest rate on a loan determined? .....	18
May I deduct the interest that I pay on a loan from the plan when I file my income tax return? ...	18
Does the interest that I repay on my loan go into my account or is it part of the general assets of the trust?.....	18
How do I apply for a loan?.....	18
Is there any charge to process a loan from my account?.....	18
Do I need my spouse to agree before I can make a loan? .....	18
How do I repay the loan? .....	18
Does the money I withdraw for my loan come from my own contributions, from my employer's contributions, or both? .....	18
What happens if I am on a leave of absence and I have an outstanding loan balance?.....	19
From which investment fund is my loan taken?.....	19
How many loans may I have outstanding from my account? .....	19
May I refinance a loan?.....	19
May I pre-pay a loan? .....	19
What constitutes a default on the loan?.....	19
What happens if I terminate employment before the loan is repaid?.....	19
If I should die, would my beneficiaries be allowed to borrow from the plan?.....	20
If I roll over my account from a former plan, when can I apply for a loan? .....	20
May I withdraw money from my account without creating a loan?.....	20
DISTRIBUTION INFORMATION .....	21
What events may cause me to receive my benefits from the plan?.....	21
What events may cause my beneficiaries to receive benefits from the plan? .....	21
When may I retire?.....	21
How will I receive my retirement benefit?.....	21
What happens if I do not return my benefit option form, my instructions as to how I want to receive my benefits, within 90 days? .....	21
What is an annuity?.....	21
What is a cash payment? .....	22
What is an installment payment? .....	22
What is an intermittent withdrawal? .....	22
How will benefits be paid if I am married?.....	22
How will benefits be paid if I am not married?.....	23
How can I determine which is the best payment option for me? .....	23
May I change my payment option once I have begun receiving my benefits? .....	23

How soon after I retire will I receive my benefit? .....	23
Who will receive the money in my account if I should die before I retire? .....	23
May I defer receipt of my benefit when I retire or terminate my employment? .....	24
As a former participant in the Plan, can I make periodic withdrawals? .....	24
If I have not terminated my employment, must I receive a minimum distribution of my benefits at age 70½? .....	24
What is the definition of disability? .....	25
If I become disabled, how will my benefits be paid to me? .....	25
What are the potential tax consequences of a long-term disability withdrawal? .....	25
If I quit or if I am fired or laid off, will I forfeit the money in my account? .....	25
How do I withdraw my after-tax Voluntary Employee Contributions? .....	26
What is a rollover? .....	26
What is an eligible rollover distribution? .....	26
What is not an eligible rollover distribution? .....	27
I have earned a benefit under the Retirement Security Plan. May I roll over that benefit to this plan? .....	27
What happens to the 20% that is withheld? .....	27
Who is responsible for any early distribution penalty that might be applicable? .....	27
UNIFORMED SERVICES EMPLOYMENT & REEMPLOYMENT RIGHTS ACT (USERRA) ....	28
What is military leave? .....	28
How does a period of military leave affect my 401(k) Pension Plan benefits? .....	28
What happens if I enter military service and I have an outstanding loan balance? .....	28
Can I take my benefit when I leave for active duty? .....	28
TOP HEAVY PLANS .....	29
What is a top heavy plan? .....	29
What is a top heavy contribution? .....	29
What effect will a top heavy plan have on my vesting? .....	29
MISCELLANEOUS QUESTIONS .....	30
May I use the amount in my account as collateral for a personal loan, such as a loan for a home or a car? .....	30
What is a Qualified Domestic Relations Order (QDRO)? .....	30
Is this plan covered by the Pension Benefit Guaranty Corporation? .....	30
PROCEDURE FOR CLAIMING BENEFITS .....	31
What are my responsibilities if I want to claim benefits from the plan? .....	31
If I have been denied benefits from the plan, is there a review procedure? .....	31
STATEMENT OF ERISA RIGHTS .....	33
AMENDMENT AND TERMINATION OF YOUR PLAN .....	35
GLOSSARY .....	36



# INTRODUCTION

Your employer has established a retirement plan, qualified under all applicable sections of the Internal Revenue Code of 1986 and Treasury Regulations, for the benefit of its employees and their beneficiaries. Your plan is tax qualified, which means that the contributions are not taxable to you when they are made (except after-tax Voluntary Employee Contributions) and may be eligible for special tax treatment when distributed to you. Your employer will make contributions to the plan on your behalf once you have met the eligibility requirements for participation. Those contributions will be held in an account in your name until you retire, become disabled, terminate your employment, or die. You do not pay income tax on these contributions when they are made, but you will be liable for income tax when the money is distributed to you.

This plan contains a special salary deferral feature that allows you to contribute to your account on a pretax basis. This means that you will be able to make contributions before federal and, where applicable, state taxes are withheld. This will enable you to save more funds for retirement, with a less noticeable effect on your pay. Your ultimate benefit at retirement depends on the amount contributed to the plan and the investment results obtained over the years.

The benefits available under this plan are designed to supplement any benefits available to you under Social Security and any other retirement plans in which you may participate. This plan should be considered one source of retirement security along with your personal savings and investments.

This booklet is called a Summary Plan Description. Its purpose is to explain the major provisions of the plan and to answer the most frequently asked questions about the plan. You should retain this booklet for future reference. If at any time you have questions not covered by this booklet or you do not understand any part of this booklet, you should contact your Benefits Administrator or the Plan Administrator. The name and address of the Plan Administrator are shown in the section, **General Plan Information**.

The Federal laws governing the operation of retirement plans are very complex. This Summary Plan Description is only a summary of the most important provisions of the plan. It does not discuss some very technical aspects of the plan's operation that may affect you, your right to participate, or the amount of benefits available to you. The plan is operated according to the provisions of the plan document that was filed with the Internal Revenue Service and amendments. **Final determination of any inconsistencies between this Summary Plan Description and the plan documents will be based on the language in the plan document.** You have the right to review the plan documents and other applicable forms in the office of the Plan Administrator during regular business hours. You also may request that the Plan Administrator provide you with a copy of the plan documents. The Plan Administrator may require a reasonable fee for providing you with a copy.

The rest of this booklet is organized in a question and answer format. There is a **Summary of Plan Benefits** in the beginning and a **Glossary** of terms at the end to help you to understand some of the more technical language. If English is not your native language, your Benefits Administrator will arrange assistance for you in understanding this Summary Plan Description in your native language.

The 401(k) Pension Plan also covers the class of employees in other subgroups of this employer. A separate Summary Plan Description has been prepared for them that details the specific benefits for which they are eligible.

## SUMMARY OF YOUR PLAN BENEFITS

<b>Effective date of plan</b>	January 1, 1985
<b>Plan amendment date</b>	October 1, 2007
<b>Employer Identification Number</b>	37-0223453
<b>Plan number</b>	002
<b>Eligible class of employees</b>	Union employees
<b>Eligibility waiting period for <u>employee</u> contributions</b>	1 year
<b>Eligibility waiting period for <u>employer</u> contributions</b>	1 year
<b>Normal retirement date</b>	Age 62
<b>Plan type</b>	401(k) plan
<b>Compensation used for contributions</b>	Base salary
<b>Employer Base Contribution</b>	1% of compensation
<b>Employee Required Contribution for Base Contribution</b>	2% of compensation
<b>Employer Matching percentage</b>	50%
<b>Employee Contributions which will be matched</b>	2% to 5% of compensation
<b>After-tax Voluntary Employee Contributions allowed</b>	Yes
<b>Loan provision</b>	Yes
<b>Loan fees</b>	\$100 per loan
<b>Employer Contributions made while employee is totally disabled but is receiving salary from the employer</b>	Yes for 13 weeks
<b>Investment of Employer Contributions</b>	Employee designates fund
<b>Advantage Voice investment changes</b>	Yes
<b>Frequency of investment changes</b>	Daily

## GENERAL PLAN INFORMATION

There is certain general information you should know about your plan. This information has been summarized for you in the following series of questions. This is important information, and you should keep it in a safe place for future reference.

---

### **What is the name of my plan?**

The name of your plan is the 401(k) Pension Plan.

### **What kind of plan is this?**

This plan is a money purchase pension plan with a special 401(k) salary deferral feature.

Contributions are made to an account in your name. The contributions accumulate with investment earnings until you withdraw your benefit. You may withdraw your benefit when you retire, become disabled, terminate your employment, or die. This plan also contains a feature that allows you to elect to defer receipt of a portion of your pay and deposit it in this plan. A thorough discussion of this feature is contained in the section, **Contributions to Your Account**.

### **What is the plan year?**

The plan year is a twelve-month period beginning on January 1 and ending on December 31. Plan records are kept for this period.

### **Who is the Plan Administrator?**

The Plan Administrator of your plan is:

Senior Vice-President  
Insurance & Financial Services  
National Rural Electric Cooperative Association  
4301 Wilson Boulevard  
Arlington, VA 22203-1860

Employer Identification Number: 54-2072724

In addition to the Senior Vice-President of the Insurance & Financial Services Department, the person who has Plan administrator responsibilities for your employer is:

Benefits Administrator  
Coles-Moultrie Electric Cooperative  
P.O. Box 709  
Mattoon, IL 61938

Employer Identification Number: 37-0223453

**Your Benefits Administrator should be your primary contact for any questions.**

General administrative responsibilities of the plan are handled by a committee established by the NRECA Board of Directors. The committee is made up of at least five, but not more than ten individuals. These committee members decide questions about the plan. Committee members vote on the questions brought before them and the majority rules. The committee generally has no authority or control over the assets in the plan.

**Who is the plan's Trustee?**

The name of the Trustee is:

State Street Bank and Trust Company  
200 Newport Avenue  
North Quincy, MA 02171

The Trustee has been designated to hold and invest plan assets for the benefit of you and other plan participants and their beneficiaries.

**Who is the person responsible for receiving legal documents?**

Legal documents may be delivered to the Plan Administrator. The address is:

Senior Vice-President  
Insurance & Financial Services  
National Rural Electric Cooperative Association  
4301 Wilson Boulevard  
Arlington, VA 22203-1860

**Who is the plan's sponsor?**

The Plan Sponsor is:

National Rural Electric Cooperative Association  
4301 Wilson Boulevard  
Arlington, VA 22203-1860

Employer Identification Number: 53-0116145

## **ELIGIBILITY AND PARTICIPATION IN THE PLAN**

This section explains how you will qualify for participation in this plan and when you will begin to participate.

---

### **Who is eligible to become a participant in the plan?**

Employees of your employer who are covered by a good faith bargaining agreement, dated October 1, 2006, between your employer and IBEW #702 Union.

### **Does my employer exclude any employees in certain job classifications from participation in the plan?**

No, your employer does not exclude any job classification from participation in the plan.

### **What do I have to do to become a participant in the plan?**

To become a participant in this plan you must meet certain minimum service requirements. This means that you must be a member of the group of employees described above. You become a participant on the first day of the month following your completion of the minimum service requirement.

You will meet the minimum service requirement:

On the first day of the month after you complete a year of eligibility service.

A year of eligibility service is a twelve-month period during which you work at least 1,000 hours. In the year in which you are first hired, the twelve-month period begins when you start work.

For example, if you were hired on May 10, 2000 and on May 9, 2001 you had worked at least 1,000 hours since your first day at work on May 10, 2000, you would become eligible to participate in the plan on the first day of the month following May 9, 2001, which is June 1, 2001.

### **Does my year of eligibility service begin over if I terminate employment and am rehired?**

It depends on the length of time you were not employed by a rural cooperative. If, in a calendar year, you are credited with less than 501 hours of service you will be deemed to have incurred a break-in-service. If you again perform service for a rural cooperative, the day you begin working will be treated as the first day of a new eligibility computation period. Any service you had prior to the year in which you were credited with less than 501 hours of service will be disregarded for purposes of meeting the service requirement for eligibility.

If your employment is terminated and resumed within the twelve-month period beginning with the date you first began work your resumption of employment is not treated as a new hire date for purposes of eligibility. If you are employed at the end of the twelve-month period, and you have been credited with at least 1,000 hours of service, you may have satisfied the eligibility requirement. The specific requirements for your employer's plan are described above. In other words, it is not necessary to be employed each and every day of the eligibility computation period in order to satisfy the 1,000 hour requirement.

**What happens if I complete 1,000 hours, but my employment is terminated before the end of my eligibility computation period, and I am rehired after the start of the subsequent year?**

If you complete 1,000 hours, but are not employed at the end of your year eligibility computation period, you will enter the plan on the first of the month following your reemployment.

**How is a year of eligibility service determined if I do not work at least 1,000 hours in my first twelve months of employment?**

If you do not work at least 1,000 hours in your first twelve months of employment, the twelve-month period used to determine your eligibility changes to the calendar year. The first calendar year used to measure your hours worked is the calendar year beginning after the date you first began to work for your employer.

For example, if you began to work on May 10, 2000 and on May 9, 2001 you have not completed at least 1,000 hours of service, the measurement year changes to January 1, 2001 to December 31, 2001. If you complete at least 1,000 hours during 2001, you will have one year of eligibility service on December 31, 2001.

**What is an hour of service?**

An hour of service is any hour for which you were paid your salary. This includes paid vacation, sick leave, holidays, jury duty and military service.

**Does service with other related employers count for eligibility service in this plan?**

Yes, service with the following employers is used for determining eligibility service:

- Any employer that does not participate in the NRECA sponsored pension programs, but who is a member of NRECA;
- An employer who is an affiliate of a member employer;
- An employer prior to the date the employer became a member of NRECA;
- If elected by the System, an employer that was a predecessor employer under Section 414(a); and
- If leased employees within the meaning of Section 414(n) of the Internal Revenue Code of 1986 are eligible to participate in an employer's plan, any of the above entities of which an employee is a leased employee.

**If I am a part time employee, may I participate in this plan?**

Part time status does not in itself affect your eligibility to participate in this plan. In order to participate you must meet the requirements described in the question **“What do I have to do to become a participant in the Plan?”**.

## CONTRIBUTIONS TO YOUR ACCOUNT

This section is a brief description of how you make contributions to your account.

---

### **Does my plan contain a Cash or Deferred Arrangement (CODA), 401(k) feature?**

Yes, your plan provides you the opportunity to substantially increase the amount available for you at retirement, and to receive a current deferral of income tax on your contributions. This type of plan is called a Cash or Deferred Arrangement, (CODA) or 401(k) plan.

Here is how the CODA feature works. You agree in writing to have your employer deposit a portion of your pay in an account in the Plan in your name. This deposit is called an Employee Elective Contribution. The Employee Elective Contributions and investment gains and/or losses accumulate until they are paid out to you or your beneficiary.

### **How much of my Compensation is used to determine the contributions to the plan?**

The Compensation (your wages from your employer taken into account for Plan purposes) on which contributions to this plan are based is your **Base Salary**. This is defined as your current wages subject to federal income tax withholding plus any amount you defer under Sections 125 and 401(k) of the Internal Revenue Code of 1986, including elective amounts that are not includible in your gross income by reason of Section 132(f)(4) of the Code and, if applicable, Section 457(b) of the Code. It does not include overtime or bonuses, reimbursements or other expense allowances, fringe benefits, moving expenses, welfare benefits, pension, deferred compensation, or retirement allowances, or deferrals under a non-qualified defined benefit deferred compensation arrangement.

NOTE: Under Federal regulations, compensation in excess of \$230,000 (2008) may not be used to calculate contributions.

### **How much does my employer contribute to the plan for me?**

Your employer will make a contribution to your account in the amount of 1% of your pay. This contribution is called the Employer Base Contribution.

For example, if your pay was \$18,000 per year, your employer would contribute \$180. This amount is determined by multiplying your pay, \$18,000, by 1%.

Your plan also has a matching contribution. Please refer to the following question “**Does my employer make a contribution to match the amount that I contribute?**”.

### **Do I have to make a contribution to receive the Employer Base Contribution?**

Yes, in order to receive the Employer Base Contribution, you are required to contribute 2% of your pay. Your contribution is called the Required Employee Contribution.

For purposes of calculating the amount of the Employer Base Contribution, when a contribution on your part is required to receive this contribution, your employer will use your **Base Salary** as defined earlier in this section.

For example, assume your pay was \$18,000 per year and your contribution was 2% of your pay or \$360. Your employer would make a contribution to your account of \$180 or 1% of your pay.

➔ **You will not receive your employer's contribution unless you make the Required Employee Contribution.**

#### **Does my employer make a contribution to match the amount that I contribute?**

Yes, your employer will match your contributions from 2% to 5% of your pay. Your employer's matching contribution is 50% of the amount you contribute.

For purposes of calculating the amount of the Employer Matching Contribution, when a contribution on your part is required to receive this contribution, your employer will use your *Base Salary* as defined earlier in this section.

For example, assume your pay was \$18,000 per year and you elect to contribute 5% of your pay. Your employer would match your contribution at the rate of 50%. Here is how to calculate the employer matching contribution that would be made to your account:

$\$18,000 \times 5\% = \$900$ . This would be your contribution.

$\$900 \times 50\% = \$450$ . This is the amount of matching contribution your employer would deposit to your account.

➔ **You will not receive the Employer Matching Contribution unless you make the Required Employee Contributions.**

#### **May I make after-tax Voluntary Employee Contributions?**

Yes, after-tax Voluntary Employee Contributions are permitted, up to the limits imposed by the Internal Revenue Code.

This contribution is based on *Base Salary*.

#### **Will contributions be made to my account if I become disabled?**

Yes, if you become disabled and you are receiving compensation from your employer, your employer will make contributions to your account for 13 weeks after your last day worked. In addition, you may continue to make elective contributions for this period, as long as you are receiving compensation from your employer, but these contributions must cease once you begin receipt of long-term disability income.

#### **What if I am disabled but come back to work under the rehabilitative provision of my long-term disability plan?**

If you return to work on rehabilitative status (as approved by Cooperative Benefit Administrators, your employer and your physician), employer contributions will be made during your period of rehabilitative status based on the Compensation earned through your employer, subject to required or matching contributions if applicable.

**Are there any special rules regarding the maximum amount that may be deposited into my 401(k) Pension Plan account?**

There are strict limits placed by the Internal Revenue Service on the amount of money that may be deposited to the plan each year for your benefit, both by you and your employer. This amount may be limited further if you are a highly compensated employee. The section, **Limitations on Amounts Credited to Your Account**, has specific information regarding the limits on contributions and the special testing required for highly compensated employees.

**Will I continue to receive contributions to my account if I work beyond retirement age?**

Yes, contributions to your account will continue as long as you are an eligible participant, regardless of your age.

**What does it mean to be vested in my account?**

To be vested in your account means that you own the value in your account. However, account values are subject to share value increases and decreases, so there is no guarantee on the amount that will be in your account at a future date.

**How do I become vested in my account?**

You are always 100% vested in your 401(k) Pension Plan account.

**I have an account from the plan of my former employer. May I move that account to this plan?**

Yes; as long as the plan of your former employer was a qualified plan that has operated in compliance with all of the federal laws governing retirement plans. There are three ways to move the money to this plan:

- The first way is a direct rollover from the plan of your former employer to this plan. A direct rollover occurs when your former plan forwards your distribution directly to this plan. You may roll over after-tax employee contributions made to a qualified plan only if your former employer forwards your distribution to this plan.
- The second way is a rollover from a *conduit* IRA. A conduit IRA is one in which you have deposited only the distribution you received from your former employer's retirement plan. It may not contain any other deposits. You may not roll over any after-tax employee contributions from a conduit IRA.
- The third way is a rollover. If you directly receive a distribution from your former employer's plan (rather than a direct rollover from one plan to the other plan), you may deposit the taxable portion of your distribution in this plan provided you do so within 60 days of receiving the money from your former plan.

**I have a 403(b) account from a former employee and/or a traditional IRA. May I move these types of accounts to this plan?**

You may roll over the entire portion of either of these types of accounts. The rollover would include the employer and employee pre-tax contributions as well as the employee after-tax contributions to the 403(b) account. It could also include the deductible and non-deductible portions of a traditional IRA. You may also roll over your entire 403(a) account and your individual retirement annuity.

**Do I have to be making contributions to this plan in order to roll over my account from my former plan?**

No, you may move the money from your former plan into this plan any time after you start to work.

## **LIMITATIONS ON AMOUNTS CREDITED TO YOUR ACCOUNT**

This section describes the limitations imposed by the Internal Revenue Service.

---

### **Is there a maximum amount that may be added to my account each year?**

Yes, there are limits imposed by the Treasury Regulations that interpret the Internal Revenue Code. Several tests must be performed to make sure that the deposits to your account do not go beyond these limits.

Under Section 402(g) of the Internal Revenue Code, the maximum pre-tax contribution that may be made by a participant is \$15,500 (the 2008 limit). The dollar amount is periodically indexed for inflation.

In addition, a participant may make an additional “catch-up” contribution of \$5,000 (2008 amount) if at any time during the plan year the participant is at least 50 years old. The dollar amount is periodically indexed for inflation.

All contributions made to your account, by you or by your employer, are tested under Section 415(c) of the Internal Revenue Code to make sure the limitations of this section are not exceeded. Effective January 1, 2002, this Section limits all employer and employee contributions to the lesser of 100% of your pay, or \$46,000 (2008 limit). Employer contributions are taken into account in determining your maximum contributions to this plan. Employee Required Contributions to the Retirement Security Plan will reduce the level of your contributions to this plan. Contributions to a Section 125 plan or to a deferred compensation plan or to this plan will not reduce your taxable pay. Any contributions to another defined contribution plan may further reduce the level of your contributions to this plan.

### **Does a direct transfer or rollover to my account affect my annual contribution limit?**

No, a direct transfer or rollover of a distribution from the Retirement Security Plan, an IRA, or another qualified pension plan will not affect your annual contribution limit. Only current year contributions made by you or your employer to the 401(k) Pension Plan and to any other defined contribution plan in which you participate will affect your limit.

### **Are there other limits that affect my contributions to the plan?**

Yes, if you are a highly compensated employee, there are additional limits. Under the nondiscrimination rules of the Internal Revenue Code Section 401(k) and Section 401(m), highly compensated employees may not contribute more than a certain percentage of the amount contributed by non-highly compensated employees.

### **How do I determine if I am a highly compensated employee?**

You are a highly compensated employee for 2008 if you earned more than \$100,000 during 2007 or if you own at least 5% of your employer's business during the current or prior year. This amount will be indexed for inflation.

### **How does the nondiscrimination test for highly compensated employees' contributions work?**

All contributions that have not been taxed are tested under the ADP test of Section 401(k), and those contributions that are made with after-tax dollars are tested under the ACP test of Section 401(m).

First, contribution percentages for all non-highly compensated employees are averaged.

Second, contribution percentages for all highly compensated employees are averaged.

Third, the average percentages determined in the first and second steps are compared. The percentage for the highly compensated group cannot be more than the greater of:

- 125% of the non-highly compensated group percentage, or
- the LESSER OF:
  - 200% of the non-highly compensated group percentage, or
  - the non-highly compensated group percentage plus 2%

For example, if the non-highly compensated group percentage is 3.0% and the highly compensated group percentage is 4.0%, the comparison would be made this way:

The maximum percentage for the highly compensated group will be the greater of:

- (1)  $125\% \times 3.0\% = 3.75\%$ , or
- (2) the **LESSER OF**
  - (a)  $200\% \times 3.0\% = 6.0\%$ , or
  - (b)  $3.0\% + 2.0\% = 5.0\%$

The lesser of 2(a) and 2(b) is 5.0%. The greater of (1) or (2) is 5.0%. Therefore, the highly compensated group may have an average deferral percentage of as much as 5.0%. Since, in our example, the highly compensated had a 4.0% average deferral percentage, they did not exceed the maximum allowed under the Internal Revenue Code.

## DETERMINING THE VALUE OF YOUR ACCOUNT

The Plan Administrator of your plan will establish and maintain a separate account in the plan for each participant. Each account will be credited with its appropriate share of contributions and investment gains and/or losses.

This Plan is intended to constitute a plan described in Section 404(c) of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the regulations issued thereunder. Any fiduciary within the meaning of Section 3(14) or 3(21) of ERISA shall not be liable for any loss, or by reason of any loss, or by reason of any breach, which results from a Participant’s exercise of control with respect to the investment of his or her account in the funds, including investments based on telephone instructions received from the Participant believed to be genuine and made in accordance with the established procedures, to the extent that a Participant exercises control over the assets in his or her account as determined under regulations prescribed by the Secretary of Labor under Section 404(c) of ERISA.

---

### **When are my contributions credited to my account?**

Contributions are credited to your account on the evening of the third business day after we have received actual payment and all the information required to process the deposit.

### **What happens to the money contributed to my account?**

Contributions to the plan are invested by the Trustee in one or more of the available investment funds. Contributions received by the Trustee bank are used to purchase shares in the investment fund(s) you and your employer selected as of the close of trading on the New York Stock Exchange, the day before the contributions are received.

### **May I choose where to invest my contributions?**

Yes, you may choose to invest the contributions made by your employer as well as any contributions you make in any of the available investment funds.

### **What are the available investment funds?**

Contributions are allocated to the ten available investment funds as specified by you and/or your employer. The investment may be split among the funds or allocated to one fund. The only restriction is that you may not allocate less than 1% of your entire contribution to any one fund that you choose to invest in.

There are ten investment fund choices. They are:

**Short Term Bond Fund:** Managed to generate a high level of current income without incurring the degree of principal volatility of a longer-term bond fund. The fund’s share price will fluctuate with changes in short-term bond interest rates. The fund invests in high-quality, short and intermediate-term securities such as corporate and government bonds, mortgage-backed securities issued by government agencies and other debt securities.

**Money Market Fund:** Managed to maintain maximum share price stability. Interest income is reinvested in the fund so that share prices will change with fluctuations in short-term interest rates. Invests in commercial paper, Treasury bills, high-quality certificates of deposit and other short-term debt securities.

Growth and Income Fund: Designed for long-term investors who want the potential for capital growth and dividend income and are able to withstand short-term fluctuations in the value of their account. Invests primarily in stocks of companies representing a broad range of industries. Fund managers generally choose stocks that appear to be undervalued relative to their historical performance. They also look for stocks whose earning potential is higher than what is reflected in the company's current share price. A percent of fund assets may be held in cash.

S&P 500 Stock Index Fund: Intended for long term investors who want the potential for capital growth and are willing to accept fluctuations in the value of their account. The fund is invested in stocks that comprise the Standard & Poor's 500 Stock Index (S&P 500) and is designed to replicate the investment returns of the index. The S&P 500 is a widely recognized gauge of the performance of the overall U.S. stock market and represents 500 companies within the financial, industrial, utility and transportation sectors.

Disclaimer: The Product is not sponsored, endorsed, sold, or promoted by Standard & Poor's Corporation ("S&P"). S&P makes no representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of investing in securities generally or in the Product particularly or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship to the Licensee is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index which is determined, composed and calculated by S&P without regard to the Licensee or the Product. S&P has no obligation to take the needs of the Licensee or the owners of the Product into consideration in determining, composing or calculating the S&P 500 index. S&P is not responsible for and has not participated in the determination of the prices and amount of the Product or the timing of the issuance or sale of the Product or in the determination or calculation of the equation by which the Product is to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Product.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, OWNERS OF THE PRODUCT, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

International Stock Fund: Designed for long-term investors seeking capital growth, who want broad market diversification beyond domestic common stocks, and who can tolerate significant short-term fluctuations in the value of their account. The fund is invested to seek long-term growth of capital and income through investments comprised primarily of equity securities of non-U.S. issuers (including ADRs and other U.S. registered securities) and securities whose principal markets are outside of the U.S. The fund normally will invest in common stocks and ordinary and preference shares of companies with market capitalization greater than \$1 billion. Consideration should be given to the potential impact on investment returns of currency fluctuations.

Nasdaq 100 Index Tracking Stock<sup>SM</sup>: The Nasdaq 100 Index Tracking Stock holds all of the same stocks found in the Nasdaq 100 Index and is designed to track the investment returns of the Index. The Nasdaq 100 Index consists of the 100 largest non-financial companies listed on the National Market tier of the Nasdaq stock market. Consisting primarily of technology stocks, the Nasdaq 100 Index covers a broad range of industries, including computer hardware, software, telecommunications, biotechnology, retailers and wholesalers. The Index includes large industry leaders, but also has a substantial portion of less-established small and mid-sized companies.

Investment returns will move in line with those of the Nasdaq 100 Index, but will reflect the deduction of operating expenses that a market index does not have. This is an aggressive investment option that is likely to be very volatile, offering the potential for high risk and high returns.

**Small Company Stock Index Fund:** The Small-Company Stock Index Fund seeks to track the holdings and performance of the Russell 2000® Small-Stock Index, which is made up of the stocks of smaller U.S. companies. The Russell 2000 Index is made up of the 2,000 smallest companies of the largest 3,000 companies in the U.S. and includes both growth and value stocks across a broad range of industries. The Fund's investment returns will move in line with those of the Russell 2000 Index, but will reflect the deduction of operating expenses that a market index does not have. Small-cap stocks historically have been more volatile in price than larger stocks, and often perform differently than the overall stock market.

**Conservative Investor Lifestyle Fund:** The Conservative Investor Lifestyle Fund is invested in the following index funds sponsored by State Street Global Advisors ("SSGA") in the percentages indicated:

- SSGA's S&P 500 Index – 15%;
- SSGA's Russell Small-Company Index – 5%;
- SSGA's MSCI Europe, Australasia and Far East Index – 5%;
- SSGA's Lehman Aggregate Bond Index – 75%.

**Moderate Investor Lifestyle Fund:** The Moderate Investor Lifestyle Fund is invested in the following index funds sponsored by State Street Global Advisors ("SSGA") in the percentages indicated:

- SSGA's S&P 500 Index – 35%;
- SSGA's Russell Small-Company Index – 10%;
- SSGA's MSCI Europe, Australasia and Far East Index – 10%;
- SSGA's Lehman Aggregate Bond Index – 45%.

**Aggressive Investor Lifestyle Fund:** The Aggressive Investor Lifestyle Fund is invested in the following index funds sponsored by State Street Global Advisors ("SSGA") in the percentages indicated:

- SSGA's S&P 500 Index – 55%;
- SSGA's Russell Small-Company Index – 15%;
- SSGA's MSCI Europe, Australasia and Far East Index – 15%;
- SSGA's Lehman Aggregate Bond Index – 15%.

### **How often are the investment funds valued?**

The investment funds are calculated every business day, at the close of trading on the New York Stock Exchange, usually 4:00 p.m., EST. All 401(k) Plan funds are priced on a daily basis. This is not an option of your System.

The valuation date does not include any business trading day that shares cannot be valued due to the inability of NRECA personnel to service the Plan due to circumstances beyond their control; severe weather; or an Act of God, even if the New York Stock Exchange is open for business.

### **How often may I change my investment choices?**

You may change your investment choices or the amount invested in each fund at any time, subject to the transfer restriction described below. You may use the Advantage Voice telephone system or the NRECA Employee Benefits website. Any such change will take effect on the current valuation date (if received by 4:00 p.m. ET) or next valuation date (if received after 4:00 p.m. ET) that the change is made.

If your cooperative has daily fund changes you may transfer into an investment option once in a 30-day period following your last transfer into an investment option. This 30-day transfer restriction does not apply to transfers into the Money Market Fund. In addition, the transfer restriction does not affect the number of times you may transfer out of an investment option nor does it apply to the initial investment of employee contributions, employer contributions, loan repayments or Qualifying Rollover contributions.

### **How do I use the Advantage Voice system?**

Dial toll-free **1-800-847-3960**, and press **1**. Enter your social security number and your four digit PIN. If you do not have your PIN, you may request a new one using Advantage Voice.

**Be aware that during periods of extreme economic conditions or market changes, requests made by telephone may be difficult to complete due to the heavy volume of calls. Your call is important and every effort is made to put your call through in a timely manner. However, it is possible some calls may not get through.**

### **What services are provided through Advantage Voice?**

Advantage Voice can let you check your current account balance or quote you the daily share price. It also allows you to apply for a loan and change your fund allocations or fund selections.

### **How are investment earnings (or losses) allocated to my account?**

Contributions are used to purchase shares in the investment funds of your choice based on the share values in effect when the contribution is received by the Trustee. The share value is determined on a daily basis and reflects the value of each investment fund at current market values.

Increases or decreases in the market value of a fund are reflected in the share price. By multiplying the number of shares in your account by the share price, you can determine the dollar value of your account.

For example, if your account has 500 shares, each worth \$5.00 on June 30, the June 30 value of your account is \$2,500 ( $\$5.00 \times 500$  shares).

<b>Date</b>	<b>Number of shares in account</b>	<b>+</b>	<b>Additional shares purchased (contribution)</b>	<b>x</b>	<b>Price per share</b>	<b>=</b>	<b>Account Value</b>
6/30/01	450	+	50	x	\$5.00	=	\$2,500
7/31/01	500	+	50	x	\$6.00	=	\$3,300

### **How often will I receive a statement of the value of my account?**

NRECA will mail a statement to your employer for the calendar quarters ending March 31, June 30, September 30 and December 31 showing the current status of your account.

## LOANS FROM THE PLAN

This plan is designed to provide retirement benefits and benefits in case of disability, death, financial hardships, or the later of age 59½ or your plan's normal retirement date and other emergencies that can occur. The plan will allow you to borrow against your account. Loans from the plan must carry a market rate of interest, and they must have adequate security. If you borrow from your account, you will have to sign a loan note, and a regular repayment schedule will be established. Your account balance will be the collateral for any loan from the plan. Also, you will have to pay an administrative fee in advance to cover the expenses of handling your loan.

---

### **What effect do loans have on the total value of my account?**

The plan treats loans as an investment in your account. The total value of your account is not reduced because you have borrowed from it; however, there is less money in your investment funds, because you have withdrawn some for the loan. In other words, the loan is an asset of your account. If you have an outstanding loan balance when you receive a total distribution from your account, the amount of the distribution would not include the amount you have not paid back.

### **What are the requirements to borrow from my account?**

In order to borrow from the plan you must be an "eligible borrower". An eligible borrower is an employee who has met the requirements to become a participant of the plan and who has an account balance of at least \$2,000 at the time he/she applies for the loan.

### **What if I am on disability, will I still be able to take out a loan?**

As long as you were an "eligible borrower" and your active employment ceased as a result of total or permanent disability as determined under the Plan, you may apply for a loan.

### **What are the minimum and maximum amounts that I can borrow?**

The minimum loan from the plan is \$1,000.

The maximum loan from the plan is the **LESSER OF:**

- \$50,000 or
- 50% of the value of your account as of the day you apply for the loan.

You should note that IRS regulations require that the \$50,000 limitation be reduced by the excess of the highest outstanding loan balance on your account during the last 12 months prior to your applying for a new loan minus the outstanding balance of loans from the plan on the date the loan is made. Also, your maximum loan limit will be reduced by the amount of any unpaid loan balance on your account at the time you apply for a new loan.

### **How long do I have to repay a loan?**

The maximum time allowed for repayment of a loan is five years. You may repay the loan sooner, but you may not set up a loan with a scheduled repayment period of less than one year. You may pay off your loan at any time; however, you must pay the full outstanding balance.

**How is the interest rate on a loan determined?**

By law, interest rates must be comparable to that of any commercial lender making a similar loan. Your interest rate will be 1% higher than the prime rate in effect nationwide as published in financial journals as of the first business day of the quarter in which the loan is approved. The applicable quarters are the calendar quarters beginning January 1, April 1, July 1 and October 1.

**May I deduct the interest that I pay on a loan from the plan when I file my income tax return?**

No, interest on plan loans is not tax deductible.

**Does the interest that I repay on my loan go into my account or is it part of the general assets of the trust?**

The interest goes back into your own account. Your payments of principal and interest are allocated to your account's investments in the same proportion that the money was withdrawn from your account when you made the loan. However, if you change your investment fund selections while you are repaying a loan, the payments will go to your most recent investment fund selections and not to the investment funds from which the money was withdrawn.

**How do I apply for a loan?**

If you want to find out if you are eligible to borrow from the plan or you would like to request a loan, you may do so anytime from the comfort of your home 24 hours a day. Simply log on to our website at Cooperative.com, click on NRECA's Employee Benefits, go to the 401(k) Pension Plan section, select Loans and then follow the instructions. Or you can call Advantage\*Voice at 1-800.847.3960, then follow the voice prompts for loan administration. You may also contact your Benefits Administrator in the event you require a paper form or if you have questions about loan administration.

**Is there any charge to process a loan from my account?**

Yes, the total loan amount will include an administrative fee that will be deducted from the loan proceeds and will be repaid into your account as part of your loan repayment amount. See the **Summary of Plan Benefits** for fee amounts.

**Do I need my spouse to agree before I can make a loan?**

Yes, you may not borrow from your account without your spouse's written consent on the promissory note.

**How do I repay the loan?**

Loan repayments are made through payroll deductions. If, for some reason, you are unable to make payroll deductions, arrangements for repayment must be made with your employer.

**Does the money I withdraw for my loan come from my own contributions, from my employer's contributions, or both?**

If you make a loan, the money will come from your account in the following manner:

- First, from contributions made by your employer (the Employer Base Contribution and/or matching contribution).

- Second, from the portion of your account attributable to your before-tax Employee Elective Contributions.
- Third, from that portion of your account attributable to your after-tax Required Employee Contributions.
- Fourth, from your after-tax Voluntary Employee Contributions.

**What happens if I am on a leave of absence and I have an outstanding loan balance?**

If you are on a leave of absence from employment you will have a grace period of the length of your leave of absence, to a maximum of twelve months. You will not be required to make loan repayments but interest on any outstanding principal and interest will continue to accrue. At the end of the grace period, the original terms and conditions of the loan will be reinstated.

**From which investment fund is my loan taken?**

Loans are taken proportionately from each investment fund in which your account is invested.

**How many loans may I have outstanding from my account?**

No more than four loans may be outstanding from your account at one time.

**May I refinance a loan?**

No, after December 1, 2003, you can no longer refinance a 401(k) loan.

**May I pre-pay a loan?**

Yes, you may pre-pay a loan before the end of its term, but you must pay the full outstanding balance. Partial pre-payments are not permitted.

**What constitutes a default on the loan?**

If you miss three monthly payments on your loan, you will be in default. At the time of default, IRS Form 1099(R) will be sent to the Internal Revenue Service, and you will be required to report the then outstanding loan amount as income on your income tax return. Furthermore, interest on the loan will continue to add up until the time you repay the outstanding balance or you become eligible for a distribution from the plan. Complete default information is found on your promissory note.

**What happens if I terminate employment before the loan is repaid?**

You have several options:

- You may pay off your outstanding loan balance when you terminate employment. You will have 90 days after termination to pay the outstanding balance to avoid a default distribution.
- You may offset your account balance by the outstanding loan amount and declare the outstanding balance as ordinary income for the year you terminate employment.

- If you transfer to another employer that participates in the plan and has the loan option, you may elect to transfer your loan obligation and continue to make payments for the remaining term of the loan through your new employer.

**If I should die, would my beneficiaries be allowed to borrow from the plan?**

No, only employees are eligible borrowers.

**If I roll over my account from a former plan, when can I apply for a loan?**

You may not receive a loan until you become a participant in this plan.

**May I withdraw money from my account without creating a loan?**

You may withdraw certain types of contributions from the plan without creating a loan. There are three types of contributions that can be withdrawn. They are:

- after-tax Voluntary Employee Contributions,
- tax-deductible Employee Contributions made to the plan before January 1, 1987, and
- tax-deductible employee contributions made to another plan that you transferred to this plan.

You may withdraw all or any part of these types of contributions. You may withdraw part or all of your account balance if you become totally disabled. If you do withdraw money from the plan, it will reduce the ultimate amount available to you at retirement. Your plan does not allow withdrawals from your account because of any hardship other than your total disability.

## DISTRIBUTION INFORMATION



**ALWAYS SEEK THE ADVICE OF A QUALIFIED TAX PROFESSIONAL BEFORE MAKING A DECISION REGARDING YOUR DISTRIBUTION.**

---

### **What events may cause me to receive my benefits from the plan?**

You may receive a distribution from the plan if you retire, become disabled, terminate your employment, or in the event the plan is terminated. You also may withdraw after-tax Voluntary Employee Contributions at any time.

### **What events may cause my beneficiaries to receive benefits from the plan?**

Your beneficiaries may receive a distribution from the plan in the event of your death. Benefits also will be paid if a Qualified Domestic Relations Order (QDRO) exists that requires that part of your account be paid to an alternate payee (usually the participant's ex-spouse).

Participants and beneficiaries can obtain, without charge, a copy of QDRO procedures from the Plan Administrator.

### **When may I retire?**

You may retire any time on or after your normal retirement date.

Your retirement date, called the normal retirement date, is the first day of the month following your attaining age 62. If your birthday is the first day of the month, then that day is your normal retirement date.

### **How will I receive my retirement benefit?**

You may choose to receive your benefit in the form of an annuity, a total cash payment, annual installment payments, or unscheduled intermittent withdrawals. If you are married, you may choose cash, installments, or intermittent withdrawals only if your spouse consents in writing. You must get spousal consent to any form of distribution other than a 100% Joint and Spouse Annuity.

In order to receive your benefit, you must choose how you would like to receive it on a benefit option form provided to you by the Plan Administrator. **If you do not choose in writing, your benefits will be paid to you in the form of an annuity.**

### **What happens if I do not return my benefit option form, my instructions as to how I want to receive my benefits, within 90 days?**

If you do not return your benefit option form before 90 days has elapsed from the later of the event date or the print date, it will no longer be a valid form. You may again request a benefit option form and make an election at any time. The actual amount of the distribution will be based on current share prices at the time your payment is processed.

### **What is an annuity?**

A Single Life Annuity is a periodic payment, usually monthly, which will provide equal payments to you for as long as you live. All payments stop when you die.

A Joint and Spouse Annuity is a periodic payment, usually monthly, which will provide equal payments for your life and, if you are married, for the life of your spouse after your death.

A Joint and Spouse Annuity with a 10 Year Certain is a periodic payment, usually monthly, which will provide equal payments for your life. If you die within the first 10 years, and you are married, your spouse will continue to receive payments for the remaining years of the specified period.

The amount of your annuity is calculated using the value of your account balance at the time payments begin.

### **What is a cash payment?**

A cash payment is a distribution of your total account balance, valued as of the date of the distribution. This type of distribution may not be a lump sum distribution.

A lump sum distribution is defined as a distribution of an employee's entire benefit under all similar plans (e.g., all profit sharing plans) in one year upon one of four stated events: termination of employment, death, disability, and attainment of age 59½. If a distribution is a lump sum distribution, then it is eligible for five-year forward averaging. However, forward averaging will not be available after 1999—except for participants who were 50 by 1986. These participants can still elect ten-year averaging, and they can elect capital gains tax treatment on the pre-1974 portion of their payment.

### **What is an installment payment?**

Installment payments are approximately equal annual payments made to you from your account for a specified number of years. You choose the number of years over which the payments will be made. The maximum number of installments you may choose is 15 (i.e., 15 years).

### **What is an intermittent withdrawal?**

In addition to the annuity, total cash, and annual installment options, the plan also allows participants with an account balance of \$5,000 or greater who have terminated employment to leave their money in the plan and to take intermittent withdrawals from their accounts. A participant may elect to receive up to four unscheduled single withdrawals a year. The minimum amount that may be withdrawn on an unscheduled basis is \$1,000. In addition, a participant may elect to receive a series of equal withdrawals, paid monthly, quarterly, semi-annually or annually, for a period of at least 12 months and less than 10 years. The minimum amount that may be withdrawn as a series of equal withdrawals is \$500 per payment.

### **How will benefits be paid if I am married?**

If you are married and you do not make an election indicating how you want your benefit paid, you will be paid in the form of a 100% Joint and Spouse Annuity. With a 100% Joint and Spouse Annuity, payments are made to you and your spouse every month. If you should die before your spouse dies, payments will continue to your spouse for as long as he or she lives. The payments to your spouse after your death will be in the same amount as was paid when you both were living.

If you wish to receive your benefits in a form other than a 100% Joint and Spouse Annuity, you may elect another form of benefit, with the written consent of your spouse.

### **How will benefits be paid if I am not married?**

If you are not married when you retire, unless you elect otherwise, you will receive your benefit in the form of a single life annuity which provides a monthly payment to you for as long as you live. All payments stop when you die.

### **How can I determine which is the best payment option for me?**

When you are about to retire, you will receive distribution information from the Plan Administrator that will explain the 100% Joint and Spouse Annuity, the Joint and Spouse Annuity with a 10 Year certain, the Joint and Survivor Annuity, the single life annuity, the total cash option and the installment option to you in detail. You will have at least 30 days to think about your choice. If you do not decide within 90 days new option forms will have to be issued to you. During this 90-day period you will be able to change your selection if you decide you did not make the best choice initially. However, once payments begin, you may not make any changes.

### **May I change my payment option once I have begun receiving my benefits?**

No, your election is irrevocable. This means that once you begin receiving benefits in the form you have elected, neither you nor your spouse may make any changes.

### **How soon after I retire will I receive my benefit?**

The Plan Administrator will make payments as soon as administratively possible after receipt of your option forms, but not less than 30 days after the required explanation of benefit options was provided to you, unless you elect to waive the 30 day period. Then the earliest your benefit may be paid is 7 days after the date you receive your option form, i.e., on the eighth day.

Unless you elect to defer receipt of your benefits to a later date, the latest date the plan may pay you your benefits is 60 days after the close of the plan year after the last of these three events:

- (1) the date you reach age 65 or your plan's normal retirement date, or
- (2) the 10th anniversary of the year in which you became a plan participant, or
- (3) the date you terminate employment with your employer.

### **Who will receive the money in my account if I should die before I retire?**

When you enrolled in the plan you were asked to designate your beneficiary.

If you are married at the time of your death, Federal law requires that your spouse be the beneficiary of your account. You may designate someone other than your spouse only if your spouse agrees in writing. Your spouse's signature must be witnessed by a notary public.

If you are not married, you may designate anyone you choose to be the beneficiary of your account. Your beneficiary will be able to choose to be paid in the form of an annuity, total cash or installment payments.

If you do not designate a beneficiary, payments will be made to the first surviving person in the following order:

- your spouse;
- your children;
- your parents;
- your brothers and/or sisters;
- the executor or administrator of your estate.

**May I defer receipt of my benefit when I retire or terminate my employment?**

If you terminate your employment, you may defer receipt of your benefit until April 1<sup>st</sup> of the year following the later of the year you turn age 70½ or retire.

**As a former participant in the Plan, can I make periodic withdrawals?**

Yes, as a former participant you may elect to make periodic withdrawals from your account. To elect periodic withdrawals, your account balance must be \$5,000 or greater. You may elect to receive up to four unscheduled single withdrawals a year and/or you may elect to receive a series of equal withdrawals, paid monthly, quarterly, semi-annually, or annually, for a period of at least 12 months and less than 10 years. The minimum amount of withdrawal for an unscheduled single withdrawal is \$1,000, and the minimum amount for a series of equal withdrawals is \$500 per payment.

**If I have not terminated my employment, must I receive a minimum distribution of my benefits at age 70½?**

Minimum required distributions for active participants who turn 70½ after 1998 are no longer required. A participant will not have the option to elect minimum distributions. A distribution can be postponed until April 1<sup>st</sup> of the year following the later of the year the participant turns age 70½ or retires. This change affects participants differently depending upon when they reach age 70½. The rules are complicated, so please read the following.

**A. Participants who turned age 70½ in 1996 or earlier (currently receiving minimum required distributions).**

Participants will be given the choice whether to continue to receive minimum distributions, or to suspend further payment of minimum distributions until retirement. All distribution options allowed under the Plan will be available. Once the participant makes an election, the election will continue to apply for future years. At retirement, a new option form will be provided to the participant, even if the participant has elected to continue receiving minimum payments.

**B. Participants who turned age 70½ in 1997 or 1998.**

Participants will be given the choice whether to receive minimum distributions, or to suspend further payment of minimum distributions until retirement. All distribution options allowed under the Plan will be available. Once the participant makes an election, the election will continue to apply for future years. At retirement, a new option form will be provided to the participant, even if the participant elects to receive minimum payments.

**C. Participants who will turn age 70½ in 1999 or later.**

Participants will not have the option to elect minimum distributions at age 70½, and all distributions can be postponed until April 1<sup>st</sup> of the year following the later of the year the participant turns age 70½ or retires. An option form will be issued upon the participant's actual retirement.



**The rules associated with the long-term disability income and distributions from the 401(k) Pension Plan and the Retirement Security Plan are complex.**

**What is the definition of disability?**

You will be considered disabled under this plan if you meet the description of total and permanent disability under the Long Term Disability Plan for Employees of NRECA Member Systems. Generally, you are disabled if you are unable to do your job because of sickness or injury and you have stopped working because of the sickness or injury.

**If I become disabled, how will my benefits be paid to me?**

If you should become disabled, you will be entitled to receive all or a portion of your account balance. You may request a distribution no earlier than 26 weeks after you stop working because you are disabled. If you are married you may not withdraw your benefits in a form other than the joint and spouse annuity unless your spouse consents, in writing, to distribution in an alternate payment form.

If you previously have quasi-retired and transferred your accrued benefit from the Retirement Security Plan to your 401(k) Pension Plan account, withdrawal of the Retirement Security Plan portion of your account will cause a reduction in your long-term disability benefit. You may withdraw all of the money attributable to contributions to the 401(k) Pension Plan without any reduction to your long-term disability benefit.

Never withdraw any funds until you speak with your Benefits Administrator about the interaction of long-term disability income and pension distributions.

**What are the potential tax consequences of a long-term disability withdrawal?**

If the withdrawal is made before the participant is 59 ½ years old, a 10% tax penalty will be assessed on the taxable portion of the withdrawal, unless an exception applies. Also, if the distribution is not rolled over into an IRA, it will be subject to a 20% mandatory tax withholding.

**If I quit or if I am fired or laid off, will I forfeit the money in my account?**

No, you will receive 100% of the value of your account as soon as administratively possible after the date you terminate employment and complete and return the benefit option forms to NRECA. You may elect to leave your account in the plan until a later date. The account will be valued as of the date the distribution is authorized by the NRECA Benefit Payment Unit.

If you request your distribution at a later date, you will have the same choices of payment methods that are available when you terminate employment.

If the amount of your account is \$1,000 or less at any time following termination of employment or death, and no amount has been previously distributed as an annuity or in installments, you will receive the entire account value when you terminate your employment. You will not have the option of leaving it in the plan. If the value of your account is greater than \$5,000, you and your spouse (or the surviving spouse) must consent in writing to any distribution in a single sum. If the value of your account is greater than \$1,000 but equal to \$5,000 or less, you must consent to any distribution in a single sum, however spousal consent is not required.

### **How do I withdraw my after-tax Voluntary Employee Contributions?**

If you made after-tax Voluntary Employee Contributions to the plan, or if you transferred Deductible Employee Contributions from another qualified plan to this plan, you may withdraw any part of the contributions on the first day of any month provided the Plan Administrator receives your request at least 30 days before the effective date of your withdrawal. Your Benefits Administrator can provide you with the proper forms.

Although these contributions were made on an after-tax basis, a portion of the amount withdrawn may represent earnings that are taxable.

### **What is a rollover?**

A distribution may be made to a participant who subsequently rolls over the distribution to an IRA or another qualified plan within 60 days of receiving the money. If you receive a distribution directly, 20% of the taxable portion will be withheld for income tax. You will receive only 80% of the taxable portion of your total distribution for rollover. You may add money that you have from other sources, i.e., savings, etc., to your distribution to make up the 20% that was withheld and roll over an amount equal to 100% of your benefit, but you must complete the rollover within 60 days of the day you received the distribution. The 20% tax withholding does not apply to that portion of your distribution, if any, that consists of your after-tax employee contributions.

Also, a distribution may be made directly from the trust to an IRA or another qualified trust. If you use this **direct rollover** method, 100% of your distribution will be transferred to your IRA or the plan of your new employer. The 20% tax withholding does not apply to a direct rollover.

### **What is an eligible rollover distribution?**

The following distributions from the 401(k) Pension Plan are eligible rollover distributions. The taxable portion may be subject to the 20% tax withholding described above:

- any total cash distribution, including an outstanding loan;
- disability withdrawals from the 401(k) Pension Plan;
- Voluntary Employee Contribution (VEC) withdrawals;
- installment payments for a period of less than 10 years;
- portion of a distribution received after the later of age 70½ or your actual retirement that is greater than the required minimum distribution amount (although if rolled over to an IRA, such amount would be taken into account in determining the minimum required distribution from the IRA);

- eligible distributions to a surviving spouse or an ex-spouse under a Qualified Domestic Relations Order (QDRO).

### **What is not an eligible rollover distribution?**

Distributions from the 401(k) Pension Plan which are not eligible for rollover and, therefore, are not subject to the 20% tax withholding are:

- any payment in a series of substantially equal period payments made over the life expectancy of the participant or joint life expectancies of the participant and beneficiary;
- any payment in a series of substantially equal periodic payments over a period of ten years or more;
- a minimum required distribution (following the later of age 70½ or actual retirement);
- a distribution to an alternate payee or a beneficiary who is not the spouse;
- a hardship distribution.

### **I have earned a benefit under the Retirement Security Plan. May I roll over that benefit to this plan?**

Yes, if you have reached your normal retirement date under the Retirement Security Plan, you may elect to quasi-retire under the RS Plan and to transfer a single sum distribution of your Retirement Security Plan benefit to the 401(k) Pension Plan. If you terminate your employment, you may roll over the taxable portion of your Retirement Security Plan distribution to the 401(k) Pension Plan within 90 days of the date on the option form.

### **What happens to the 20% that is withheld?**

It is sent to the Internal Revenue Service and credited to your withholding tax account, in the same manner as your payroll withholding tax.

### **Who is responsible for any early distribution penalty that might be applicable?**

The 10% tax penalty is your responsibility when you file your personal income tax return. It is not a function of the Plan or its representatives.

# **UNIFORMED SERVICES EMPLOYMENT & REEMPLOYMENT RIGHTS ACT (USERRA)**

## **What is military leave?**

Military leave is any absence from employment because you are called up to active duty, including active duty for training, full-time National Guard duty and inactive training. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) gives individuals that must perform military service certain reemployment and benefit rights.

## **How does a period of military leave affect my 401(k) Pension Plan benefits?**

If you use paid leave, there is no effect. However, if you take an unpaid leave of absence, contributions to your 401(k) Pension Plan account will be suspended. Upon your return to employment, you and your employer (if applicable) will be able to make up any contributions missed during this absence.

## **What happens if I enter military service and I have an outstanding loan balance?**

If you enter military service as defined in the Plan, you will have a grace period during which you will not be required to make loan repayments, and no interest on any outstanding principal and interest will accrue during the grace period. At the end of the grace period, the original terms and conditions of the loan will be reinstated.

## **Can I take my benefit when I leave for active duty?**

Generally, military leave is considered a leave of absence, not a termination of employment. No distribution can be made unless you terminate employment.

## **TOP HEAVY PLANS**

### **What is a top heavy plan?**

A top heavy plan is a plan in which “key employees” receive 60% or more of all of the contributions to the plan for the year. The rules for determining who is a key employee are quite technical; however, generally, a key employee is an officer of your employer.

Each year the Plan Administrator is responsible for determining whether or not your plan is a top heavy plan. For the year that your plan is a top heavy plan, if you are not a key employee, your employer will make the special top heavy minimum contribution to your account.

Effective January 1, 2002, if your employer has adopted the Safe Harbor Provisions of the 401(k) Pension Plan, your System will not be subject to top heavy requirements.

### **What is a top heavy contribution?**

A top heavy contribution is a contribution that your employer will make to your account if your plan has been determined to be top heavy for any year. The special top heavy contribution is available to non-key employees only. The amount of the contribution will not be greater than 3% of your pay and in some cases may be less than 3%.

### **What effect will a top heavy plan have on my vesting?**

None, your plan already provides for 100% vesting as soon as you become eligible to participate in the plan.

## MISCELLANEOUS QUESTIONS

This section discusses some general issues that did not clearly fit into one of the earlier sections of the Summary Plan Description. You should review this section carefully in order to gain a more complete understanding of the plan.

---

### **May I use the amount in my account as collateral for a personal loan, such as a loan for a home or a car?**

No, federal law prohibits using an account in a qualified retirement plan as collateral.

### **What is a Qualified Domestic Relations Order (QDRO)?**

A Qualified Domestic Relations Order (QDRO) is a court order that provides for the payment of alimony or child support or otherwise allocates a portion of your account to an alternate payee. If the Plan Administrator receives a valid Qualified Domestic Relations Order (QDRO), he will be obligated by law to comply with its terms.

Participants and beneficiaries can obtain, without charge, a copy of QDRO procedures from the Plan Administrator.

### **Is this plan covered by the Pension Benefit Guaranty Corporation?**

No, this plan is not the type of plan that is subject to coverage by the Pension Benefit Guaranty Corporation.

## PROCEDURE FOR CLAIMING BENEFITS

Benefits will be paid to participants and beneficiaries without the necessity of formal claims. However, you or your beneficiaries may request any plan benefits to which you may be entitled. Any such request must be made in writing to the Plan Administrator.

---

### **What are my responsibilities if I want to claim benefits from the plan?**

Any claim for plan benefits will be subject to a full and fair review. If your claim is wholly or partially denied, the Plan Administrator will furnish you with a written notice of this denial. This written notice must be provided to you within a reasonable period of time, usually about 90 days.

The written explanation will contain the following information:

- the specific reason or reasons for the denial,
- specific reference to those plan provisions on which the denial is based,
- a description of any additional information or material necessary to correct your claim and an explanation of why such material or information is necessary, and
- a description of what steps are necessary to submit your claim for review.

If you are not notified of a decision as discussed above, you may consider the claim denied and proceed with the claims review procedure.

### **If I have been denied benefits from the plan, is there a review procedure?**

If your claim has been denied, you may submit your claim for review. The request for review must be in writing on forms available from your employer. The procedure is:

- The claim must be filed no later than 90 days after your receipt of notification that your claim has been denied.
- You may review all pertinent documents related to the denial of your claim and submit any issues and comments you may have, in writing, to the Plan Administrator.
- Your claim for review must be given a full and fair review. If your claim is denied, the Plan Administrator must provide you with written notice of this denial within 60 days after the plan Administrator's receipt of your written claim for review. There may be times when this 60 day period may be extended. However, this extension may be made only where there are special circumstances that are communicated to you in writing within the 60-day period. If there is an extension, a decision will be made as soon as possible, but not later than 120 days after receipt by the Plan Administrator of your claim for review.
- You will receive a written decision regarding your claim that sets forth the basis for the decision and specific references to plan provisions upon which the decision was based.

- If you want the decision reviewed by a court, such review can occur only after the Plan's claim's review procedure has been completed and must commence within one year from the date the Plan's Administrator renders a final decision.

## STATEMENT OF ERISA RIGHTS

This section explains your rights under the Employee Retirement Income Security Act.

---

As a participant in the 401(k) Pension Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (“ERISA”). ERISA provides that as a plan participant you shall be entitled to:

### **Receive Information About Your Plan and Benefits**

Examine, without charge, at the plan administrator’s office and at other specified locations, such as work sites and union halls, all documents governing the plan, including collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including collective bargaining agreements and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a summary of the plan’s annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a pension at normal retirement age and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The plan must provide the statement free of charge.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called “fiduciaries” of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

### **Enforce Your Rights**

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a

claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

### **Assistance With Your Questions**

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **AMENDMENT AND TERMINATION OF YOUR PLAN**

This section discusses the rights and responsibilities of your employer if the board of directors elects to amend or terminate this plan.

---

Your employer has the right to amend or terminate its participation in this plan at any time. If the plan is amended, no amendment will permit any part of the plan assets to be used for any purpose other than to provide benefits for participants or their beneficiaries. No amendment will cause any reduction in your account balance or cause plan assets to be returned to your employer.

If the plan is terminated, your employer may make distributions to you in any manner allowed by the plan or your employer may continue the trust. If the trust is continued, your account will continue to receive investment gains or losses.

## GLOSSARY

**Accrued Benefit:** The benefit or account balance earned by a participant in a plan through participation in the plan.

**Alternate Payee:** The person or persons who will receive payments from the plan, as directed by a court of law, under a Qualified Domestic Relations Order.

**Annuity:** A series of payments made for the lifetime of the participant, or in the case of a joint and spouse annuity, for the lifetime of the participant and the participant's spouse.

**Beneficiary:** The person who is designated to receive the participant's benefit in the event of the participant's death.

**Cash or Deferred Arrangement (CODA):** A provision in a plan that permits the participants the option of taking a portion of their pay as cash or depositing it on a tax-deferred basis in the plan. This type of plan is commonly called a 401(k) plan.

**Death Benefits:** Payments from the plan to a participant's beneficiary as a result of the death of the participant.

**Defined Contribution Plan:** A plan that provides individual accounts for participants. Benefits are based on the amount of contributions made to the plan and the investment gain (or loss). There is no guarantee as to the amount available for benefits at the time benefits are paid to the participant.

**Employee:** An individual who receives pay for services to the employer.

**Employer:** Any organization adopting this plan that has employees who are eligible to participate.

**ERISA:** The Employee Retirement Income Security Act of 1974. This is the primary law governing the operation of qualified retirement plans.

**Installment Payments:** A series of annual payments for a specified number of years, made directly from the trust.

**IRA:** An Individual Retirement Account established by an individual at a bank or financial institution.

**IRS:** Internal Revenue Service

**Joint and spouse annuity:** An annuity that pays benefits for the life of the participant and upon the participant's death, payments continue to the participant's spouse.

**Key employee:** Any participant or former participant (including any deceased participant) who at any time during the plan year that includes the determination date was an officer of the participating system having annual income greater than \$140,000 (as adjusted); a five percent owner of the employer; or a one percent owner of the employer having annual compensation of more than \$150,000.

**Plan Administrator:** The person and/or organization responsible for the administrative duties required to maintain the plan.

**Plan year:** A twelve-month period in which the plan's records are maintained. The plan year of this plan is January 1 to December 31.

**Qualified Domestic Relations Order (QDRO):** A court order requiring the Plan Administrator to recognize an alternate payee's right to all or a portion of a participant's account (such as in the case of alimony or child support payments).

**Top heavy plan:** A plan in which 60% or more of all plan benefits belong to "key employees".

**Trust:** A fund established to hold and invest plan contributions.

**Trustee:** The person and/or organization named by the plan to handle the assets of the plan for the benefit of plan participants.

**Valuation date:** Each business trading day the New York Stock Exchange is open for business. Valuation date does not include any business trading day that shares held in the Trust Fund cannot be valued due to the inability of NRECA personnel to service the Plan due to circumstances beyond their control; severe weather; or an Act of God, even if the New York Stock Exchange is open for business.

**Vesting:** The process of acquiring full ownership of contributions made to the plan by virtue of continuous employment for a specified number of years or other events specified in the trust resulting in 100% vesting. Participants are 100% vested in all contributions made to this plan at all times.

**Voluntary Employee Contributions:** An amount the participant voluntarily contributes to the plan on an after-tax basis.

**Year of service:** A twelve-month period during which the participant works at least 1,000 hours.