

# **NRECA 401(k) Pension Plan**

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## **SUMMARY PLAN DESCRIPTION**

as adopted by

PEMISCOT-DUNKLIN ELEC CO-OP

26-012-002

## Introduction

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This document is a Summary Plan Description (SPD) of the 401(k) Pension Plan (“401(k) Plan” or “Plan”). The purpose of this SPD is to summarize the key provisions of the 401(k) Plan. Each participant in the 401(k) Plan is responsible for reading this SPD and related materials completely and for complying with all rules and Plan provisions.

The Federal laws governing the operation of retirement plans are complex. This document is only a summary of the most important provisions of the Plan. It does not discuss some of the more 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 and amendments.

**If the terms of this SPD conflict with the terms of the 401(k) Plan, the Plan will govern in all cases. In addition, the language in the Plan gives the I&FS Committee and its delegates (as defined in the section titled *Administrative and Contact Information*) discretionary authority to determine eligibility for benefits or to interpret the terms of the Plan.**

If you have questions or you do not understand any part of this SPD, contact your local benefits administrator (BA) or the plan administrator. The plan administrator's name and address can be found in the section titled *Administrative and Contact Information*.

## Table of Contents

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|   |           |
|---|-----------|
| Introduction .....  | 1         |
| Administrative and Contact Information .....                  | 1         |
| General Plan Information .....                                | 3         |
| <b>General Plan Contributions</b> .....                       | <b>3</b>  |
| <b>Roth Contributions</b> .....                               | <b>3</b>  |
| <b>Voluntary Employee Contributions</b> .....                 | <b>3</b>  |
| <b>For More Information</b> .....                             | <b>3</b>  |
| Summary of Plan Benefits.....                                 | 4         |
| Eligibility, Participation and Vesting.....                   | 6         |
| <b>Eligibility</b> .....                                      | <b>6</b>  |
| <b>Age and Service Requirements</b> .....                     | <b>6</b>  |
| <b>Additional Eligibility Issues</b> .....                    | <b>7</b>  |
| <b>Vesting</b> .....  | <b>8</b>  |
| Contributions To Your Account .....                           | 9         |
| <b>Compensation (Salary)</b> .....                            | <b>9</b>  |
| <b>Contribution Types</b> .....                               | <b>9</b>  |
| <b>Roth Elective Contributions</b> .....                      | <b>9</b>  |
| <b>Contributions After Your Normal Retirement Date</b> .....  | <b>10</b> |
| <b>Contributions From Other Sources</b> .....                 | <b>10</b> |
| Contribution Limits .....                                     | 12        |
| <b>All Employees</b> .....                                    | <b>12</b> |
| <b>Highly Compensated Employees</b> .....                     | <b>12</b> |
| <b>Top Heavy Plans</b> .....                                  | <b>12</b> |
| Leaves Of Absence.....  | 14        |
| <b>Military Leave</b> .....                                   | <b>14</b> |
| <b>Disability Leave</b> .....                                 | <b>15</b> |
| Investments.....  | 16        |
| <b>Investment Options</b> .....                               | <b>16</b> |
| <b>Qualified Default Investment Alternative</b> .....         | <b>17</b> |
| <b>Giving Investment Instructions</b> .....                   | <b>18</b> |
| <b>Share Value and the Dollar Value of Your Account</b> ..... | <b>18</b> |
| <b>Account Statements</b> .....                               | <b>19</b> |

|   |           |
|---|-----------|
| Payment Events .....  | 20        |
| <b>Termination of Employment</b> .....                              | <b>20</b> |
| <b>Normal Retirement</b> .....                                      | <b>20</b> |
| <b>Required Minimum Distributions</b> .....                         | <b>20</b> |
| <b>Death</b> .....  | <b>20</b> |
| <b>Disability</b> .....   | <b>21</b> |
| <b>Voluntary Employee Contribution Withdrawals</b> .....            | <b>21</b> |
| <b>Quasi-retirement</b> .....                                       | <b>22</b> |
| <b>General Beneficiary Information</b> .....                        | <b>22</b> |
| <b>Assignment of Benefits</b> .....                                 | <b>23</b> |
| <b>Power of Attorney</b> .....                                      | <b>23</b> |
| Payment Options.....  | 24        |
| <b>Forms of Payment</b> .....                                       | <b>24</b> |
| <b>Automatic Form of Payment if You Are Married</b> .....           | <b>24</b> |
| <b>Automatic Form of Payment if You Are Unmarried</b> .....         | <b>24</b> |
| <b>Other Forms of Payment</b> .....                                 | <b>24</b> |
| <b>Making Your Election</b> .....                                   | <b>27</b> |
| <b>Impact of Your Account Balance on Your Payment Choices</b> ..... | <b>27</b> |
| <b>Receiving Your Payment</b> .....                                 | <b>28</b> |
| <b>Re-employment</b> .....  | <b>28</b> |
| <b>Deferring Payments</b> .....                                     | <b>28</b> |
| <b>General Tax Information</b> .....                                | <b>29</b> |
| <b>Distributions From Roth Accounts</b> .....                       | <b>30</b> |
| <b>Overpayments</b> .....   | <b>30</b> |
| Procedure For Claiming Benefits .....                               | 31        |
| <b>Submitting a Claim</b> .....                                     | <b>31</b> |
| <b>Claim Determination</b> .....                                    | <b>31</b> |
| <b>Claim Denial</b> .....   | <b>31</b> |
| <b>Claim Review (Appeal)</b> .....                                  | <b>32</b> |
| Statement of ERISA Rights .....                                     | 33        |
| <b>Rights to Information About Your Plan and Benefits</b> .....     | <b>33</b> |
| <b>Duties of Plan Fiduciaries</b> .....                             | <b>33</b> |
| <b>Enforcing Your Rights</b> .....                                  | <b>33</b> |
| <b>Assistance with Your Questions</b> .....                         | <b>34</b> |

Amendment and Termination of Your Plan ..... 35

## Administrative and Contact Information

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### Benefits Administrator

Your co-op's BA is the person who has on-site plan administrator responsibilities for your employer. Your BA is your primary point of contact for any questions concerning the operation and administration of the 401(k) Plan. However, it is recommended that you seek the advice of a qualified tax or financial professional before making decisions about your 401(k) Plan, particularly decisions about Plan distributions.

The BA of your 401(k) Plan is:

Benefits Administrator  
PEMISCOT-DUNKLIN ELEC CO-OP  
P.O. BOX 509,  
HAYTI, MO 63851

Employer Identification Number: 43-0452625

### Plan Sponsor

The plan sponsor is a designated party that sets up a retirement plan, such as the 401(k) Plan, for the benefit of the adopting employers and their eligible employees.

The plan sponsor of the 401(k) Plan is:

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

Employer Identification Number: 53-0116145

NRECA, as the 401(k) Pension Plan sponsor, is the only body authorized to terminate the 401(k) Plan; however, your employer may cease participation in the Plan with appropriate advance notice to the plan administrator and employees. For more about these events, see the section titled *Amendment and Termination of Your Plan*.

### Plan Administrator

The plan administrator is responsible for the administration and operation of the 401(k) Plan and acts in the interest of the Plan's participants. The plan administrator is designated as the agent for legal matters related to the 401(k) Plan and works with your co-op to ensure that the Plan meets all government regulations. Legal process may be served on the plan administrator at the following address.

The plan administrator of the 401(k) Plan is:

Senior Vice-President  
Insurance and Financial Services  
National Rural Electric Cooperative Association  
4301 Wilson Boulevard  
Arlington, VA 22203-1860  
703.907.5743

Employer Identification Number: 54-2072724

### **Plan Trustee**

The assets of the 401(k) Plan are held in trust by a trustee that has been designated to invest Plan assets, at the direction of investment managers, for the benefit of participants and their beneficiaries.

The trustee of the 401(k) Plan is:

State Street Bank and Trust Company  
1 Lincoln Street  
Boston, MA 02111

### **Insurance & Financial Services Committee**

The named fiduciary of the 401(k) Plan is the Insurance and Financial Services Committee (the I&FS Committee), whose members are appointed by the president of the NRECA board of directors. This committee has the central fiduciary responsibility for the plan and is vested with the discretion to select providers for the plan, including the administrator, investment managers and trustee. The committee delegates authority to various entities and individuals to carry out required plan operations and then actively monitors its delegates in order to help ensure compliance with complex federal laws and regulations governing employee benefit plans. The I&FS Committee has the exclusive discretion to interpret the terms of the plan and to determine eligibility for benefits.

### **Plan Number**

The Plan number assigned by the Plan Sponsor is 444.

## General Plan Information

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Your employer, in cooperation with NRECA, has established the 401(k) Plan at your co-op to provide a retirement plan for the benefit of its employees and their beneficiaries. The 401(k) Plan is what is known as a defined contribution plan; it is qualified under all applicable sections of the Internal Revenue Code of 1986 (the Code) and Treasury Regulations. The 401(k) Plan operates on a calendar year basis during the 12-month period beginning on January 1 and ending on December 31.

### General Plan Contributions

The Plan is a money purchase pension plan with a special salary deferral feature that allows you to contribute to your account on a pre-tax 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 minimal impact on your take-home pay. Contributions to the Plan will begin after you meet the eligibility requirements for participation. The contributions accumulate with investment earnings until you or your beneficiaries are eligible to withdraw your benefit (upon retirement, disability, termination or death).

The benefit available to you at retirement depends on the amount(s) contributed to the Plan and on the investment results obtained over the term of your investment. There is no guarantee as to the amount of your benefit available at retirement. When you receive your distribution(s), you may be liable for income tax on the taxable portion of your account.

The benefits available under the 401(k) Plan are designed to supplement any benefits available to you under Social Security and any other retirement plans in which you may participate. The Plan should be considered as one source of retirement security along with your other personal savings and investments.

### Roth Contributions

You are also able to make after-tax Roth elective contributions. Your Roth salary deferrals are taxed at the time you make the contribution. Roth contributions and the earnings attributable to them are not taxed when they are distributed to you if certain requirements are met. See the section titled *Payment Options* for more information about Roth distributions.

### Voluntary Employee Contributions

In addition to your pre-tax salary deferrals and Roth elective contributions, you may make additional after-tax contributions to the Plan, known as voluntary employee contributions. Since these contributions are made on an after-tax basis, they are not taxed when they are distributed to you. Generally, however, earnings on voluntary employee contributions are taxed upon distribution.

### For More Information

A more thorough discussion of how your account is maintained and operated is provided in the sections to follow. If you have questions specific to your 401(k) Plan account or about the Plan in general, please contact your BA. See the section titled *Administrative and Contact Information* for details.



## Summary of Plan Benefits

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|   |  |
|---|--|
| <b>Effective date of plan</b>                                 | 01/01/1968   |
| <b>Employer Plan amendment date</b>                           | 07/01/2017   |
| <b>Employer Identification Number (EIN)</b>                   | 43-0452625   |
| <b>Plan number</b>  | 002  |
| <b>Eligible class of employees</b>                            | Union Employees  |
| <b>Excluded class of employees</b>                            | None   |
| <b>Eligibility waiting period for employee contributions</b>  | 1 year and age 21<br>(First of the month on or next following) |
| <b>Eligibility waiting period for employer contributions</b>  | There are no employer contributions to this plan               |
| <b>Normal Retirement Date (NRD)</b>                           | Age 62   |
| <b>Plan type</b>  | 401(k) Plan  |
| <b>Compensation used for employee elective contributions</b>  | Full salary  |
| <b>Compensation used for voluntary employee contributions</b> | Full salary  |
| <b>Safe Harbor Plan design</b>                                | No   |
| <b>After-tax voluntary employee contributions allowed</b>     | Yes  |
| <b>Roth contributions</b>                                     | Yes  |
| <b>In-service withdrawals (later of Age 59 1/2 or NRD)</b>    | Yes  |
| <b>Contributions during initial disability period</b>         | No   |

|  |                     |
|--|---------------------|
| <b>Investment of contributions</b>     | Employee designates |
| <b>Frequency of investment changes</b> | Daily               |

## **Eligibility, Participation and Vesting**

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This section contains general information about how you qualify for participation in the 401(k) Plan and when you can begin making and receiving contributions.

### **Eligibility**

#### **Eligible class of employees**

To be eligible to participate in the 401(k) Plan, you must be in the following class of employees:

All employees of your employer who are covered by a good faith collective bargaining agreement between your employer and IBEW local 702 Union

If you have questions about the eligible class(es) of employees, please see your BA.

#### **Excluded class of employees**

Your employer does not exclude any class of employees from participation in the Plan.

### **Age and Service Requirements**

To become a participant in the Plan you must meet certain minimum age and service requirements. This means that you must be a member of the group of eligible employees described above, you must work for a minimum length of time and you must be at least 21 years old. You become a participant on the first day of the month coincident with or next following the date you meet the minimum age and service requirements. The service requirements are based on either hours of service or one year of eligibility service (called the 1,000 hour rule). Your employer's specific service requirements are described later in this section.

Your employer will keep track of your service and will enter you into the Plan on the first of the month coincident with or next following the date you are at least age 21 and have completed either the minimum hours of service (if applicable to your Plan) or 1,000 hours of service.

#### **Hours of service**

Hours of service are any hours for which you were paid your salary. This includes paid vacation, sick leave, holidays, jury duty and military service. You are also credited with hours of service for any uncompensated leave of absence, as long as you return to work at the end of such leave.

#### **The 1,000 hour rule**

Under this rule, a year of eligibility service is calculated during a computation period defined as either:

- Your first 12 consecutive months of employment, beginning on the date you complete an hour of service, or
- A subsequent calendar year (if you do not perform at least 1,000 hours of service during the first 12 consecutive months of employment).

Therefore, under this rule, if you do not work at least 1,000 hours during your first 12 months of employment, the next 12-month period used to determine your eligibility is the calendar year (January 1 through December 31) after the year in which you first began to work for your employer. 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.

**For example**, if you began work on May 10, 2017 and you did not perform at least 1,000 hours of service by May 9, 2018, the measurement year changes to the calendar year from January 1, 2018 to December 31, 2018. If you perform at least 1,000 hours of service during 2018, you will have one year of eligibility service on December 31, 2018. If you have reached the age of 21, you would be eligible to participate in the Plan on January 1, 2019.

### **Employee contributions**

You will meet the minimum age and service requirements on the first day of the month coincident with or next following the date you complete one year of eligibility service and have reached age 21.

A year of eligibility service is a 12-month period during which you perform at least 1,000 hours of service. The 12-month period begins on the date you perform your first hour of service.

**For example**, if you were hired on May 10, 2017 and you performed at least 1,000 hours of service by May 9, 2018, you would be eligible to participate in the Plan on June 1, 2018 (assuming you are age 21 or older). However, if you would not be 21 years old until October 2, 2018, you would be eligible to participate in the Plan on November 1, 2018 (the first day of the month following your 21st birthday after you complete one year of eligibility service).

## **Additional Eligibility Issues**

### **Reemployment**

#### **For prior participants**

If you are a participant in the Plan, terminate your employment, and are later rehired by an employer that participates in the Plan, you will become a participant either on the day you are rehired or when you begin making employee contributions, if applicable.

#### **For previously non-participating employees**

If you satisfied the 1,000 hour rule requirement but did not become a participant in the Plan, then terminate employment and are later rehired by an employer that participates in the Plan, you may be eligible to participate in the Plan on the first day of the month following the date you are rehired.

### **Employment with related employers**

Employment with the following related employers counts toward eligibility service in this Plan:

- An employer that is a member of NRECA and does not participate in the NRECA-sponsored pension programs;
- An employer that is an affiliate of an NRECA member employer that participates in the Plan;
- An employer that was not a member of NRECA and later became a member of NRECA;
- Any of the above entities of which an employee is a leased employee, if leased employees within the meaning of Section 414(n) of the Code are eligible to participate in an employer's plan.

### **Employment as part of an excluded class of employees**

If you are in an excluded class of employees and later become part of an eligible class of employees, your employment as a member of the excluded group will count towards the service requirement for participation in this Plan.

### **Part-time, seasonal or temporary employees**

Eligibility service for part-time, seasonal or temporary employees is credited in the same manner as service for full-time employees. If your employer has elected an eligibility period of one, three or six months and you work part time, you may not meet eligibility requirements on a monthly basis, but may still be eligible to participate in the Plan if you perform more than 1,000 hours of service in a year. Your employer will calculate your hours of service and will offer participation at the appropriate time.

### **Breaks in service**

If, during your initial eligibility period, there is a calendar year in which you are credited with fewer than 501 hours of service, you will be deemed to have incurred a break in service. If you again perform service for a participating employer, then 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 fewer than 501 hours of service will be disregarded for the purposes of meeting the service requirement for eligibility.

This break in service rule applies only during the initial eligibility period.

### **Vesting**

The term “vested” refers to the percentage of your 401(k) account that you own. You are always 100% vested in your 401(k) Plan account; however, your account is subject to investment gains and losses, and there is no guarantee of what your account balance will be at any future date.

## Contributions To Your Account

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This section explains how contributions to your account are calculated using the Plan's salary definition and the contribution formula elected by your employer.

### Compensation (Salary)

Your compensation, or salary, refers to the amount you earn in wages as an employee of PEMISCOT-DUNKLIN ELEC CO-OP during a plan year. This figure is used to determine permitted 401(k) Plan contributions. Salary includes amounts that are actually paid to you, except where certain deferred compensation amounts are included in your salary as required by the IRS. For 2017, compensation in excess of \$270,000 may not be used to calculate benefits under Federal regulations. The IRS reviews this figure annually and adjusts it periodically to reflect changes in the cost of living.

Your employer has elected **full salary** as the amount used to determine the permitted contribution as allowed under the Plan for the following contribution types:

- Pre-tax employee contributions;
- After-tax voluntary employee contributions.

Your **full salary** is defined as your regular compensation, including:

- Wages from your employer subject to income tax withholding;
- Any amount deferred under a qualified salary reduction arrangement under Sections 125, 401(k) and 457(b) of the Code;
- Elective amounts that are not includible in your gross income by reason of Section 132(f)(4) of the Code;
- Differential wage payments, defined under Section 3401 of the Code; and
- Wages paid by the later of two and a half months after your termination of employment or the end of the calendar year;

but excluding:

- Reimbursements or other expense allowances provided under an accountable plan;
- Fringe benefits;
- Moving expenses;
- Welfare benefits;
- Pension, deferred compensation or retirement allowances; and
- Any amount deferred under a nonqualified defined benefit deferred compensation plan.

### Contribution Types

Your employer does not make contributions to your account.

#### Voluntary employee contributions

You may make after-tax voluntary employee contributions, in addition to your other elective contributions, up to the limits imposed by the Code. Your employer does not make any employer contribution based on the amount you contribute in voluntary employee contributions.

#### Roth Elective Contributions

Because your employer has adopted the Roth 401(k) option under the 401(k) Plan, you may also elect to make Roth after-tax contributions in addition to traditional pre-tax contributions.

Contribution limits apply to your **combined** Roth 401(k) after-tax and traditional 401(k) pre-tax deferrals. In 2017, participants can contribute a total of \$18,000 in Roth and traditional pre-tax deferrals to their 401(k) Plan(s). The limit is \$24,000 if you are age 50 or older during the year of contribution.

The investment options and allocation percentages you choose for your traditional 401(k) contributions also apply to your Roth elective contributions. If your employer provides a matching contribution, your Roth 401(k) contributions and traditional 401(k) contributions will be matched in the same manner. Contributions, withdrawals, earnings and losses will be separately tracked by NRECA as record keeper.

## Contributions After Your Normal Retirement Date

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

## Contributions From Other Sources

The 401(k) Plan will accept an eligible rollover distribution as a contribution to this Plan.

You may roll over an account from a former employer as long as the plan of your former employer is a qualified plan that has operated in compliance with all of the federal laws governing retirement plans. A rollover may come from your former employer's retirement plan that is qualified under sections 401(a), 403(a) or 403(b) of the Code or from a governmental 457(b) plan. In addition, you may roll over the taxable portion of an IRA, but not contributions that would not be otherwise taxable to you if distributed from your IRA. **It is recommended that you seek the advice of a qualified tax or financial professional before making a decision about rollovers.**

You may roll over a distribution from a qualified retirement plan into this Plan any time after you start to work, including before you meet the eligibility requirements for participation. There are three ways to roll your money into this Plan:

- A **direct rollover** from your former employer's plan to this Plan. A direct rollover occurs when your former plan forwards your distribution directly to this Plan. After-tax employee contributions can also be directly rolled over.
- A rollover from a **traditional IRA**. After-tax employee contributions from a traditional IRA or Roth IRA account cannot be rolled over into this Plan.
- An **indirect rollover**. If you receive a distribution from your former employer's plan or an IRA, as opposed to a direct rollover to this Plan from either your former employer's plan or your IRA, 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. You must deposit the check from your former employer's plan or your IRA, not your personal check.

This Plan permits only **direct** rollovers from a former employer's Roth 401(k). Your employer is not required to offer the Roth option in this Plan in order for you to roll over your Roth 401(k) balance from a former employer's plan. You may not roll over a Roth IRA distribution into this Plan.

Rollovers do not count towards your annual contribution limit. See the section titled *Contribution Limits* for details about the contribution limits in this Plan.

If you are also a participant in the NRECA Retirement Security (RS) Plan and you terminate your employment, you may roll over your RS Plan benefit into this Plan.

In addition, if your 401(k) Plan account balance is at least \$5,000 and you terminate your employment, if you leave your account balance in the 401(k) Plan you are permitted to roll over a distribution from an eligible retirement plan.



## Contribution Limits

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This section summarizes the contribution limits specified by the Treasury Regulations and the Code. Several tests must be performed to make sure the deposits to your Plan account do not exceed these limits, which are periodically adjusted for inflation, usually annually.

### All Employees

#### Salary deferrals

Under Section 402(g) of the Code, the maximum 401(k) contribution (pre-tax and Roth) that a participant can make is \$18,000 (the 2017 limit, indexed annually).

You can also make an additional catch-up contribution of \$6,000 (2017 limit, indexed annually) if at any time during the plan year you are at least 50 years old.

If you participate in more than one 401(k) plan during the plan year, all of your pre-tax and Roth contributions (if applicable) to all plans will be aggregated towards the limit.

#### Annual contribution limit

Under Section 415(c) of the Code, all employer and employee contributions made to your retirement plan accounts during a calendar year are limited to the lesser of 100% of your salary or \$54,000 (2017 limit, indexed annually). Employee required contributions to the Retirement Security (RS) Plan (or any other defined benefit plan) and contributions to any other defined contribution plan also apply toward this annual limit. Your annual contribution limit is the sum of:

- Current year contributions made by you or your employer to this Plan;
- Current year contributions to any other defined contribution plan in which you are a participant; and
- Your contributions to a defined benefit pension plan.

Your annual contribution limit is affected only by current year contributions made on your behalf by you or your employer to this Plan, to any other defined contribution plan and to a defined benefit pension plan. A rollover will not affect your annual contribution limit.

### Highly Compensated Employees

You are a highly compensated employee for 2017 if you earned more than \$120,000 during 2016 or if you own at least 5% of your employer's business during the current or prior year. This amount is adjusted annually for inflation, if needed. Under the nondiscrimination rules of Section 401(k) and Section 401(m) of the Code, highly compensated employees may not contribute more than a certain percentage of the amount contributed by non-highly compensated employees.

To determine if this has occurred, your Plan will be tested annually using methods described by the IRS. If the highly compensated group's actual deferral percentage is greater than the maximum percentage allowed under IRS rules, the excess contributions must be refunded to highly compensated employee(s). If you are a highly compensated employee and you must receive a refund, you will be notified.

### Top Heavy Plans

Your plan administrator is responsible for determining whether your Plan is top heavy for each Plan year. A plan is considered top heavy if more than 60% of the account balances are attributable to key employees. The term "key employee" generally refers to owners of the

company and individuals who are corporate officers. If the Plan becomes top heavy, certain requirements may apply (such as additional benefits for non-key employees). If this occurs and your employer participates in both the RS and 401(k) Plans, the top heavy minimum contribution will be provided to non-key employees through the RS Plan. You will be notified if this takes place.

The law requires specific vesting schedules to be applied to top heavy plans. Since all contributions under your Plan are always 100% vested, the top heavy vesting requirements are automatically satisfied.

## Leaves Of Absence

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This section contains general information about compensated and uncompensated leaves of absence and how they affect your participation in the 401(k) Plan.

If you take a leave of absence (such as vacation, holiday, sickness or jury duty) for which you are receiving any type of compensation, your leave of absence will have no effect on your participation in the Plan.

Generally, if you are on a leave of absence for which you are not receiving any type of compensation, you will be withdrawn from participation in the Plan for that leave period. Special rules apply to unpaid leaves of absence for purposes of uniformed service.

### Military Leave

Military leave is any absence from employment because you are called 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 who must perform military service certain reemployment and benefit rights as outlined below. See your BA for information on plan participation during and after a period of military leave and to obtain information and instructions applicable to your individual circumstances.

#### Contributions during military leave

There is no effect on your 401(k) Plan benefits if you use paid leave. If your employer pays you differential pay, you can make up contributions for the difference between what your employer paid you while you were on military leave and what your salary would have been if you had not been on leave. If you take an unpaid leave of absence, contributions to your 401(k) Plan account will be suspended. Upon your return to employment, you and your employer are able to make up any contributions missed during this absence, if applicable.

Starting from your date of reemployment, the deadline for you to make up the elective deferrals or after-tax contributions is three times the period of uniformed service that gave rise to the USERRA rights, generally no more than five years. For example, if you served in the military for one year, you would have three years (three times the service period) in which to make up the deferrals or contributions. If your employment is terminated for any reason, voluntarily or involuntarily, the make-up period will end at the date of your termination.

#### Loans during military leave

If your employer's Plan permits loans and you have an outstanding loan during your military leave of absence, you may request a loan repayment grace period. This grace period can begin on the date you begin performing uniformed service. You will not be required to make loan repayments during the grace period, but interest will continue to accrue during your military leave of absence. When you return to work, a new repayment date will be determined using the repayment date under the original term of the loan plus the period of uniformed service. You must repay your loan no later than this new repayment date.

#### Distributions during military leave

Generally, military service is considered a leave of absence and not a termination of employment. Distributions cannot be made unless you terminate employment. If you terminate employment, receive a distribution and are then subsequently reemployed with the same employer, you may be able to roll your distribution back over to the 401(k) Plan, provided that all

applicable rollover rules are satisfied. See the section of this SPD titled *Contributions From Other Sources* for a discussion of rollover rules.

### **Returning to work after military leave**

To be entitled to reemployment following your completion of uniformed service, you must produce either your DD214 or a certificate of release. Your discharge papers should indicate that your discharge was honorable, general, under honorable conditions or uncharacterized. In addition, prior to your leave of absence, you must notify your employer of your intent to return to work following the leave.

If your period of service is 30 calendar days or less, you must report to work no later than the beginning of your first scheduled work period after completing your military service, allowing for safe travel home and an eight-hour rest period.

If your period of service is 31 through 180 calendar days, you must submit an application for reemployment (written or oral) no later than 14 calendar days after completing your military service.

If your period of service is 181 calendar days or more, you must submit an application for reemployment (written or oral) no later than 90 calendar days after completing your military service.

If you do not submit an application for reemployment with your former employer within the timeframes noted above, then you will be treated as having terminated employment on the last day worked before you left for uniformed service. Special rules apply if you incur or aggravate an illness or injury during the period of service.

### **Disability Leave**

If your active employment stops as a result of your disability as defined under the NRECA Long-term Disability Plan, you are subject to certain contribution and withdrawal conditions under the 401(k) Plan.

#### **Contributions while disabled**

Generally, as long as you are receiving compensation through your employer, you can make salary deferrals to your 401(k) Plan. Salary deferrals must stop when you begin to receive long-term disability income.

Your employer will not make any contributions if you are disabled.

#### **Contributions during periods of rehabilitation**

If you return to work on rehabilitative status, as approved by Cooperative Benefit Administrators, your employer and your physician, employer and employee 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.

#### **Disability withdrawals**

If you should become disabled, you will be entitled to receive all or a portion of your Plan account balance. Please see the section titled *Payment Events* for details on disability withdrawals.

## Investments

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This section contains general information about the rules that govern the investment of your 401(k) Plan account.

The 401(k) Plan is a retirement plan as described in Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA) and the regulations issued thereunder. Accordingly, 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, that results from a participant exercising control over investment of his or her account. This includes any investments made using the established procedures and based on instructions from you, via telephone, internet or other approved method, that are believed to be genuine, to the extent that you exercise control over the assets in your account as described in Section 404(c) of ERISA.

This Plan is an individual account plan. This means that all employer and employee contributions are maintained in separate accounts for each participant. Each account is credited with its share of contributions and investment gains and losses.

Your employer is responsible for submitting employee contributions to the Plan as soon as the contributions can be separated from their general assets. These contributions are credited to your account on the evening of the third business day after NRECA receives actual payment for the investment and all information required to process the deposit. Your employer and employee contributions to the Plan are invested in one or more of the available investment funds, as specified by you.

### Investment Options

Once you enroll in the Plan, you may choose to invest your contributions and any contributions made by your employer (if applicable to your plan) in any of the available investment funds.

The Plan offers a variety of investment options. Investment and disclosure information, including detailed profiles of all investment options, can be found online at [cooperative.com/401kInvestments](http://cooperative.com/401kInvestments) and in the *Participant Fees Annual Disclosure Statement*, which is located on [cooperative.com](http://cooperative.com) at *My Benefits > Education & Resources > Retirement Plan Documents*. These resources provide important information to help you compare and choose between the investment options in your Plan. They provide the name of the designated investment manager for each investment option, general information about operation of the Plan, expense information and a chart comparing the performance and other features of each investment option. In addition, the plan administrator will provide you with an update if, for example, investment options are added, removed or changed during the year.

To assist you, NRECA provides investment education and retirement planning on behalf of participants in the 401(k) Plan. Assistance is available from NRECA's Personal Investment & Retirement Consulting (PIRC) team, either by phone at 866.673.2299 (option 6), by email [pirc@nreca.coop](mailto:pirc@nreca.coop) or in writing at:

NRECA PIRC; IFS 8-306  
4301 Wilson Blvd  
Arlington, VA 22203-1860

However, NRECA does not provide investment, legal or tax advice. It is recommended that you consult with your own legal, tax, or investment advisers before making specific decisions.

## **Investment performance: variable return investments**

Each of the Plan's current investment options is a variable return investment, meaning it does not have a fixed or stated return. The table in the *Participant Fees Annual Disclosure Statement* shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. An investment's past performance is not necessarily an indication of how it will perform in the future. Your investment in these options could lose money.

## **Valuation**

All 401(k) Plan investment options are priced daily. Each fund's share price is calculated at the close of business (usually 4 pm ET) on days when the New York Stock Exchange (NYSE) is open for business. Valuations may not be performed on any business trading day that shares cannot be valued due to the inability of NRECA personnel to service the Plan because of circumstances beyond their control, such as severe weather or an Act of God, even if the New York Stock Exchange is open for business.

## **Voting rights**

The designated investment managers will exercise any voting or other rights associated with ownership of the investments held in your Plan account.

## **Expenses**

The Plan is self-administered and does not charge participants or beneficiaries separately for administration services, including recordkeeping, legal and accounting services. Instead, the Plan charges expenses to your account through the annual operating expenses of each investment option as described in your *Participant Fees Annual Disclosure Statement*. The expense ratios therein are the total annual operating expenses for each investment option, which reduce the return of each option. There are no shareholder-type fees or Plan-level expenses other than the individual fees described in the disclosure and elsewhere in this document.

The cumulative effect of total annual operating expenses can substantially reduce the growth of your retirement savings. Visit the Department of Labor's website at [www.dol.gov/ebsa/publications/401k\\_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html) for an example showing the long-term effects of fees and expenses. This site also discusses the many factors to consider when choosing your investment options, including whether a given choice, along with your other investments, will help you achieve your retirement goals.

## **Qualified Default Investment Alternative**

If you do not choose investment fund(s) when you enroll in the Plan, any contributions to your account will automatically be invested in the 401(k) Plan's Qualified Default Investment Alternative (QDIA). The QDIA for the 401(k) Plan is the Target Date Portfolio (TDP) investment funds, a group of funds that invest in a mix of different asset classes. These funds serve as the default investment option for the 401(k) Plan in order to comply with federal regulations designed to foster retirement income security.

If you do not choose your own investment options from your Plan's line-up, contributions to your account will be invested in the TDP specific to your year of birth using the assumption that you will retire at age 65. If your assumed retirement date falls between the target year of two TDPs, then additions to your account will be divided equally between the two TDPs closest to your assumed retirement age of 65. NRECA will continue to direct your 401(k) Plan account

investments to the TDP(s) selected for you until you make an investment election of your own. You may choose to leave your investments in the TDPs selected for you, or at any time you can make your own selection from the investment options available in your Plan's fund lineup.

Each year you will receive a notice that describes the Plan's QDIA investment options (in which you may be invested) and explains how to change your current account balance and future contribution allocations. Consult the detailed information about each of the TDP investment options at [cooperative.com/401kInvestments](http://cooperative.com/401kInvestments) or contact PIRC as described above before making decisions about how to invest.

## **Giving Investment Instructions**

You can invest your contributions and any employer contributions (if your employer has elected to contribute) in any of the available investment funds. Your investment allocation may be in one fund or split among multiple funds; however, you may not allocate less than 1% of your entire contribution to any one fund.

Your employer has elected daily fund changes. To direct your Plan investments, including changing your existing account balance, choosing an allocation for future contributions or rebalancing your account, log in to [cooperative.com](http://cooperative.com) or call NRECA at 866.673.2299 (option 5, then 1). Your elections will go into effect either the same day, or, if after 4 pm ET, on the next business trading day.

### **Limits on fund exchanges**

Your instructions for an exchange will be implemented after 4 pm ET on any day the New York Stock Exchange is open for business. However, due to market timing restrictions, if you sell shares from one fund (excluding money market investment funds), you will be prevented from moving existing money back into that fund for 30 days. This policy applies only to fund-to-fund exchanges, with certain exceptions that include new investments made from regular payroll contributions and mistakes made by you while requesting a transaction. These exceptions are described in detail in the QDIA notice sent to you annually and described above.

## **Share Value and the Dollar Value of Your Account**

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

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 the price per share in a particular fund is \$5 per share on June 30, 2017 and your account has 500 shares in this fund (450 shares plus an additional 50 purchased), the value of your account on June 30, 2017 is \$2,500 (\$5 x 500 shares).

| <b>Date</b>   | <b># of shares in account</b> | <b>Plus shares purchased (contribution)</b> | <b>Equals total # of shares in account</b> | <b>Times daily \$ price per share</b> | <b>Equals account value</b> |
|---------------|-------------------------------|---|--|---------------------------------------|-----------------------------|
| June 30, 2017 | 450                           | + 50  | = 500                                      | x \$5                                 | = \$2,500                   |

## **Account Statements**

You will receive a statement of your account balance at the end of each calendar quarter. The statement will show the value of your account at the start of the quarter, your contributions and investment results, withdrawals and fees and the value of your account at the end of the quarter.



## Payment Events

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This section contains general information about how various events may affect your benefit payment.

You may receive a payment from the Plan if you terminate your employment, retire or die. In addition, you may also receive a benefit following certain corporate transactions or if the Plan is terminated.

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

Under certain circumstances you may request a cash withdrawal from your account while you are still employed by your employer. If elected by your employer, these circumstances may include: financial hardship, disability, withdrawal of voluntary employee contributions and quasi-retirement. Other sections of this SPD describe these withdrawal types in further detail, if your employer has elected to offer them in this Plan.

For details about the forms of payment you may elect with regard to your Plan benefit, see the section titled *Payment Options*.

## Termination of Employment

You are entitled to receive your total account balance from this Plan if you either voluntarily or involuntarily terminate your employment with your employer.

## Normal Retirement

Your Normal Retirement Date under this Plan is the first day of the month coinciding with or next following the day you reach age 62.

## Required Minimum Distributions

IRS rules state that you must begin to receive at least a minimum benefit (called a required minimum distribution or RMD) from your 401(k) Plan account when you reach your required beginning date, which is April 1 of the year following the year you turn 70 1/2 or the year in which you retire, whichever is later. If you reach your required beginning date, do not provide distribution instructions and are not already receiving benefit payments from your Plan account, your RMD for the year will be sent to you.

## Death

In the event of your death, your designated beneficiary(ies) will receive your undistributed Plan account balance. See the section titled *General Beneficiary Information* for details about the rules for designating your beneficiary.

The form of death benefit that your beneficiary (or beneficiaries) will receive depends upon both your marital status and whether you had begun to receive your Plan benefit at the time of your death.

## Married participants

If you had not begun receiving your Plan benefit prior to your death, your spouse will receive a monthly annuity (called a pre-retirement survivor annuity) for his or her life, unless your spouse had previously waived this form of payment in writing. If the value of your account is greater

than \$5,000 at the time of your death, then your spouse may also be eligible to receive the benefit in another form, including a single payment or annual installments.

If you die after starting to receive your Plan benefit, your spouse will receive a monthly payment for the remainder of his or her life equal to 100% of the monthly amount you were receiving at the time of your death, unless your spouse had previously consented to your choice of another form of payment, in which case your spouse's options will depend on the form of payment you chose. Your spouse will be notified of the available payment options as needed.

### **Unmarried participants**

If you are unmarried and die before beginning to receive your Plan benefit, your beneficiary will receive a life-only annuity (monthly payments that continue as long as your beneficiary is alive but stop immediately upon his or her death) unless he or she elects to receive the benefit in either a single payment or in annual installments.

### **Additional death benefit information**

If you elect to terminate or retire, submit your distribution election and then die before your actual termination or retirement date, the Plan's death benefit will be paid (not the form of benefit you elected in writing). In addition, if you should die without having made your elections via a signed option form, the Plan's applicable form of death benefit will be paid. See the earlier information about the death benefits provided under this Plan.

### **Disability**

If you become disabled, you are entitled to receive all or a portion of your Plan account balance. You may request a distribution no earlier than 26 weeks after you stop working due to your disability status. If you are married, you may withdraw your benefits only as a Joint and Spouse Annuity, unless your spouse consents, in writing, to an alternate form of payment.

If you previously quasi-retired in the Retirement Security (RS) Plan and transferred your accrued benefit from the RS Plan to your 401(k) Plan account, withdrawal of the RS Plan portion of your account will cause a reduction in your long-term disability benefit. However, you may withdraw all of the money attributable to contributions to your 401(k) Plan account without any reduction to your long-term disability benefit. It is recommended that you seek the advice of a qualified tax or financial professional before making a decision about Plan distributions.

### **Potential tax consequences of disability withdrawals**

If your disability withdrawal is made before you are 59 1/2 years old, a 10% tax penalty may be assessed on the taxable portion of the withdrawal unless an exception applies. Exceptions are explained in the packet of withdrawal information that you receive when requesting a distribution. Also, if the distribution is not rolled over into an IRA, the taxable portion is subject to a 20% mandatory tax withholding.

### **Voluntary Employee Contribution Withdrawals**

If you made voluntary employee contributions, you may withdraw them using the *Voluntary Employee Contribution Withdrawal Form*. These withdrawals may be made at any time. There is no minimum withdrawal amount and the maximum is limited to the total of your voluntary contribution balance. Your withdrawal may be made from both your contributions and associated earnings.

Voluntary contributions made before January 1, 1987 may be withdrawn tax-free. However, withdrawals of your voluntary contributions made after December 31, 1986 must include a

proportional share of taxable earnings on all employee contributions and are taxed as ordinary income.

## **Quasi-retirement**

Your Plan permits quasi-retirement, which is an election to receive a distribution while you are still employed but after you have reached the later of age 59 1/2 or your Normal Retirement Date (see section above for your Normal Retirement Date). If you are still employed as of the first day of the month coinciding with or following the day you reach age 70 1/2, you may also elect to quasi-retire a second time.

## **General Beneficiary Information**

When you enroll in the Plan, you are asked to designate a beneficiary.

If you are not married, you may designate anyone as a beneficiary to receive payment from the Plan if you die before you receive your benefit. Unless you marry, your beneficiary will not change until you designate a new beneficiary.

If you are married, Federal law requires that your spouse automatically becomes the mandatory beneficiary of your Plan benefit. This is true even if you had previously designated someone else as beneficiary; thus, any beneficiary designations you may have made before you were married will be revoked. You may designate someone other than your spouse as a beneficiary only if your spouse agrees and the consent is in writing and is witnessed by a notary public. Your BA can provide you with the proper forms for this purpose.

The Plan will make payment upon your death to the person named as beneficiary on the latest beneficiary designation you made on the *Beneficiary Designation/Waiver of Qualified Pre-retirement Survivor Annuity Form*. To designate a beneficiary, complete this form and submit it to your BA, who will enter your election(s) in NRECA's system.

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

1. Your spouse;
2. Your children;
3. Your parents;
4. Your brothers and sisters;
5. The executors or administrators of your estate.

In the event you divorce, you should update your beneficiary information as soon as possible. Even if you divorce, remarry or rewrite your will, your former spouse may be entitled to benefits after your death unless you update your beneficiary designations.

We suggest that you review your beneficiary election annually at the time of your co-op's annual enrollment to ensure it reflects your most current designation.

## **Minor beneficiary designations**

The Plan will not make a distribution to a minor beneficiary. If you wish to name a minor child as a beneficiary, we recommend that you establish the proper legal vehicle, such as a guardianship or conservatorship, as required by the laws of your state, so that the assets in your account can be paid as soon as possible to your child's designated guardian.

## Assignment of Benefits

### Qualified Domestic Relations Orders

A domestic relations order is a court order that provides for child support, alimony payments or marital property rights to an alternate payee. An alternate payee is your spouse, former spouse, child or other dependent, recognized in a domestic relations order as having a right to receive all or a portion of your 401(k) Plan benefit. If the court order allocates a portion of your benefits to an alternate payee, the domestic relations order must be submitted to the plan administrator for review. If the domestic relations order meets statutory requirements, it is considered a Qualified Domestic Relations Order (QDRO) and the plan administrator will be obligated by law to comply with its terms.

To meet the requirements, the order must contain the following information:

- Name, address, date of birth and social security number of both the participant and alternate payee;
- Correct name of the Plan from which a payment will be made;
- Amount or percentage of your benefit to be paid by the Plan or the manner that the amount or percentage is to be determined; and
- Timing of the payment.

A QDRO cannot require a type or form of benefit that the Plan does not otherwise provide. It cannot require the Plan to provide increased benefits and cannot require that benefits otherwise payable to an alternate payee under an earlier QDRO be paid to anyone else. An alternate payee may elect any payment option that the Plan allows, either immediately or at a later date, except a Joint and Spouse annuity or intermittent withdrawals (either unscheduled or as part of a series). If your account becomes subject to a QDRO, contact your BA and NRECA for further instructions and sample QDRO documents.

We strongly suggest that you submit an updated beneficiary designation as soon as possible if your account becomes subject to a QDRO.

### Additional assignment information

You may not use this Plan or any other qualified plan as collateral for a loan.

As a general rule, your benefits may not be garnished, subject to certain exceptions (such as if the IRS places a levy on your retirement benefits).

## Power of Attorney

The laws of your state govern any power of attorney that you execute for retirement plan payment purposes. Most states have a checklist document describing the steps you must follow in order to give your power of attorney authority over retirement benefits. It is a good idea to specifically reference your retirement plan benefits in your power of attorney if it is not otherwise part of state law. Once a legal power of attorney has been granted, that person may act on your behalf in the fashion you indicate, until it is revoked or you die.

## Payment Options

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This section explains the payment options permitted by the Plan. **Before making a decision about your distribution or choosing any of the options described here, it is recommended that you seek the advice of a qualified tax or financial professional.**

### Forms of Payment

Benefits are paid from the 401(k) Plan in the following forms:

- Joint and (100%, 75%, 50%) Spouse Annuity without Cash Refund;
- Joint and (100%, 75%, 50%) Spouse Annuity with Cash Refund;
- Straight (Single) Life Annuity without Cash Refund;
- Straight (Single) Life Annuity with Cash Refund;
- Joint and (100%, 75%, 50%) Survivor Annuity without Cash Refund;
- Joint and (100%, 75%, 50%) Survivor Annuity with Cash Refund; and
- 10-Year Certain and Life Annuity.

Any of these annuities can be combined with the Individual Cost of Living Adjustment (Individual COLA) option. See the section titled *Individual Cost of Living Adjustment (Individual COLA) option* for details.

Other payment forms include:

- Intermittent withdrawals;
- Annual installments not to exceed 15 years; and
- Single cash payment.

### Automatic Form of Payment if You Are Married

Your benefit will be paid as a Joint and 100% Spouse Annuity unless you make another choice in writing. A Joint and 100% Spouse Annuity provides you with a monthly payment for as long as you live. If you are survived by a spouse, your spouse will receive a monthly payment for the remainder of his or her life equal to 100% of the monthly amount you were receiving at the time of your death.

You may waive the Joint and 100% Spouse Annuity only if your spouse irrevocably consents in writing to the waiver. A notary public must witness your spouse's signature. You may revoke any waiver prior to the time benefit payments begin. **Because your spouse participates in these elections, it is important to inform the plan administrator immediately of any change in your marital status.**

### Automatic Form of Payment if You Are Unmarried

Your benefit will be paid as a Straight (Single) Life Annuity, unless you make another choice in writing. This annuity provides a monthly payment to you for as long as you live. All payments stop when you die.

### Other Forms of Payment

Whether you are married or unmarried, you may elect any other form of payment the Plan provides, subject to certain restrictions.

## Annuity payments

An annuity is a periodic payment, usually monthly, providing equal payments for your life and, under certain annuity options, for the lifetime of your beneficiary. The amount of your annuity is calculated using the value of your account balance at the time payments begin. The 401(k) Plan provides these annuity options:

**Joint and (100%, 75%, 50%) Spouse Annuity without Cash Refund** provides equal monthly payments for your life. After your death, your spouse will receive a percentage (100%, 75% or 50%) of this amount for life.

**Joint and (100%, 75%, 50%) Spouse Annuity with Cash Refund** provides equal monthly payments for your life. After your death, your spouse will receive a percentage (100%, 75% or 50%) of this amount for life. In addition, with this option, if there is any excess value to the annuity beyond the total amount of monthly payments actually received by you and your spouse, you can request that the excess value be paid as a single cash payment to an alternate beneficiary.

**Straight (Single) Life Annuity without Cash Refund** provides equal monthly payments for your life and terminates at your death.

**Straight (Single) Life Annuity with Cash Refund** provides equal monthly payments for your life and terminates at your death. After your death, if there is any excess value to the annuity beyond the total amount of monthly payments actually received by you, you can request that this be paid as a single cash payment to an alternate beneficiary.

**Joint and (100%, 75%, 50%) Survivor Annuity without Cash Refund** provides equal monthly payments for your life and then a percentage (100%, 75% or 50%) of those monthly payments to an alternate beneficiary (not your spouse) for their life.

**Joint and (100%, 75%, 50%) Survivor Annuity with Cash Refund** provides equal monthly payments for your life. After your death, your contingent annuitant will receive a percentage (100%, 75% or 50%) of this amount for life. In addition, with this option, if there is any excess value to the annuity beyond the total amount of monthly payments actually received by you and your contingent annuitant, you can request that this will be paid as a single cash payment to an alternate beneficiary.

**10-Year Certain and Life Annuity** provides equal monthly payments to you for life and in the event you die before the completion of 120 monthly payments (10 years), the balance is payable in monthly payments to your contingent annuitant. If both you and your contingent annuitant die before the completion of 120 monthly payments, then the balance is paid in a single cash payment to an alternate beneficiary.

Any of the foregoing annuity options may be taken as a partial annuity. A partial annuity provides you with a lifetime monthly payment using just part of your account balance, leaving you with additional options later. You may take a partial annuity upon your employment termination or quasi-retirement through the unscheduled intermittent withdrawal process.

## Cash refund option

With the cash refund option, if both you and your spouse or contingent annuitant die, and if the value of your single sum payment at retirement exceeds the total amount of monthly payments actually received by you and your spouse or contingent annuitant, you can elect that this will be paid as a single cash payment to an alternate beneficiary.

## **Individual Cost of Living Adjustment (Individual COLA) option**

When you elect your 401(k) Plan benefit, you can also select the Individual COLA option along with any of the annuity options described in the *Annuity Payments* section of this SPD, including those with the cash refund feature.

Combined with one of the existing annuity options, the Individual COLA option provides inflation protection. The feature allows you (and your surviving beneficiary) to receive 100% annual cost-of-living adjustments after receiving your first annuity payment.

If you elect the Individual COLA option, your annuity payments will be automatically adjusted annually based on the consumer price index (CPI-U) measurements that are issued by the Bureau of Labor Statistics of the U.S. Department of Labor. The adjustments:

- Are based on the average monthly percentage change in the CPI-U for the one-year period ending three months before each payment anniversary;
- Begin one year after your first payment date and on each payment anniversary thereafter;
- Are based on contract terms set by the 401(k) Plan annuity provider; and
- Are paid for by you, rather than by your employer, through a lower starting monthly benefit (as compared to a similar type benefit without inflation protection).

If you are eligible to receive a distribution, you will be able to elect the Individual COLA option when you complete an option form. For details, refer to the section of this SPD titled *Making your Election*.

## **Intermittent withdrawals**

If you terminate employment or retire and your account balance is greater than \$1,000, you can request an unscheduled cash withdrawal. The minimum amount that may be withdrawn on an unscheduled basis is \$1,000.

If your account balance remains above \$5,000, you can request both an unscheduled cash withdrawal and a partial annuity. You may request a partial annuity as either a percentage of your account balance (in 10% increments) or as a dollar amount. If you wish to take a total distribution as a combined cash and annuity payment, you must elect this on your option form.

If your employer has elected the feature and you are eligible to quasi-retire (for basic plans, at the Normal Retirement Date; or, for 401(k) Plans, at the later of either your Normal Retirement Date or age 59 1/2), then you may also elect to receive up to four unscheduled withdrawals a year as well as a partial annuity.

In addition, if you terminate your employment or retire (but not quasi-retire), then you may elect to receive a series of equal withdrawals, paid either monthly, quarterly, semi-annually or annually, for at least 12 months and up to 9 years and 11 months. The minimum amount that may be withdrawn as a series of equal withdrawals is \$500 per payment.

Roth 401(k) contributions are available for withdrawal under the intermittent withdrawal provisions of the 401(k) Plan. If you have made both Roth and traditional 401(k) contributions, you may elect to take your intermittent withdrawals out of either source or both.

## **Installment payments**

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, up to a maximum of 15 installments (i.e., 15 years).

## Single cash payments

A single cash payment is a distribution of your total account balance, valued as of the date the distribution is paid.

## Making Your Election

If you are eligible to receive a distribution for any reason, information describing your distribution options will be sent to you, your beneficiary or an alternate payee, depending on the reason for the distribution. If you do not request a distribution (except when your account balance is \$1,000 or less), then you will be deemed to have elected to defer receiving your benefit until the next distributable event. If you later wish to request benefit payments, contact NRECA for an option form.

In addition, the NRECA Personal Investment & Retirement Consulting (PIRC) team is available to discuss your payment options. To contact a PIRC representative, please call 866.673.2299 (option 6).

Once you make a payment election, details about your distribution will be sent to you at least 30 days but not more than 90 days (the 30/90 day election period) before your payments are scheduled to begin. You may change or revoke your election at any time before payments begin. However, once you begin receiving benefits in the form you have elected, the election is irrevocable; neither you nor your spouse, if applicable, may change that election.

You may elect to waive the standard form of benefits (with the consent of your spouse, if you are married) and choose another form of payment during the 30/90 day election period. If you are married, the standard form of benefit is the 100% Joint and Spouse Annuity; if you are unmarried the standard form of benefit is the Life Only Annuity. For more on the Plan's automatic form(s) of payment, see the sections on this topic earlier in this chapter.

If you want your benefit payments to begin before the end of the 30/90-day election period, then you may elect to waive the 30 day period. If you waive the 30 day period, payments may begin no sooner than the end of the seven day period beginning the day after you sign your option form.

## Impact of Your Account Balance on Your Payment Choices

If your account balance is **less than \$200** following your termination of employment (and no amount has previously been paid to you as an annuity or in installments) you will receive your entire account balance in a single cash payment. If you are married, your spouse does not need to consent to the single cash payment distribution.

If your account balance is **more than \$200 but less than \$1,000** following your termination of employment and no amount has been previously been paid to you as an annuity or in installments, then you will receive distribution option forms to make a payment election. If you are married, your spouse does not need to consent to your election. If you do not make a payment election within 90 days of the option form event date or request date (whichever is later), then you will receive your entire account balance in a single cash payment.

If your account balance is **more than \$1,000 but less than \$5,000** following your termination of employment and no amount has previously been paid to you as an annuity or in installments, then you will receive an option form on which to make a payment election. If you are married, your spouse does not need to consent to your election. If you do not make a payment election within 90 days of the option form event date or the request date (whichever is later), then your



account balance will not be paid until the later of your future election or the April 1 following the date you reach age 70 1/2.

If your account balance is **greater than \$5,000** following your termination of employment, you may elect any form of payment available under the Plan, subject to your spouse's consent, if applicable.

If you die while you are still working and your surviving spouse's pre-retirement survivor annuity is worth more than \$1,000 but less than \$5,000, your surviving spouse automatically will receive a single cash payment. If your account balance is greater than \$5,000, your surviving spouse may be eligible to receive a single cash payment or installments in lieu of the annuity.

## Receiving Your Payment

The plan administrator will make payments as soon as administratively possible after receipt of your option forms, but not fewer than 30 days after the required explanation of payment options was provided to you, unless you elect to waive the 30-day period. The earliest date a distribution may be paid is seven days after the date you sign your option form (i.e., on the eighth day). The actual amount of the distribution will be based on current share prices at the time your payment is processed.

You will have up to 90 days to return your option form. During this 90-day period you may change your election; however, once payments begin, your election is then irrevocable. Intermittent withdrawals are the only form of payment that you may change or stop once they have begun. See the section titled *Other Forms of Payment* for more information.

If you do not return your option form before 90 days have elapsed from the later of the event date or the request date on the form, the form will no longer be valid. You may request another option form on which to make an election; however, if your account balance is \$1,000 or less and you do not elect another form of payment within 90 days, you will automatically receive a lump sum. In addition, you may not defer payments indefinitely. See the section titled *Deferring Payments* for information about your required beginning date under this Plan.

## Re-employment

If you are re-employed **within 90 days** from the date your prior employment was terminated and you have elected your payment (i.e., you signed your distribution option forms), then you may receive your payment if you are re-employed with another employer.

If you are re-employed **more than 90 days** after the date your prior employment was terminated, you **did not** make a payment election (i.e., you did not sign your distribution option forms) and you become a participant in the 401(k) Plan, you may not receive a distribution. On the other hand, if you do not become a participant in the 401(k) Plan upon re-employment, you may receive a distribution by electing a payment (i.e., by signing your distribution option forms).

## Deferring Payments

If you elect to defer receipt of your benefits to a later date (or if you do not make a distribution election) then your benefit payments must begin no later than April 1 of the calendar year following the later of the year you either terminate employment or turn 70 1/2.

You must maintain a current address in NRECA's records if you delay your benefit payment.

## General Tax Information

The taxable portion of your payment from the 401(k) Plan could be subject to a 20% tax withholding if you do not roll over the distribution to another qualified plan or an Individual Retirement Account (IRA). It is recommended that you seek the advice of a qualified tax or financial professional before making a decision about Plan distributions.

If you receive a single cash payment from the 401(k) Plan directly, 20% of the taxable portion will be withheld for income tax. You may subsequently elect to roll over your payment, but you must complete the rollover within 60 days of the day you received the payment. You will receive only 80% of your total distribution for rollover. You may add money from other sources (e.g., your own savings) to your distribution to replace the 20% withholding in order to roll over an amount equal to 100% of your benefit.

A distribution may be made directly from the 401(k) Plan to either an IRA or another qualified plan. This is called a direct rollover. Because the 20% tax withholding does not apply to a direct rollover, 100% of your payment will be transferred to your IRA or to the plan of your new employer.

Distributions from the 401(k) Plan that are eligible rollover distributions (and thus subject to 20% tax withholding) include:

- Any total cash distribution, including an outstanding loan;
- Disability withdrawals from the Plan;
- Earnings on voluntary employee contribution withdrawals;
- Installment payments for a period of fewer than 10 years;
- Any portion of a distribution that is greater than the required minimum distribution received after the later of age 70 1/2 or your actual retirement (although if rolled over to an IRA, such amount would be taken into account in determining the required minimum distribution from the IRA); and
- Eligible distributions to a surviving spouse or an ex-spouse under a QDRO.

Distributions that are not eligible for rollover (and not subject to 20% tax withholding) are:

- Any payment in a series of substantially equal periodic 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 required minimum distribution (following the later of age 70 1/2 or actual retirement);
- A distribution to an alternate payee or a beneficiary who is not the spouse; and
- A hardship distribution (if permitted by your employer).

If you are under age 59 1/2, your payment may be subject to income tax and to an additional 10% penalty on the taxable portion of your distribution(s), unless an exception applies. The plan administrator does not withhold this 10% penalty from your distributions; you should speak with a tax professional to ensure that you properly report the 10% penalty on your tax return, if applicable.

If you receive your distribution as a series of substantially equal periodic payments (an annuity), there is an exception to the application of the 10% penalty. However, this exception only applies if your payment is the result of your retirement in the year you turn age 55. It does not apply if your payment is the result of quasi-retirement (if permitted by your employer) and you are under age 59 1/2, even if you are over age 55.

## Distributions From Roth Accounts

You may take tax-free distributions from the Roth 401(k) portion of your account, if the distribution is qualified. A distribution is considered qualified if it satisfies two conditions:

- It is made five years after the first day of the year in which you began making Roth 401(k) contributions; and
- It is made after you reach age 59 1/2 (or your Normal Retirement Date, if later), die or become disabled.

If the above conditions are met, then the earnings on the Roth 401(k) balance are distributed tax free along with your Roth 401(k) contributions. If the above conditions are not met, then the earnings portion of the Roth 401(k) distribution will be considered taxable. All distributions are subject to the rules of this Plan.

## Overpayments

An overpayment occurs when you (or your contingent annuitant, your beneficiary or an alternate payee) are paid more than you (or he or she) are entitled to under the terms of the Plan. If an overpayment of retirement benefits is made from the Plan to any of these parties, the Plan is entitled to correct the overpayment or request that it be returned. The Plan may utilize any means that are necessary to ensure that the error (overpayment) is corrected and the Plan is made whole.

You, your contingent annuitant, your beneficiaries or an alternate payee are obligated to repay, immediately upon request by the Plan, any overpayments (plus interest and earnings from the date of the distribution through the date of the request) stemming from mistakes, errors or corrections.

In the case of annuities, the Plan is entitled to offset the overpayment or error against ongoing annuity payments to you, your contingent annuitant, beneficiary or an alternate payee, as applicable. In the case of single cash payments, the recipient may repay the excess he or she received.

For single cash payments, if the Plan does not receive repayment, the plan administrator may take affirmative steps to collect the overpayment, plus interest and earnings, through any means at its disposal, up to and including reversal of rollovers, collections activity or legal action, in which case the Plan shall be entitled to collection of the overpayment in full, plus attorneys' fees and costs.

## Procedure For Claiming Benefits

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This section describes how you present a claim for your benefits.

Benefits will be paid to participants and beneficiaries without a formal claim when a recognized distribution event occurs. As a general rule, a claim for a benefit occurs when there is a dispute with regards to the amount of a payment. All claims for Plan benefits will be subject to a full and fair review. You may appoint a duly authorized representative to assist you at any time, if you provide written notice of such authorization. All communications under this procedure must be sent to:

401(k) Pension Plan  
c/o Plan Administrator  
National Rural Electric Cooperative Association  
4301 Wilson Boulevard  
Mail Stop IFS 7-300  
Arlington, VA 22203-1860

### Submitting a Claim

If you feel you are entitled to a benefit you have not received or if you believe the amount of your benefit is wrong, you should submit your request for a claim review to the plan administrator in writing. You should explain the problem and include any information or documents you feel will assist in the review. Initial claims determinations are made by the plan administrator.

You (or your beneficiary) have three years to submit a claim review request, as measured from the earlier of the date that you knew (or had reason to know) that either:

- The benefit paid to you was incorrect; or
- Your claim for benefits would have been denied.

If you do not submit your claim within this three-year timeframe, your request for claim review will be denied.

### Claim Determination

The plan administrator will, in most circumstances, provide a decision about your claim within 90 days of receipt. If circumstances require an extension, written notice will be given to you prior to the expiration of the initial 90 day period, along with:

- An explanation of the reason(s) for the extension; and
- The date when you will be notified of decision about the claim.

The plan administrator has discretion to determine whether an extension is necessary.

### Claim Denial

If your claim is wholly or partially denied as a result of the claim determination process, the plan administrator will notify you in writing of this denial within the time periods described above.

The written explanation will contain:

- The specific reason or reasons for the denial;
- The specific reference to the Plan provisions on which the denial is based;
- A description of any additional information or material necessary to perfect your claim as well as 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 claim denial as discussed above, the claim will be deemed denied on the 90th day after receipt. The plan administrator determines whether a claim has been submitted or received and, if so, the date on which it was sent or received.

If you wish to challenge the claim determination, you must proceed with the claim review (appeal) procedure described below.

## **Claim Review (Appeal)**

If your claim has been denied, either in writing or because the 90th day following receipt of your claim has passed, you may submit your claim for review. The I&FS Committee (or their duly authorized delegate other than the individual or entity who performed the initial claim determination) reviews claim appeals. Your request for review must be in writing and must follow this procedure:

- File the request for review no later than 90 days after you receive written notification that your claim has been denied or, if there is no written decision, the 90th day following the date the Plan received your claim. If you or your representative fail to submit a written request for appeal in a timely fashion to the correct address listed in this procedure, this will bar review of your claim denial by the I&FS Committee, as well as any judicial review.
- Include any documents related to the denial of your claim and send any issues and comments in writing. The information you send will supplement the administrative record and should contain all the information you wish to be considered during the review, including relevant documents, records and correspondence. In preparing your appeal, you may request a copy of the pertinent documents, including claims records, that the plan administrator used to make the initial decision.
- Your appeal must be given a full and fair review. The I&FS Committee will evaluate claim review requests at its regularly scheduled meeting. Or, review will occur by telephone (if required to meet the applicable time periods), and this telephone review shall be as effective as if the review was conducted in person. If the review period is not within normal scheduled meeting times or a meeting cannot be held without undue cost and inconvenience, the review period will automatically be extended to 120 days. Claimants and their authorized representative may request an in-person review by the I&FS Committee at their regularly scheduled meeting, provided that the I&FS Committee has the sole and exclusive authority to approve or deny such request, in its discretion.
- The I&FS Committee's decision on appeal will be written. It will contain the specific reason(s) for the denial and the specific Plan provisions on which a denial is based. The I&FS Committee's decision on appeal is final.
- Once the I&FS Committee or its delegate renders a final decision in writing, if you want the decision reviewed by a court, that review can only occur after this claims review procedure is complete and you have exhausted your administrative remedies. You must apply for judicial review of the I&FS Committee's decision within one year of the decision date. A claimant or their representative's failure to seek judicial review within one year of the date the I&FS Committee rendered its final decision bars judicial review of your claim, including the plan administrator's or the I&FS Committee's determinations.

## Statement of ERISA Rights

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This section explains your rights under the Employee Retirement Income Security Act of 1974 (ERISA).

As a participant in the Plan described in this Summary Plan Description (SPD), you are entitled to certain rights and protections under ERISA as outlined below.

### Rights to Information About Your Plan and Benefits

You are entitled to 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 insurance contracts and 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 Employee Benefits Security Administration.

You are entitled to obtain, upon written request to the plan administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The plan administrator may require a reasonable fee for providing you with copies of these documents.

You are entitled to 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.

You are entitled to obtain a statement containing your total account balance, the value of each investment to which assets in your account have been allocated, determined as of the most recent valuation date under the Plan, and an explanation of any limitations or restrictions on your right to direct an investment. This statement must be requested in writing and is not required to be given more frequently than quarterly. The Plan must provide the quarterly statements free of charge.

### Duties of 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 their 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.

### Enforcing 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 \$147 a day (not to exceed \$1,472) 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 are successful, the court may order the person you have sued to 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**

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Your employer has the right to amend or terminate its participation in the 401(k) Plan. This section discusses the rights and responsibilities of your employer if the board of directors elects to either amend or terminate your employer's participation in the Plan.

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 and their beneficiaries. No amendment may cause any reduction in your account balance or cause Plan assets to be turned over to your employer.

If your employer elects to withdraw from participation, your employer may make distributions to you only when permitted by the Plan. Your account will continue to receive investment gains, losses or both until you experience a distributable event. Your employer will provide further information and instructions in the event of a Plan termination.