

# **NRECA Retirement Security Plan**

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## **SUMMARY PLAN DESCRIPTION**

as adopted by

SEMO ELECTRIC CO-OP

26-031-003 (001A)

## Introduction

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This document is a Summary Plan Description (SPD) of the Retirement Security Plan (the “RS Plan” or “the Plan”). The purpose of this SPD is to summarize the key provisions of the RS Plan. Each participant in the RS 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 RS 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*.

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## **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 RS Plan. However, it is recommended that you seek the advice of a qualified tax or financial professional before making decisions about the RS Plan, particularly decisions about distributions.

The BA of your RS Plan is:

Benefits Administrator  
SEMO ELECTRIC CO-OP  
P.O. BOX 520,  
SIKESTON, MO 63801

Employer Identification Number: 43-0510025

### **Plan Sponsor**

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

The plan sponsor of the RS Plan is:

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

Employer Identification Number: 53-0116145

### **Plan Administrator**

The plan administrator is responsible for the administration and operation of the RS 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 RS 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 RS 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**

In addition to a plan administrator, the RS Plan has a trustee that has been designated to hold and invest Plan assets, at the direction of investment managers, for the benefit of participants and their beneficiaries.

The trustee of the RS Plan is:

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

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

The named fiduciary of the RS 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 333.

### **The Pension Benefit Guaranty Corporation (PBGC)**

The PBGC is an organization that insures the pensions of certain groups of employees. Benefits under the RS Plan are insured by the PBGC. The insurance provided by the PBGC may not cover 100% of the benefit you have earned because the insurance coverage is limited to certain levels determined by law. Information about PBGC coverage of benefits and benefit limits can be found on the PBGC website at the address listed below.

PBGC insurance is provided in situations when a plan is terminated by the sponsoring employer, when there are insufficient assets to pay the benefits that have been accrued by the employees who participated in an employer's plan or when the sponsoring employer is in bankruptcy or not financially able to fund the benefit using plan assets. Even if certain benefit levels are not guaranteed, you still may receive some benefits from the PBGC depending on how much money your plan has and how much the PBGC collects from employers. You may request further information regarding the PBGC by contacting the plan administrator or through the PBGC directly at:

PBGC, Technical Assistance Division  
1200 K Street NW, Suite 930  
Washington, DC 20005-4026  
202.326.4000

Additional information is available through PBGC's website at [www.pbgc.gov](http://www.pbgc.gov).

NRECA, as the RS Plan sponsor, is the only body authorized to terminate the RS Plan; however, your employer may cease participation in the RS 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*.

## General Plan Information

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Your employer, in cooperation with NRECA, has established the RS Plan at your co-op to provide a traditional pension plan for the benefit of your co-op's employees and their beneficiaries. The RS Plan is what is known as a defined benefit pension plan; it is qualified under all applicable sections of the Internal Revenue Code of 1986 (the Code) and Treasury Regulations. The RS Plan is a multiple employer plan as defined in Section 413(c) of the Code; it operates on a calendar year basis during the twelve-month period beginning on January 1 and ending on December 31.

Your RS Plan benefit plays an important role in your financial planning for retirement. The benefit you receive is based on a formula that is not tied to financial market performance. To provide this benefit, your employer ensures that contributions are deposited in a trust fund in an amount sufficient to fund the RS Plan benefit for all eligible employees. Since the RS Plan benefit is based on a formula, the investment gains or losses of this trust fund do not affect the amount of benefit that employees will receive.

Your employer will make contributions to the Plan in the amount required to fund your RS Plan benefit. These contributions fund the pension benefit that will be paid to you or your beneficiary upon retirement, termination or death.

This Plan is tax qualified, which means that the benefits are not taxable to you when they are earned and credited to you, and that they may be eligible for special tax treatment when the money is distributed to you. However, you will be liable for income tax on the taxable portion of your pension benefit when the money is distributed to you.

The benefits available under the RS 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 personal savings and investments.

A more thorough discussion of how the RS Plan is maintained and operated is provided in the sections to follow. If you have questions related to your RS Plan benefit, please contact your BA. See the section titled *Administrative and Contact Information* for details.

## Summary of Plan Benefits

<b>Effective date of Plan</b>	09/01/1996
<b>Employer Plan amendment date</b>	10/01/2018
<b>Employer Identification Number</b>	43-0510025
<b>Plan number</b>	001A
<b>Plan type</b>	Defined benefit pension plan
<b>Eligible class of employees</b>	Union employees
<b>Excluded class of employees</b>	Part-time, temporary, seasonal employees who have not completed a year of eligibility service and have not reached age 21 • Interns who have not completed a Year of Eligibility Service and attained age 21
<b>Eligibility waiting period</b>	1 year (first of the month on or next following)
<b>Normal retirement age</b>	Age 62.
<b>Benefits accrue until actual retirement date</b>	Yes
<b>Current benefit formula</b>	2% of a participant's final average effective salary, times years of benefit service. See the section entitled <i>How are My Benefits Calculated</i> for more information.
<b>Transfers from other NRECA Cooperatives</b>	N/A
<b>Compensation used for benefit formula</b>	Base salary
<b>Employee required contributions</b>	0%
<b>Survivor benefit type</b>	50%



## Eligibility and Participation

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This section contains general information on how you qualify for participation in the RS Plan and when you will begin earning benefits.

### Eligibility

#### Eligible class of employees

To be eligible to participate in the RS Plan, you must be in the following class of employees:

Employees of your employer who are covered by a good faith bargaining agreement, between your employer and IBEW 702 Clerical union.

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

#### Excluded class of employees

Your employer excludes certain classifications from participation in the Plan. All employees in the following job classifications are not eligible to participate in the Plan:

- Part-time, temporary, seasonal employees who have not completed a year of eligibility service and have not reached age 21
- Other job classifications:
  - Interns who have not completed a Year of Eligibility Service and attained age 21

### Age and Service Requirements

To become a participant in the Plan, you must meet certain minimum service requirements. There are no minimum age requirements to participate in this Plan. This means that you must be a member of the group of eligible employees described above and you must work for a minimum length of time. You become a participant on the first day of the month coincident with or next following the date you meet the minimum service requirements. The eligibility 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 complete 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 eligibility 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 the 1,000 hour rule, eligibility service is calculated during a computation period defined as either:

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

Therefore, under this rule, if you do not work at least 1,000 hours in 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 by May 9, 2018 you have not performed at least 1,000 hours of service, 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 and will be eligible to participate in the Plan on January 1, 2019.

## **Your Plan's Requirements**

You will meet the minimum service requirements on the first day of the month coincident with or next following the date you complete a year of eligibility service.

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.

## **Employee Contributions**

Your employer does not require any employee contributions to participate in this Plan.

## **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 satisfy the 1,000 hour rule requirement but did not become a participant in the Plan, terminate employment and are later rehired, 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 employees**

Eligibility service for part-time 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 the 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 purposes of meeting the service requirement for eligibility.

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

## Vesting and Benefit Service

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This section contains general information about how you earn vesting service and benefit service through your continued employment. If you have any questions about your own service, contact your BA.

### Vesting Service

The term “vested” refers to the percentage of your retirement benefit that you own. Each year that you are employed, you earn a year of vesting service. When you leave your job, you will be entitled to the portion of your accrued benefit that is vested.

An hour of service for vesting purposes is the same as an hour of service for eligibility purposes (see the section titled *Eligibility and Participation* for the definition of an hour of service).

You will be credited with one year of vesting service for the Plan in any calendar year that you are paid for at least one hour of service, beginning with your hire date.

### Vesting schedule

If you completed one or more hours of service on or after January 1, 1989, you will be vested in your RS Plan benefit based on the following schedule:

Years of Vesting Service	Vesting
One year of service	10%
Two years of service	20%
Three years of service	30%
Four years of service	40%
Five or more years of service	100%

To illustrate how this schedule works, assume your monthly benefit is \$1,000 at the time you leave your job. Depending on how many years of service you have, your vested accrued benefit would be:

Years of Vesting Service	Vesting	Vested Accrued Benefit
One year of service	10%	\$100/month
Two years of service	20%	\$200/month
Three years of service	30%	\$300/month
Four years of service	40%	\$400/month
Five or more years of service	100%	\$1,000/month

### Age 55 vesting rule

If you are actively participating in the Plan (i.e., you are being credited with benefit service) at age 55 or older, then you will be 100% vested in the Plan even if you do not have five or more years of service, except as noted below.

You will not become 100% vested at age 55 or older if:

- Your co-op's Plan requires employee contributions and you stop making the required contributions before age 55 (and do not initiate participation again after age 55);
- Your co-op's Plan is frozen before you turn age 55 and your co-op never resumes participation; or
- You become part of an excluded class of employees prior to age 55 and you never resume participation.

### **Vesting and your Normal Retirement Date (NRD)**

If you are employed by a participating employer on your NRD, whether or not you are participating in the Plan, then you will be 100% vested, even if you do not have five or more years of benefit service.

### **Vesting of employee contributions**

If you are required to make employee contributions during any period as a participant in this Plan, all benefits derived from your own contributions are 100% vested at all times.

### **Vesting and employment with related employers**

Employment with the following related employers counts toward vesting 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;
- A predecessor employer (another company acquired by or merged with your employer), if elected by your current employer; and
- 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.

### **Vesting as a part-time employee**

Upon meeting the eligibility requirements for participation in the Plan, vesting service is credited for part-time employees in the same manner as for full-time employees.

### **Vesting and employment as part of an excluded class of employees**

If you are in an excluded class of employees and subsequently transfer to an eligible class of employees, your employment as a member of the excluded group will count toward the vesting requirements in this Plan.

## **Benefit Service**

Your years of benefit service are a key factor in how your Plan benefit is calculated. A year of benefit service is based on 12 months of participation in the Plan. You must earn 2,280 hours of service during the 12-month period. A year of benefit service is a year in which you earn retirement benefits, subject to the following special rules:

- If you became a participant, withdrew or resumed participation on a date other than January 1, you would be credited with a partial year of benefit service.
- You will earn benefits only for those months in which you were an active participant. You will be credited with a full month (i.e., 190 hours) of benefit service as long as you earn an hour of service for which you are directly or indirectly compensated for the performance of duties during that month.

- If you retire on or after your NRD and are actively participating in the Plan when you retire, you will be credited with benefit service through the end of the calendar year in which you retire, regardless of your date of retirement.
- If you participated in a plan that was merged or consolidated with the RS Plan, any years credited for benefit service under that plan are counted toward your years of benefit service, unless doing so would result in a duplication of benefits for the same period of service.
- If your employer elects a buyback, then additional years of benefit service may be credited towards your benefit (see the section titled *How are My Benefits Calculated?* for more about buybacks). Certain eligibility periods (including the current eligibility period) may be excluded.
- If there are years in which you decline to make employee contributions (if required by your employer), then those years are not counted toward your years of benefit service.
- If you were not working due to disability at some point during your benefit service, this period may count toward your benefit service (see the section titled *Leaves of Absence* for details).
- If you are employed by two different participating employers, then you may earn benefit service under both employers' plans at the same time, as long as you are otherwise eligible.

### **Benefit service as a part-time employee**

Upon meeting the eligibility requirements for participation in the Plan, part-time employees are credited with benefit service in the same manner as full time employees.

### **Benefit service as a part of an excluded class of employees**

You will not receive credit for benefit service while you are a member of an excluded class of employees. In order to receive credit for benefit service while you are a member of an excluded class of employees, your employer must amend its Plan to provide benefit service credit for such years. If the Plan is not amended to provide such service credit, your final retirement benefit will not include credit for that period of time.

## **Top Heavy Plans**

Each plan year, the plan administrator will determine whether your Plan is top heavy. A plan is top heavy if more than 60% of the accrued benefits 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 your co-op participates in both the RS and 401(k) Pension Plans, the top heavy minimum contribution will be provided to non-key employees through the RS Plan. You will be informed if this is the case.

The law requires specific vesting schedules to be applied to top heavy plans. Here is a comparison of the Plan's regular and top heavy vesting schedules. If the Plan were to be a top heavy plan for any year, your vesting would be greater percentage from either schedule, based on your years of service. In years when the Plan is not top heavy, the Plan's regular vesting schedule applies. See the section titled *Vesting schedule* for more details.

<b>Regular Vesting Schedule</b>	
Years of Vesting Service	Vesting
One	10%
Two	20%
Three	30%
Four	40%
Five or more	100%

<b>Top Heavy Vesting Schedule</b>	
Years of Vesting Service	Vesting
One	10%
Two	20%
Three	100%

## How Are My Benefits Calculated?

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This section contains general information on how your Plan benefit is calculated. This is general information and does not address all possible situations that may affect your benefit.

Your RS Plan benefit is calculated based on a formula that uses your years of benefit service and your final average effective salary (FAE). However, certain other factors can also affect your benefit. For example, you may have worked for other employers that participate in the Plan prior to working for your current employer, you may have transferred between different subgroups within the same employer or you may have had a period of military service or disability. In addition, your employer could amend various provisions in the RS Plan that may affect your benefit. Past, present and future benefits could be affected by any amendments; however, no amendment can reduce the benefit that you accrued prior to the amendment. Your final benefit will be calculated based on all the benefit plans in effect during the specific periods of your employment.

### Definitions

The following definitions and concepts will help you to understand your benefit formula.

#### Benefit improvements

Your employer may choose to upgrade your RS Plan benefit. An upgrade is any change that affects any benefit accrued before the date of the current Plan amendment. There are currently four types of upgrades:

- Improving the NRD;
- Incorporating a cost of living adjustment (COLA);
- Changing from base salary to full salary (or vice versa); and
- A buyback.

#### Benefit rate

Your benefit rate (called your benefit level) is a percentage (specified by your employer) of your FAE. Your benefit rate may apply to your future benefits, your past benefits, or both, as elected by your employer. Your Plan's current benefit rate is 2% of your FAE. More than one benefit rate may be used to calculate your benefit, such as when your employer has previously changed the benefit rate or when another employer (for which you previously worked) also participates in the RS Plan. The rate shown above is the rate for current benefit determinations as of the date that this SPD was published. Examples provided later in this section demonstrate how the calculation can vary in differing situations.

#### Benefit reductions

Your employer may choose to reduce your future RS Plan benefit accruals. Any benefit you have accrued prior to the effective date of the benefit reduction will not be reduced. If your employer elects to reduce your future benefit accruals, you will receive an ERISA 204(h) notice explaining the effect of the benefit reduction on your future accruals.

#### Buyback

A buyback is a type of amendment that will either:

- Apply a new benefit level or new tiered benefit levels to some or all benefit service before the effective date of the amendment;
- Grant additional benefit service for periods of employment before the effective date of the amendment; or



- Both of the above.

Please note that your employer is not obligated to execute a buyback plan amendment; rather, it is a business decision made by your co-op's board of directors.

Several rules affect the years of service eligible to benefit from a buyback. The most important ones are:

- You must be actively employed and participating in the Plan on the date of the amendment to the Plan that provides the buyback;
- You must have repaid any distributions you received from the Plan before the buyback takes place in order to receive benefit credit for those years. You cannot repay a distribution you received on or after your NRD;
- No credit is given for any period of time you declined to make required employee contributions, if applicable;
- The buyback is not applied while you are receiving benefit service through the disability waiver (see the section titled *Leaves of Absence*). However, if the Plan is amended after you return to active employment from a period of disability, then the benefit buyback will be applied for the period of your disability;
- If you are a new employee and have benefit service at a prior employer, the buyback will only be applied to your prior benefit service if your current employer specifies in the amendment that credit will be given; and
- If you are a new employee and do not have any prior benefit service, the buyback would only apply to the future portion of the amendment, if applicable.

### Cost of living adjustments

Your plan benefit will not be adjusted for increases in cost of living.

### Effective salary

Your compensation, or salary, refers to what you earn as an employee of SEMO ELECTRIC CO-OP. Salary includes amounts that are actually paid to you, except where certain deferred or non-taxable types of compensation are included as part of your salary for purposes of the RS Plan, as required by the Internal Revenue Service (IRS).

Your employer has elected **base salary** as the amount used to determine the retirement benefit you will receive from the Plan. Base 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; and
- Elective amounts that are not includible in your gross income by reason of Section 132(f)(4) of the Code;

but excluding:

- Any extra, overtime or bonus compensation;
- Reimbursements or other expense allowances provided under an accountable plan;
- Moving expenses;
- A retainer or fee under a contract;
- Pension, deferred compensation or retirement allowances; and
- Any amount deferred under a nonqualified defined benefit deferred compensation plan.

The base salary used to determine benefits under the Plan is the annual base rate of pay in effect on November 15 of the year prior to the year benefits are determined.



For 2017, compensation in excess of \$270,000 may not be used to calculate benefits under Federal regulations. The IRS adjusts this figure periodically to reflect changes in the cost of living.

### Final average effective salary

Your FAE is either the average of your highest five effective salaries during your last ten years of active participation in the Plan or, if you have participated in the Plan for fewer than five years, the average of your effective salary for all years of participation.

### Required employee contributions

You are not currently required to make after-tax employee contributions to participate in your Plan.

### Example of an Accrued Benefit Calculation

This section shows the accrued benefit calculation for a hypothetical employee who works for an employer that has elected base salary as its compensation definition.

These examples are based on hypothetical employment history and are presented for illustrative purposes only. When you receive your benefit, it will be based on your actual employment history and applicable Plan provisions.

Date of Hire:	December 18, 2007
Date of Participation	January 1, 2009
Date of Termination:	December 31, 2017
Co-op Plan Salary Type:	**base salary
2009 base salary:	*\$35,000
2010 base salary:	*\$40,000
2011 base salary:	*\$40,000
2012 base salary:	\$40,000
2013 base salary:	\$40,000
2014 base salary:	\$42,000
2015 base salary:	\$43,000
2016 base salary:	*\$38,000
2017 base salary:	\$45,000

The hypothetical December 31, 2017 FAE equals \$210,000/5, or \$42,000, which is the average of 2017, 2015, 2014, 2013, and 2012 salaries.

*\*These salaries are not used to calculate FAE because they are not among the five highest salaries needed for the calculation.*

*\*\*Your FAE depends on your employer's elected definition of compensation. See the Definitions section of this chapter for specific details about which years are included in your FAE.*

### Sample pension Plan provisions

Adoption agreement effective prior to January 1, 2012:	
Benefit level:	1.0%
Normal Retirement Age:	65
COLA:	none

Adoption agreement effective January 1, 2012:	
Benefit level:	1.7% (future service only)
Normal Retirement Age:	62
COLA:	none

### Sample benefit calculation

The benefit calculation assumes that the hypothetical participant retires at age 62 with a 50% Joint and Spouse Annuity:

- January 1, 2009 - December 31, 2011:  
 $\$42,000 \times 1.0\% \times 3 \text{ (years)} = \$1,260$ , payable at age 62, no COLA
- January 1, 2012 - December 31, 2017:  
 $\$42,000 \times 1.7\% \times 6 \text{ (years)} = \$4,284$ , payable at age 62, no COLA

Thus, the participant's total accrued benefit, payable annually as of December 31, 2017 equals **\$5,544**, payable at age 62, without COLA.

### Sample benefit calculation with buyback

If, in addition to the provisions shown above, the following buyback was implemented on January 1, 2016, then this hypothetical participant would actually receive the following (greater) accrued benefit. Note that if the recalculated benefit under the buyback provision were lower than the original benefit, the participant would receive the original (greater) benefit.

Adoption agreement effective January 1, 2016:	
Benefit level:	1.5% (past and future service, participation only)
Normal Retirement Age:	62
COLA:	applies

- January 1, 2009 - December 31, 2015:  
 $\$42,000 \times 1.5\% \times 7 \text{ (years)} = \$4,410$ , payable at age 62, with COLA (equals greater benefit)
- January 1, 2016 - December 31, 2017:  
 $\$42,000 \times 1.5\% \times 2 \text{ (years)} = \$1,260$ , payable at age 62, with COLA

Thus, the participant's total accrued benefit, payable annually as of December 31, 2017 equals **\$5,670**, payable at age 62, with COLA, provided that the plan participant was an employee when the COLA provision was adopted.

## Annual Benefit Statement

Each year that you are a participant in the RS Plan, you will receive a statement of your benefits, provided that you are either an active employee or are still earning benefits under the Plan. The statement will be as of January 1 and the benefit shown will be based on your years of benefit service, your FAE and your co-op's benefit level as of the statement date. The statement includes your annual accrued benefit, which is the amount you would receive per year if you stopped working as of the statement date and waited until your NRD to receive your benefits. It also includes projected annual benefits as of possible future retirement ages and dates, as well as the single cash value of your benefit as of the date of the statement. The information provided in the statement does not reflect any changes that may be made by your co-op after the date of the statement.

## Reemployment

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This section describes how your benefits are determined if you worked for an employer that participates in the RS Plan, terminated employment, and are later employed by the same or another participating employer. Your benefits depend upon several factors, including the length of your break in service, whether or not you received benefit payments from your previous employer's Plan, and your form of payment.

### Reemployment When You Did Not Receive a Prior Benefit Payment

If you did not receive a benefit payment from your prior employer's Plan after termination, your benefit will be calculated under the 18-month rule as follows:

- If you are reemployed **within 18 months** of your termination by the same or another employer that also participates in the RS Plan, then your final benefit will be calculated on all your years of service and your final effective salary.
- If you are reemployed **after 18 months** has passed from your prior termination, then your final benefit will be the sum of the benefits you earned under the plan of your former employer(s) and the benefits you earn under the provisions of this Plan. This means that the benefits earned under your prior employer's plan are added to benefits from this Plan, if you were fully vested in your benefit at the time of your termination.

Service with your current employer and your prior employer may count toward the vesting service that determines your final benefit. See the section titled *Vesting Service* in this document for details about this Plan's vesting rules.

### Reemployment When You Received a Prior Benefit Payment

If you received your entire benefit from your prior employer's Plan in the form of a cash payment, you have the option to repay that payment (unless it was received after your NRD). If you repay your benefit (plus interest) then your final benefit will be the sum of the benefits you earned under the plan of your former employer(s) and the benefits you earn under the provisions of this Plan. If you choose not to repay your prior benefit payment upon reemployment, benefit service will not be credited for your prior employment. Any future benefit you receive will be based solely on your benefit service and FAE earned after reemployment.

If you received an annuity, you cannot repay your prior benefit payments, and benefit service is not credited for your prior employment.

If you decide to repay your benefit, you must do so within five years from the date you are reemployed, or the date your employer adopts the RS Plan, whichever is later. Your repayment schedule will include principal and interest due. The interest rate is based on either 120% of the Federal Mid-term Rate or 5%, whichever is lower. The repayment schedule is not an amortization schedule. Because the Federal Mid-term Rate changes annually, your schedule will provide your payments due only through January 1 of the next year.

If you deposited the benefit payment from your prior employer's Plan into an Individual Retirement Account (IRA), then you may be able to use those funds for your repayment, or you may use another source of funds. It is recommended that you seek the advice of a qualified tax professional about both IRA and qualified plan distributions.

If you repay your prior Plan benefit, your future Plan benefit will be calculated based on the 18-month rule as follows:

- If you were reemployed **within 18 months** (or within 6 months if before 1994) of your prior termination of employment, your final benefit will be calculated based on all of your

cumulative benefit service (under both the former employer(s) plan and this Plan) and your FAE.

- If you were reemployed **more than 18 months** after your prior termination of employment, your prior benefit will be reinstated upon repayment, but your FAE will not be applied to the prior benefit. Instead, the prior benefit will be frozen. Your frozen benefit will be based solely on your benefit service and FAE as of your prior termination date. When you receive your benefit, it will be the sum of the frozen benefit from your prior employment and the benefit earned after your reemployment. While certain Plan amendments made by your employer can affect (and upgrade) your frozen benefit, in general the frozen portion of your benefit is not affected by these amendments. However, if a buyback is made covering the period of service under your frozen benefit, you will receive the greater of the frozen amount or the buyback benefit.

## **Additional Eligibility Information**

When you transfer from one employer to another, you begin earning benefits under the new employer's plan when you meet its eligibility requirements. If you already met the minimum age and service requirement at the time of your reemployment (as described in the section titled *Eligibility and Participation*), then you will become a participant on the date you are rehired. If you are still receiving benefit service from your previous employer when you are rehired, then you will become a participant on the first day of the month after your benefit service from the previous employer ends.

## Leaves of Absence

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This section contains general information about compensated and uncompensated leaves of absence and their effect on your participation in the RS Plan.

If you are on 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 period and will not receive benefit service during your absence.

### 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.

#### Returning to work after military leave

To be entitled to reemployment benefits following completion of uniformed service, you must produce either your DD214 or a certificate of release. Your discharge papers should indicate 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 days or less, you generally 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 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.

#### Benefit service for periods of military leave

If you meet the reemployment requirements after your military leave, your benefits under the RS Plan will be restored as if you were never out on military leave.

### Disability Leave

The RS Plan has a special feature that permits you to continue to earn benefit service for certain periods of time when you are unable to work due to a disability; however, this feature does not guarantee any employment rights for disabled individuals. Your employer may have valid business reasons for terminating your employment if you become disabled, and it is their

right to do so if they so choose. If your employment is terminated, you will no longer earn additional years of benefit service credit. At that time, you will be eligible to receive the Plan benefit you have earned up until your termination.

There will be an elimination period during which you are required to wait before you receive disability income. As long as you are receiving compensation from your employer during this period, you are considered an active employee. Generally, the elimination period is either three months or six months, depending on your employer's disability plan. If you do not receive compensation during the elimination period, you will be withdrawn from the Plan. However, if you are eventually approved for disability, you will be retroactively enrolled into the Plan to the withdrawal date and any outstanding costs must be submitted. If you are on an uncompensated leave of absence and are not approved for disability, you will not be eligible to participate in the Plan until you return from your uncompensated leave and begin to receive compensation.

### **Total disability**

Total disability means that the following three conditions are met:

- Your active employment ceased due to sickness or accidental bodily injury and as of the last day you stopped working, you are completely unable to perform any duties pertaining to the occupation for which you were employed;
- You qualify for disability benefits under the NRECA Long-term Disability Plan, whether or not your employer participates in this Plan; and
- You and your employer have continued to make all required contributions for the six-month period commencing with the first day of the month coinciding with or following the date your active employment ceased.

If your active employment stops as the result of total disability, you will continue to receive credit for vesting and benefit purposes until your participation is discontinued because you cease to meet the definition of total disability. You will cease to meet this definition at the time any of the following occurs:

- You attain your Normal Retirement Age, as defined in the Plan;
- You elect early retirement;
- You return to work;
- Your employer terminates your employment;
- Your death; or
- The Plan is terminated.

You will continue to receive credit for vesting and benefit purposes if you return to work under a rehabilitative provision in your employer's long-term disability plan.

When you return to active employment, you will begin to participate in the Plan on the first day of the month coinciding with or following the date you returned to work.

### **Compensation during disability leave**

If you meet the three conditions and are determined to be totally disabled (as defined above), then you will be considered a disabled, inactive employee and your benefit accruals will continue, but employee and employer contributions will be waived. Your Plan benefits will be based on your effective salary on the date your active employment ceased, except if your active employment ceased after December 31, 1982 and prior to July 1, 1990. If your employment ceased within that time period, your benefits will be based on an effective salary calculated using the three year average of the effective salary in the calendar year in which your active employment ceased and the two consecutive calendar years immediately preceding that year.

**For example,** if your active employment ceased on January 1, 1990, the compensation used for calculating your benefits while you are disabled is the average of your effective salaries for 1988, 1989 and 1990.

### **Plan amendments during disability leave**

If your employer amends the Plan during the first 26 weeks of your disability, the amendment may or may not affect your benefit. During the time you are disabled, your benefit accruals will generally continue (and their cost will be waived) provided that your employer does not amend the Plan for certain benefit reductions. Refer to the section about *Benefit Reductions* in the chapter titled *How Are My Benefits Calculated?* for further information.

### **Quasi-retirement during disability leave**

If you are on disability and you reach your Normal Retirement Age, your benefit accruals will cease. At this time you may elect to retire or quasi-retire. Quasi-retirement is an option under this Plan that permits you to receive your benefit at any time after you have reached your NRD. For more details on quasi-retirement, see the section titled *Payment Events*.

If you are under 59 1/2 and receive a total cash payment paid directly to you, or if you elect a monthly annuity, a 10% premature distribution penalty on the taxable portion of your distribution may apply. Your quasi-retirement distribution will not be subject to taxation currently if you transfer it to the 401(k) Plan or to an IRA.

**Important Note:** If you take a distribution from the RS Plan prior to retirement, this may reduce any current or future long-term disability benefits to which you may be entitled. To avoid a reduction in your long-term disability benefits, if you elect to receive a distribution from this Plan, you may choose a single cash payment and then roll over your distribution to the 401(k) Plan sponsored by NRECA, another employer's qualified retirement plan, or to an IRA. However, if you begin to withdraw the funds derived from this rollover, your disability income benefits may still be reduced.



## Payment Events

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

Although the RS Plan is designed to pay you a benefit at your NRD, you are permitted to receive a distribution from the Plan under certain other circumstances, including if you terminate your employment, retire earlier or later than your NRD, quasi-retire or if the Plan is terminated.

Your beneficiaries may receive a distribution from the Plan in the event of your death if you have not started to receive your benefit. Benefits may also be paid if a Qualified Domestic Relations Order (QDRO) requires part of your benefit to be paid to an alternate payee (usually an ex-spouse).

This section describes these payment events. For a detailed discussion of the various forms of payment you may choose for your benefit, review the section titled *Forms of Distribution*.

### Termination of Employment

You are entitled to receive any vested benefits you have earned from this Plan if you either voluntarily or involuntarily terminate your employment with your employer before you are eligible for retirement.

If you terminate employment, you are entitled to receive only the vested percentage of your accrued benefit. The unvested portion of your accrued benefit will be forfeited (see the section titled *Vesting* for more information). Only your accrued benefit derived from employer contributions is subject to forfeiture.

You may either start receiving your vested benefit as soon as your employment terminates or delay receiving your benefit until a later date (but generally not later than your NRD). See the section titled *Forms of Distribution* for more details on delaying your benefit payment.

If you take your benefit as an annuity, your monthly benefit will be actuarially reduced from your NRD to your annuity start date based on your age at the time your payments begin, as described in the section titled *Early Retirement*.

If you take your benefit in a single cash payment, then your payment equals the present value of your accrued benefit on the date of payment.

### Early Retirement

If you are at least age 55, you can elect to retire before your NRD. This is called early retirement. You can start to receive your benefit as soon as your employment terminates or at a later date that is on or before your NRD.

If you take your early retirement benefit as an annuity, your payments will be reduced. Looking backwards from your NRD to the benefit start date you select, the reductions are:

- 1/15 for each of the five years immediately preceding your NRD;
- 1/30 for each additional year by which your benefit start date precedes your NRD; and
- Actuarially for each additional year by which your benefit start date precedes your 55th birthday based on mortality tables and interest factors.

If you take your benefit as a single cash payment, then the amount of that payment represents the value of your accrued benefit.



## Quasi-retirement

This plan permits quasi-retirement. When you quasi-retire, you elect to receive your benefit while you are still employed but after you have reached your NRD. In addition, if you are still employed as of the first day of the month coincident with or after the day you reach age 70 1/2 you may elect to quasi-retire a second time.

Your quasi-retirement benefit will be calculated based on the date you select (which must be on or after your NRD) and you will continue to earn benefit credit for as long as you continue to work after that date. When you do retire, you will receive a benefit for the time you worked after you quasi-retired. Your final benefit accrual will include benefit credit for the entire calendar year in which you actually retire.

If you are under 59 1/2 and receive a total cash payment paid directly to you or elect a monthly annuity, a 10% premature distribution penalty on the taxable portion of your distribution may apply. Please see the section in this document titled *General Tax Information* for more details. Your quasi-retirement distribution will not be subject to taxation currently if you transfer it to the 401(k) Plan or to an IRA.

## Retirement

Under the terms of this Plan, you are entitled to receive normal retirement benefits if you retire (i.e., stop working) at your NRD.

Your Plan specifies that you may retire on any day coinciding with or following the date you reach age **62**.

You can also choose to continue to work after your NRD and receive delayed retirement benefits from this Plan. However, in general, if you have reached your NRD and then, in any subsequent month or during a four- or five-week payroll period, you do not work at least 40 hours, the Plan will treat you as if you had retired.

In general, the value of your normal retirement benefit is greater on your actual NRD than at a later date. Before you decide to delay your retirement while you continue in employment, you should be aware of two specific effects this decision can have on the value of your benefit.

1. If you plan to receive your benefit in the form of an annuity, and you delay receipt of that annuity, there will be no make-up payments once you do retire. The payments that you would have received if you had not continued to work may not be recaptured.
2. If you plan to receive your benefit as a single cash payment and you decide to delay your retirement, the total dollars you will receive at retirement may be reduced. This occurs because the single cash payment amount is calculated to be an amount sufficient to fund your benefit at your retirement age, for your life expectancy. If you work for additional years and then retire, you will consequently be older at the later date, with fewer years remaining in your life expectancy. The amount necessary to provide a benefit to you for the rest of your life is lower because the benefit will be provided over fewer years. Depending on the terms of your Plan, in some cases, the additional years of benefit service credit and pay increases may offset the reduction due to a shorter life expectancy. Another factor that will affect your payment is the interest rate. The interest rate used to calculate a single cash payment fluctuates and is determined based on interest rates in the two months preceding the year of payment. Generally, a lower interest rate produces a higher single cash payment.

If you are planning to retire, you can contact NRECA's Personal Investment & Retirement Consulting (PIRC) team at 866.673.2299 (option 6) to assist you with information about your retirement alternatives. In addition, it is recommended that you seek the advice of a qualified tax professional before making a decision about your distribution.

## Death

### Standard survivor benefit under the Plan

In the event of your death, your beneficiary will receive a Qualified Pre-retirement Spouse Annuity if you are married (50% Spouse Annuity) or a 10-Year Certain and Life Annuity if you are unmarried. See the section titled *General Beneficiary Information* for guidelines about naming your beneficiary.

### Married participants

If you are married at the time of your death and have already begun to receive your plan benefit in a form that provides a death benefit to your spouse, the plan will provide your surviving spouse with a benefit beginning on the first of the month after your death. The benefit will be determined based on the payment election you made at the time you began receiving benefits.

If you are married at the time of your death and have not started to receive your Plan benefit, the Plan will provide your surviving spouse with a benefit beginning on the later of the date of your death or the date you would have reached your Normal Retirement Age. The benefit will be the survivor's portion of a 50% Joint and Spouse Annuity. The survivor's portion is 50% of the monthly annuity that you would have received had you elected a 50% Joint and Spouse Annuity. Your spouse may alternatively elect to receive a single cash payment equivalent to the survivor's portion of the 50% Joint and Spouse Annuity. Your spouse may elect to begin payments sooner, but the payments made prior to your NRD will be subject to actuarial reductions. Looking backwards from your NRD to the benefit start date your spouse selects, the reductions are as follows:

- 1/15 for each of the five years your spouse's start date immediately precedes your NRD;
- 1/30 for each of the next five years, or until you would have reached age 55;
- 1/50 for each of the ten years your spouse's start date immediately precedes your 55th birthday; and
- 1/100 for each additional year your spouse's start date precedes your 55th birthday.

If the amount of the annuity described above is less than \$50, your spouse may elect to receive a payment of \$50 per month until he or she remarries, dies, or reaches age 62 (whichever comes first). At that time, any remaining benefit will be determined as described in the section titled *Standard Survivor Benefit Under the Plan*, based on the date the \$50 benefit payment commenced.

If you and your spouse die simultaneously, or if your spouse dies within 10 days of your death, and you have not started to receive your Plan benefit, your benefits will be paid to your beneficiary as if you died without a spouse.

If you die before your benefit payments begin, your spouse will receive the benefits described above even if you have completed and returned your distribution election forms, regardless of the election you made.

### Unmarried participants

If you die after payment of your Plan benefit has started, then any benefits that may be payable after your death will be determined based on the selections you made on your distribution option form. See the section of this SPD titled *Forms of Distribution* for more information.

If you are unmarried and you have not started to receive your Plan benefit at the time of your death, your beneficiary will receive 120 monthly payments, equal to the monthly benefit that would have been payable to you under the 10-Year Certain and Life Annuity.

If the life expectancy of your beneficiary is less than 120 months at the time of your death, then he or she will instead receive the benefit as a single cash payment. If the life expectancy of your beneficiary is greater than 120 months at the time of your death, they may also elect a single cash payment, but it must be elected no more than 12 months after your death.

If you die before your benefit payments begin, your beneficiary will receive the benefits described above even if you have completed and returned your distribution election forms, regardless of the election you made.

## **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 beneficiary to receive payment from the Plan if you die before you begin to 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 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 the last surviving participant or contingent annuitant.

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 RS Plan will not make a distribution to a minor beneficiary. If you wish to name a minor child as a beneficiary of your RS Plan benefits, we recommend that you establish the proper legal vehicle, such as a guardianship or conservatorship, as required by the laws of your state. Confirm your state law requirements before you designate a minor as your beneficiary.

## **Assignment of Benefits**

### **Qualified Domestic Relations Orders**

A domestic relations order is a court order that provides for the payment of child support, alimony or otherwise allocates a portion of your benefits 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 RS 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 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 the alternate payee;
- Correct name of the Plan(s) from which a payment will be made;
- Amount or percentage of your benefit to be paid by the Plan(s), 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 RS Plan does not otherwise provide. It cannot require the RS 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 provides, except a Joint and Spouse annuity. A distribution made under a QDRO may be made as soon as possible, as long as an immediate distribution is requested in the QDRO. If your account becomes subject to a QDRO, then you, your attorney or your spouse's attorney should contact either your BA or NRECA for further instructions, QDRO procedures 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 benefit).

### **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 otherwise part of the 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.

## Forms of Distribution

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This section will help you to understand the various forms of payment available under the Plan. **It is recommended that you seek the advice of a qualified tax professional before making a decision about your distribution.**

### Forms of Payment

Benefits are paid from the RS Plan in one of the following forms:

- Joint and Spouse Annuity
- Survivorship Annuity
- Joint and Spouse, Life Only or Survivorship Cash Refund Annuity
- Single Cash Payment
- Life Only Annuity
- 10-year Certain and Life Annuity
- Combined Cash/Annuity

In order to receive your benefit, you must choose how you would like to receive it on applicable forms provided to you by the plan administrator. If you do not make your elections in writing, your benefits will be paid to you based on the Plan's automatic form of payment outlined below.

### Automatic Form of Payment If You Are Married

Unless you make another choice in writing, if you are married, your Plan benefit will be paid as a 50% Joint and Spouse Annuity. An annuity is a periodic payment, providing equal monthly payments for your life, and under certain annuity options, for the lifetime of your beneficiary. Accordingly, the 50% Joint and Spouse Annuity will pay you a monthly payment for as long as you live. If you are survived by a spouse, to whom you were married at the time your benefits began, your spouse will receive a monthly payment for the remainder of his or her life equal to 50% of the monthly amount you were receiving at the time of your death.

You may waive the 50% Joint and Spouse Annuity only if your spouse irrevocably consents in writing to the waiver. Your spouse's signature must be witnessed by a notary public. You may revoke any waiver prior to the time benefit payments begin. **Because your spouse participates in these elections, it is very important to inform the plan administrator immediately of any change in your marital status.**

### Automatic Form of Payment if You Are Unmarried

If you are unmarried, your benefit will be paid as a Life Only 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, and any unpaid balance of employee contributions (as of the date of your death) would be paid to your designated beneficiary in a single cash payment.

### Other Forms of Payment

Whether you are married or not, you may elect any other form of payment offered under the Plan, as described below, subject to certain restrictions.

#### Alternate Annuity Payments

In addition to the automatic annuity options described above, you may choose from these other annuity options:

**Joint and (100%, 75% or 50%) Spouse Annuity** 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.

**Life Only Annuity** provides equal monthly payments for your life and terminates at your death. It is available as another payment option if you are married.

**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 an initial beneficiary (called a contingent annuitant). Your contingent annuitant can also elect a single cash payment if the monthly benefit amount is less than \$50. If both you and your contingent annuitant die before the completion of 120 monthly payments, the balance is paid in a single cash payment to an alternate beneficiary.

**Survivorship Annuity** provides equal monthly payments for your life and then after your death, your contingent annuitant, who is someone other than your spouse, will receive a percentage (100%, 75%, or 50%) of your monthly payments for his or her life.

### **Cash refund option: Joint and Spouse, Life Only or Survivorship**

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.

You are eligible for the cash refund option, unless the single cash payment value of your benefit is \$5,000 or less or your benefits are calculated under the terms of certain predecessor pension plans.

### **Single cash payment**

A single cash payment is a distribution of your vested annuity benefit in one payment. This type of distribution may or may not be a lump sum distribution. A lump sum distribution is defined as a distribution of your entire benefit under all similar plans (e.g., all defined benefits plans) in one year at the time of one of the following four events: termination of employment, death, disability or attainment of age 59 1/2. If you were born in 1936 or before, your distribution may be eligible for special income tax averaging. It is recommended that you seek the advice of a qualified tax professional before making decisions about Plan distributions and to obtain information about the rules for pension and annuity income.

### **Cash/annuity combined payment**

You may request that a portion of your benefit be paid in cash and the remaining balance paid as an annuity. The cash and annuity option is paid in 10% increments. The amount payable as an annuity must have a minimum cash value of \$5,000.

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

When you elect your RS Plan benefit, you can also select the Individual COLA option along with any of the annuity options listed in the *Forms of Payments* section, including those with the cash refund feature.

Combined with one of the existing annuity options, the Individual COLA option provides inflation protection for your RS plan benefit. Individual COLA allows you (and your surviving beneficiary) to receive annual COLA adjustments after receiving your first annuity payment.

If you elect Individual COLA, 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:

- Begin one year after your first payment date and on each payment anniversary thereafter;



- Are equal to the average monthly percentage change in the CPI-U for the one-year period beginning October 1 and ending September 30 of the calendar year preceding each payment anniversary;
- Are capped each year at a maximum of 10%; and
- Are paid for by you, rather than your employer, through a lower starting monthly benefit (as compared to a similar type benefit without inflation protection).

When you are eligible to receive a distribution, you'll be able to elect the Individual COLA option using the distribution option form. Details appear in the section of this SPD titled *Making Your Election*.

## **Making Your Election**

If you are eligible to receive a distribution for any reason, a distribution option form and guide will be sent to you. These documents contain an explanation of the terms and conditions of the Joint and Spouse Annuity and the Life Only Annuity (which are the automatic forms of payment under the Plan) as well as a general description of material features of the optional payment types available under the Plan. It is recommended that you seek the advice of a qualified tax professional before making financial decisions related to distributions. In addition, the NRECA PIRC team is available to discuss payment options. To contact a PIRC representative, please call 866.673.2299 (option 6).

The option form and guide will be sent to you at least 30 days but not more than 90 days (the 30/90 day election period) before payments begin. You may change or revoke your election at any time before payments begin. 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.

When you plan to receive your benefit, it is best to make your election and sign your option forms promptly. If you fail to return your option forms in a timely manner, then the automatic forms of payment or the Plan's survivor benefit may apply, depending on the circumstances. For details, see the sections titled *Death* and *Delaying Your Benefit Payment*.

### **Making elections as a married participant**

You may elect to waive the 50% Joint and Spouse Annuity (with the consent of your spouse) and choose another form of payment during the 30/90 day election period. However, if you wish benefit payments to begin before the end of the 30/90 day election period, 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 the option form.

### **Making elections as an unmarried participant**

You may elect to waive the Life Only Annuity and choose another form of payment during the 30/90 day election period. If you prefer to begin receiving benefit payments sooner than 30 days, you may elect to waive the 30 day period. If you waive the 30 day minimum, payments may begin no sooner than the end of the seven day period beginning the day after you sign the option form.

### **Making elections upon termination and subsequent reemployment**

If your employment is terminated (i.e., you have a distributable event as described in the section titled *Payment Events*), you elect to receive your payment by signing your option form, and you are later reemployed, then you may still be eligible to receive your distribution (whether or not you become a participant in the RS Plan upon reemployment) provided you return your option forms in a timely manner. If you have not elected to receive benefits and the 90-day election

period has elapsed, you must wait until a distributable event at your new co-op before receiving benefits.

### **Cash payment and treatment of employee contributions**

If you made required (after-tax) employee contributions to the Plan, they will be used to provide a portion of your retirement benefit. If you elect a total cash payment, your employee contributions will be returned to you in a separate check.

### **How the Value of Your Benefit Affects Your Payment Choices**

If the present value of your benefit is less than \$1,000 following your termination of employment and no amount has been distributed as an annuity, then your entire benefit will automatically be paid to you as a single cash payment. Your spouse does not need to consent to the single cash payment distribution.

If the present value of your benefit is more than \$1,000 and does not exceed \$5,000 following your termination of employment and no amount has been previously distributed as an annuity, then your entire benefit will be distributed as a single cash payment. If you are married, your spouse does not have to consent to a single cash payment, but you must notify the plan administrator that you want your payment. If you do not notify the plan administrator, thus delaying your benefit payment, then your benefit will not be distributed until a specified time described below.

If the present value of your benefit is greater than \$5,000, then you may elect any form of payment under the Plan with applicable spousal consent if you are married.

In addition, if you (or your beneficiary) are receiving benefits in the form of an annuity and the monthly payments are under \$50, then the annuity recipient may elect to receive a single cash payment for the current value of the remaining annuity payments.

### **Delaying Your Benefit Payment**

As noted above, you generally have the right to delay receiving your termination or retirement benefit. You may do this by indicating your choice on your benefit option form. Alternatively, if you do not sign and return your benefit option form before 90 days have elapsed from the later of either the event date or the request date on the option form, then the form will no longer be valid. You may request a new benefit option form and make an election at any time, except if you are re-employed at another participating co-op. However, the amount of the distribution will be based on your age and current actuarial factors at the time you request payment.

If the value of your benefit is more than \$1,000 and you terminate employment or retire before your NRD, then you may defer receipt of your distribution until any date which is not later than your NRD. If the value of your benefit is more than \$1,000 and you retire on or after your NRD, then you may elect to defer receipt of your distribution until the January 1 following your retirement. Such election must be made on your distribution option forms.

### **Deferring benefits until your NRD**

If you have not begun to receive your distribution by the time you reach your NRD, you will be sent another option form to elect your benefit payment. **If you do not return this option form before 90 days have elapsed from the later of the date you reached your NRD or the request date on the option form, NRECA will begin to pay you the applicable automatic form of benefit.**



In general, if you reach your NRD and do not work at least 40 hours in either a month or during a four or five week payroll period, the Plan will view you as being retired and you will have to begin receiving your Plan benefit.

**For these reasons, if you delay your benefit payment after terminating employment, be sure to maintain a current address with NRECA.**

## **General Tax Information**

If you receive a single cash payment from the RS Plan, the taxable portion of the benefit could be subject to 20% tax withholding if you do not roll over that taxable portion to another qualified plan (such as the NRECA 401(k) Plan) or to an IRA.

If you receive a direct single cash payment from the RS Plan, 20% of the taxable portion of the payment will be withheld for income tax. You may subsequently elect to roll over your payment to a qualified plan or an IRA, but you must complete the rollover within 60 days of the day you received the payment. When you receive a direct single cash payment, you will receive only 80% of your total distribution. If you would like to roll over an amount equal to 100% of your benefit, you may add money from other sources (e.g., savings) to your distribution to make up the 20% that was withheld.

The 20% tax withholding does not apply to a direct rollover. A distribution of a single cash payment may be made directly from the RS Plan to an IRA or to another qualified plan (a direct rollover). A full 100% of your single cash payment, including any after-tax employee contributions (if applicable) will be transferred to your IRA or the plan of your new employer.

Eligible rollover distributions may contain both the taxable and non-taxable (after-tax employee contributions) portions of your payment. Distributions from the RS Plan that are eligible rollover distributions (and are affected by the 20% tax withholding) are:

- Direct single cash payments to the participant (this includes cash payments of your entire benefit, and the cash portion of the combined cash/annuity option).
- Direct single cash payments to a beneficiary or to an alternate payee under a QDRO.

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

- Any payment in a series of substantially equal periodic payments made over the life expectancy of the participant or the joint life expectancies of the participant and beneficiary. This includes all of the RS Plan annuity distribution options, including the Spouse Annuity, if a married participant dies before beginning to receive benefits.
- Any payment in a series of substantially equal periodic payments over a period of ten years or more. This includes the automatic form of distribution to the beneficiary of an unmarried participant who dies before beginning to receive benefits.

If you are under age 59 1/2, then your payment may be subject to income tax and to an additional 10% penalty tax on the taxable portion of your distribution(s), unless an exception to the 10% tax penalty applies.

### **The 10% tax penalty and annuities**

In general, 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. This exception applies only if your payment is the result of your retirement in or after the year you turn age 55. It does not apply if your payment is the result of quasi-retirement and you are under age 59 1/2, even if you are over age 55.

## 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 from the date of the distribution through the date of the request or repayment if later) 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, or where no offset against an ongoing annuity is otherwise possible, the recipient may repay the excess he or she received. If the Plan does not receive repayment, the plan administrator may take affirmative steps to collect the overpayment, plus interest, through any means at its disposal, up to and including reversal of rollovers, collections activity, or legal action, in which case the Plan will 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:

Retirement Security 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 haven't received or you believe the amount of the 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, as measured from the earlier of the date that you knew (or had reason to know) that:

- 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 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, you will receive written notice 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 following information:

- 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 and an explanation of why such material or information is necessary; and
- A description of what steps are necessary to submit your claim for review.

If you are not notified of a 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 procedure described in the section titled *Claim Review (Appeal)*.

## **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. The request for review must be in writing. The procedure is:

- 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 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 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 pertinent documents (including claims records) that the plan administrator used to make the initial decision.
- Your claim for review 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 in writing and will set forth 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, 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 Benefit 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 a copy.

You are entitled to receive an annual funding notice. The plan administrator is required by law to furnish each participant with a copy of this annual funding notice.

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

### 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 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 RS Plan. This section discusses the rights and responsibilities of your employer if the board of directors elects to either amend or terminate its participation in the RS 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 or their beneficiaries. No amendment will cause any reduction in your vested accrued benefit or cause Plan assets to be returned to your employer.

Your employer may either withdraw from participation in the RS Plan or continue to operate the Plan, but without further benefit accruals. In order to distribute benefits after Plan withdrawal, your employer must formally terminate their plan using a special process that follows rules described in IRS and PBGC regulations. If the Plan is continued, your benefit will be payable to you when you retire or terminate your employment, or when another distributable event occurs. Your employer will provide further information and instructions in the event of a Plan termination.