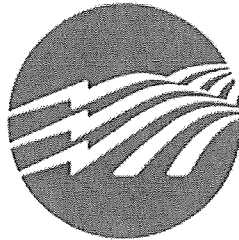


SUMMARY PLAN DESCRIPTION
of the
RETIREMENT SECURITY PLAN
as adopted by

CLAY ELECTRIC COOPERATIVE, INC.

14-048-001



A Touchstone Energy[®] Cooperative 

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

Edition Date: 08/2013

Introduction

This document is a Summary Plan Description (SPD) of the Retirement Security Plan (the “RS Plan” or “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 very 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 entitled *Administrative Overview 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, you should contact your local benefits administrator (BA) or the plan administrator. The plan administrator's name and address can be found in the section entitled *Administrative Overview and Contact Information*.

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ADMINISTRATIVE OVERVIEW AND CONTACT INFORMATION

Benefits Administrator

Your co-op's benefits administrator (BA) is the person who has on-site plan administrator responsibilities for your employer. Your BA should be your primary point of contact for any questions concerning the operation and administration of the RS Plan. However, always seek the advice of a qualified tax or financial professional before making financial decisions related to the RS Plan, particularly regarding distributions.

The BA of your RS Plan is:

Benefits Administrator
CLAY ELECTRIC COOPERATIVE, INC.
P.O. BOX 517,
FLORA, IL 62839

Employer Identification Number: 37-0219624

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
4301 Wilson Boulevard
Arlington, VA 22203-1860

Employer Identification Number: 53-0116145

Plan Administrator

The plan administrator is the person 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.

The plan administrator of the RS Plan is:

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

Employer Identification Number: 54-2072724

Plan Trustee

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

The plan trustee of the RS Plan is:

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

Insurance & Financial Services Committee

General administrative responsibilities for the Plan are handled by the I&FS Committee, as established by the president of NRECA. The I&FS Committee is made up of at least five but not more than 10 individuals. These committee members review questions about the Plan. Committee members vote on the questions brought before them and the majority rules.

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 by law.

PBGC insurance is provided in situations where a plan is terminated by the sponsoring employer, there are not sufficient assets to pay the benefits that have been accrued by the employees who participated in that employer's plan, or the sponsoring employer is in bankruptcy or not financially able to fund the benefit using plan assets. Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on 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
Phone: 1.202.326.4000

Additional information is available through PBGC's website at www.pbgc.gov.

OVERVIEW AND GENERAL PLAN INFORMATION

Your employer, in cooperation with the National Rural Electric Cooperative Association (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 and is qualified under all applicable sections of the Internal Revenue Code of 1986 and Treasury Regulations. The RS Plan 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 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 will pay for a pension benefit that will be paid to you or your beneficiary upon retirement, termination or death.

Your Plan is tax qualified, which means that the benefits are not taxable to you when they are earned and credited to you and 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 entitled *Administrative Overview and Contact Information* for more details).

OUTLINE OF YOUR PLAN BENEFITS

Effective date of Plan	01/01/1966
Plan amendment	07/01/2012
Employer Identification Number	37-0219624
Plan number	001
Plan type	Defined benefit pension plan
Eligible class of employees	All employees
Excluded class of employees	None
Eligibility waiting period	1 month (first of the month on or after)
Normal retirement age	Age 62
Benefits accrue until actual retirement date	Yes
Current benefit formula	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.
Transfers from other NRECA Cooperatives	None
Compensation used for benefit formula	Base salary
Employee required contributions	0%
Death benefit type	100%

ELIGIBILITY AND PARTICIPATION

This section contains general information on how to qualify to participate 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:

All employees of your employer who have met the age and service requirements

If you are not in the eligible class of employees listed above, please see your BA.

Excluded class of employees

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

Service/Age 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 after you meet the minimum service requirements. The eligibility requirements are based on either hours of service or a year of eligibility service (also 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 after 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.

1,000 Hour Rule

Under the 1,000 hour rule, eligibility service is calculated during a computation period defined as either:

- The first twelve (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.

For example, if you began work on May 10, 2012, and on May 9, 2013 you have not performed at least 1,000 hours of service, the measurement year changes to the calendar year

from January 1, 2013 to December 31, 2013. If you perform at least 1,000 hours of service during 2013, you will have one year of eligibility service on December 31, 2013 and will be eligible to participate in the Plan on January 1, 2014.

Your Plan's Requirements

You will meet the minimum service requirements on the first day of the month coincident with or after you have performed at least 84 hours of service in one full calendar month.

For example, if you were hired on May 10, 2013 and performed at least 84 hours of service during the period June 1, 2013 through June 30, 2013, you would be eligible to participate in the Plan on July 1, 2013.

On the other hand, you may be eligible to participate in the Plan if you meet the 1,000 hour requirement. The 1,000 hour requirement applies only if (i) you do not perform at least 84 hours of service in at least one full calendar month, and (ii) you do perform at least 1,000 hours of service in the 12-month period beginning on the date you perform your first hour of service or in a subsequent calendar year.

For example, if you were hired on May 10, 2013 and you did not perform 84 hours of service in any calendar month, but performed 1,000 hours of service by May 9, 2014, you would be eligible to participate in the Plan on June 1, 2014.

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, you will become a participant either on the day you are rehired or when you begin making employee contributions, if applicable.

Example under a one-year eligibility period with an original hire date of May 10, 2013: You work 1,000 hours by November 15, 2013 and become a participant in the Plan on June 1, 2014. If you terminate your employment on April 3, 2015 and then you are rehired on July 3, 2015, you would become a participant in the Plan on July 3, 2015.

For previously non-participating employees:

If you satisfy your initial eligibility requirements, but did not become a participant in the Plan, terminate employment and are later rehired, you will become a participant on the first day of the month following the date you are rehired.

Example under a one-year eligibility period with an original hire date of May 10, 2013: You work 1,000 hours by November 15, 2013 and you terminate your employment on December 18, 2013 (without ever becoming a participant in the Plan). If you are rehired on July 3, 2013, you would become a participant in the Plan on August 1, 2014.

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
- 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 Internal Revenue Code of 1986 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 you later become part of a class of eligible employees, your employment while you were a member of the excluded group of employees counts toward meeting 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 for participation 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.

Break-in-service

If, during your initial eligibility period, there is a calendar year in which you are credited with less than 501 hours of service, you will be deemed to have incurred a break-in-service. If you again perform service for a participating employer, the day you begin working will be treated as the first day of a new eligibility computation period. Any service you had prior to the year in which you were credited with less than 501 hours of service will be disregarded for purposes of meeting the service requirement for eligibility.

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

VESTING AND BENEFIT SERVICE

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

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 previous section entitled *Eligibility and Participation* for more details on an hour of service).

You will be credited with a year of vesting service for the Plan in any calendar year that you work at least one hour, 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 the RS Plan benefit based on the following schedule:

Years of Vesting Service	Vested Percent
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 as follows:

Years of Vesting Service	Vested Percent	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, you will be 100% vested in the Plan, even if you do not have five or more years of service.

You will **not** be 100% vested at age 55 or older as a result of any of the following:

- 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
- You become part of an excluded class of employees prior to age 55 and you never resume participation

Vesting and your Normal Retirement Date

If you are employed by a participating employer on your Normal Retirement Date (whether or not you are participating in the Plan), 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 your 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 a member employer
- 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).
- 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 Internal Revenue Code of 1986 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 service is credited 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 a class of eligible employees, your employment while you were a member of the excluded group of employees 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 of benefit service as long as you earn an hour of service during that month.
- If you retire on or after your Normal Retirement Date 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.
- If your employer elects a “buyback,” (see the section entitled *How are My Benefits Calculated?* for more details on buybacks) additional years of benefit service may be credited towards your benefit. 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), 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 entitled *Leaves of Absence* for details).
- If you are employed by two different participating employers, you may earn benefit service under both employer 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, benefit service is credited for part-time employees in the same manner as service is credited for 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, your plan administrator is responsible for determining 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 vesting schedule and the schedule for a top heavy plan. If the Plan were to be a top heavy plan for any year, you would be vested in the greater percentage of 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 entitled *Vesting Schedule* for more details.

Regular Vesting Schedule	
Years of Vesting Service	Vested Percentage
1	10%
2	20%
3	30%
4	40%
5 or more years of service	100%

Top Heavy Vesting Schedule	
Years of Vesting Service	Vested Percentage
1	10%
2	20%
3	100%

HOW ARE MY BENEFITS CALCULATED?

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 using your years of benefit service and your final average effective salary. However, various other factors can affect your benefit. For example, you may have worked for other employers who 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/or future benefits could be affected by any amendments; however, no amendment can reduce your benefit 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

Before we explain the benefit formula itself, some definitions and concepts you should know are outlined here:

- **Required employee contributions**

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

- **Effective salary**

Your compensation, or salary, refers to what you earn as an employee of CLAY ELECTRIC COOPERATIVE, INC.. Salary includes amounts that are actually paid to you, except where certain deferred or non-taxable compensation are included as your salary for purposes of the RS Plan (as required by the 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 Internal Revenue Code of 1986; 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; moving expenses; a retainer or fee under a contract; pension, deferred compensation or retirement allowances; or 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 15th of the year prior to the year benefits are determined.

Note: For 2013, compensation in excess of \$255,000 may not be used to calculate benefits under Federal regulations. (The IRS adjusts this figure from time to time to reflect changes in the cost of living).

- **Final average effective salary**

Your final average effective salary is 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.

- **Benefit rate**

Your benefit rate (also called your benefit level) is a percentage (specified by your employer) of your final average effective salary. 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 final average effective salary. More than one benefit rate may be used to calculate your benefit. For example, if your employer changed the rate over the years or to incorporate the rate used by another employer that you worked for in the past who participates in the Plan. The rate shown above is the current rate for current benefit determinations as of the date that this SPD was published (the date at the bottom of this page). There are some examples provided later in this section to demonstrate how the calculation can vary depending on certain situations.

- **Cost of living adjustment (COLA)**

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

- **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:

1. Improving the Normal Retirement Date
2. Incorporating a cost of living adjustment
3. Changing from base salary to full salary (or vice versa)
4. A buyback.

- **Buyback**

A "buyback" is a type of amendment to implement the following changes: (1) a new benefit level or new tiered benefit levels is/are applied to some or all benefit service before the effective date of the amendment, (2) additional benefit service is granted for periods of employment before the effective date of the amendment, or (3) both. Please note that your employer is not obligated to execute a plan amendment; it is a business decision made by your co-op's board of directors. There are several rules that affect the years of service eligible to benefit from this 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 Normal Retirement Date.
- 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 *Leave 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.
- 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.

- **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.

Example of Accrued Benefit Calculation

It is important to note that the explanations and examples shown in this section 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.

Here is an accrued benefit calculation for a hypothetical employee who works for an employer that has base salary as its definition of compensation:

Date of Hire:	12/18/2002
Date of Participation:	01/01/2004
Date of Termination:	12/31/2012
Co-op Plan Salary Type:	base salary
2004 base salary:	\$35,000 *
2005 base salary:	\$40,000 *
2006 base salary:	\$40,000 *
2007 base salary:	\$40,000
2008 base salary:	\$40,000
2009 base salary:	\$42,000
2010 base salary:	\$43,000
2011 base salary:	\$38,000 *
2012 base salary:	\$45,000

* These salaries are not used in the final average effective salary (FAE) calculation because they are either not one of the five highest salaries or were surplus of the five needed for the calculation.

12/31/12 FAE: $\$210,000/5 = \$42,000$ (average of 2012, 2010, 2009, 2008, and 2007 salaries)

The employer has adopted the following pension plan provisions:

Adoption agreement effective prior to 01/01/2007:

Benefit level: 1.0%
Normal Retirement Age: 65
COLA: none

Adoption agreement effective 01/01/2007:

Benefit level: 1.7% (future service only)
Normal Retirement Age: 62
COLA: none

Adoption agreement effective 01/01/2011:

Benefit level: 1.5% (past service, participation only)
Normal Retirement Age: 62
COLA: applies

The calculations are as follows. They are based on a 50% Joint and Spouse Annuity and assume the participant retires at age 62:

If the Adoption Agreement effective 01/01/2011 **was not** implemented, the participant would have received the following accrued benefit:

01/01/04 - 12/31/06: $\$42,000 \times 1.0\% \times 3$ (years) = \$1,260, payable at age 62, no COLA

01/01/07 - 12/31/10 $\$42,000 \times 1.7\% \times 4$ (years) = \$2,856, payable at age 62, no COLA

01/01/11 - 12/31/12 $\$42,000 \times 1.7\% \times 2$ (years) = \$1,428, payable at age 62, no COLA

*Total accrued benefit payable annually as of 12/31/10: **\$5,544**, payable at age 62, no COLA*

Since a buyback **was** implemented, the participant in this example would actually receive the following accrued benefit:

01/01/04 - 12/31/10: $\$42,000 \times 1.5\% \times 7$ (years) = \$4,410, payable at age 62, with COLA (*Equals greater benefit*)

01/01/11 - 12/31/12 $\$42,000 \times 1.5\% \times 2$ (years) = \$1,260, payable at age 62, with COLA

*Total accrued benefit payable annually as of 12/31/2012: **\$5,670**, payable at age 62, with COLA*

Annual Benefit Statement

Each year you are a participant in the RS Plan, you will receive a statement of your benefits. The statement will be as of January 1 and the benefit is based on your years of benefit service, your final average effective salary 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 Normal Retirement Date 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

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 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, your final benefit will be the sum of the benefits you earned under the plan of the 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 will count toward the vesting service that determines your final benefit. See the section entitled Vesting Service in this document for details about this Plan's vesting rules.

Reemployment When You Did Receive 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 Normal Retirement Date). If you repay your benefit, 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 final average effective salary 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), you may be able to use those funds for your repayment. Or, you may use another source of funds. *Always seek the advice of a qualified tax professional before about IRA or 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 final average effective salary.
- If you were reemployed **more than 18 months** after your prior termination of employment and were **fully vested**, your prior benefit will be reinstated upon repayment, but your final average effective salary 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 final average effective salary 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.
- If you were reemployed **more than 18 months** after your prior termination and were **partially vested**, your final retirement benefit will be calculated based on your cumulative benefit service (under both the former employer(s) plan and this Plan) and your final average effective salary. See the section entitled *Vesting Service* in this document for details about this Plan’s vesting rules.

Additional Information

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

LEAVES OF ABSENCE

This section contains general information on compensated and non-compensated 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 up to active duty, including active duty for training, full-time National Guard duty and inactive training. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) gives individuals who must perform military service certain reemployment and benefit rights as outlined below. For more detailed information on plan participation during and after a period of military leave, see your BA 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 by 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 days through 180 days, you have to submit an application for reemployment (written or oral) no later than 14 days after completing your service.

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

Benefits

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 periods of time that 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 time, 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 will need to 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; and
- 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
- You elect early retirement
- You return to work
- Your employer terminates your employment
- Your death
- 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), 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 during the first 26 weeks of your disability, your employer amends the RS Plan, the amendment may or may not affect your benefit. Regardless of the nature of the amendment, your benefit accruals will continue during the time you are disabled (and their cost will be waived).

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 refers to a one-time election option under this Plan that permits you to receive your benefit at any time after you have reached your Normal Retirement Date. For more details on quasi-retirement, please see the section entitled *Payment Events*.

If you are under 59 ½ 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 Individual Retirement Account (IRA). However, if you begin to withdraw the funds derived from this rollover, your disability income benefits may still be reduced.

PAYMENT EVENTS

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 Normal Retirement Date, there are certain other circumstances where you are permitted to receive a distribution from the Plan. For example, if you terminate your employment, retire earlier or later than your Normal Retirement Date, quasi-retire or in the event 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) exists that requires that part of your benefit be paid to an alternate payee (usually the participant's ex-spouse).

This section is dedicated to payment events. For a detailed discussion of the various forms of payment you may choose for your benefit, you should carefully review the section entitled *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 entitled *Vesting* for more information). Only your accrued benefit derived from employer contributions is subject to forfeiture.

You may start receiving your vested benefit as soon as your employment terminates or you may delay receiving your benefit until a later date (but generally not later than your Normal Retirement Date). See the section entitled *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 Normal Retirement Date to your annuity start date based on your age at the time your payments begin.

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 Normal Retirement Date. 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 Normal Retirement Date.

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

- 1/15 for each of the five years immediately preceding your Normal Retirement Date,
- 1/30 for each additional year by which your benefit start date precedes your Normal Retirement Date; 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

Quasi-retirement refers to a one-time election option under this Plan that permits you to receive your benefit at any time after you have reached your Normal Retirement Date, even if you continue to work for an employer that participates in the Plan.

In addition to the quasi-retirement option described above, if you are still employed as of the first day of the month coinciding with or following the day you reach age 70½, you may elect to quasi-retire a second time.

Your quasi-retirement benefit will be calculated based on the date you select (it must be on or after your Normal Retirement Date) 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 entitled *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

You may retire on any day coinciding with or following the date you attain the Normal Retirement Age as elected by your employer. The Normal Retirement Age as specified in your Plan is the date you reach age 62.

Under the terms of this Plan, you are entitled to receive normal retirement benefits if you retire (i.e., stop working) at your Normal Retirement Date. You can also choose to continue to work after your Normal Retirement Date and receive delayed retirement benefits from this Plan. However, in general if you have reached your Normal Retirement Date 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 retired.

In general, the value of your normal retirement benefit is greater on your actual Normal Retirement Date than at a later date. Before you decide to delay your retirement, 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, there will be 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. The interest rate for the year is determined as of January 1. 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 5, then 2) to assist you with information about your retirement alternatives. In addition, we recommend that you always seek the advice of a qualified tax professional before making a decision regarding your distribution.

Death

Standard death benefit under the Plan

In the event of your death, your beneficiary will receive a 100% death benefit, which is equal to the lump sum payment you would have received had you terminated on the day of your death. Alternatively, your beneficiary may elect to receive a monthly annuity that is equivalent to the lump sum value of your benefit. See the section entitled *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, 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, your surviving spouse may elect to receive the single cash payment you would have received if you had separated from service on the date of your death. In lieu of this single cash payment, your spouse may elect to receive a life only annuity or a life-only cash refund annuity. See the section entitled *Other Forms of Payment* under the *Forms of Distribution* section of this document for more information on these options.

Your spouse may elect to begin payments sooner than your Normal Retirement Date, but the payments will be subject to actuarial reductions. Looking backwards from your Normal Retirement Date 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 Normal Retirement Date
- 1/30 for each of the next five years, or until your 55th birthday
- 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 by which 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 under the Standard Death Benefit section above, and will be determined 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 forms. See the section entitled *Forms of Distribution* for more information.

If you are not married at the time of your death and you have not started to receive your Plan benefit at the time of your death, your beneficiary can elect to receive a single cash payment equal to what you would have received if you had separated from service on the date of your death. In lieu of this single cash payment, your beneficiary can elect to receive a life only annuity or a life only cash refund annuity.

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 who will receive a payment from the Plan if you die before you begin to receive your benefit. Unless you marry (or remarry), your beneficiary will not change until you designate a new beneficiary.

If you are married (or remarry), Federal law requires that your spouse automatically becomes the beneficiary of your pension benefit under the Plan. This is true even if you had previously designated someone else as beneficiary. 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.

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

- Your spouse (mandatory for a married participant)
- Your children
- Your parents
- Your brothers and/or sisters
- The executors or administrators of the last surviving participant or contingent annuitant

The Plan will make a payment, upon your death, to the person named as beneficiary on the latest beneficiary designation made on the forms or in the manner approved by the I&FS Committee.

In the event you divorce, you should update your beneficiary information as soon as possible after the divorce. Until you update this information or remarry, the person previously designated (usually your ex-spouse) will remain your beneficiary.

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, you must do so through guardianship or conservatorship, as required by your state law. You should confirm your state law requirements before you designate a minor as your beneficiary.

We suggest you review your beneficiary election annually during your co-op's annual enrollment to ensure it reflects your most current designation.

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 Qualified Domestic Relations Order (QDRO) and the plan administrator will be obligated by law to comply with its terms.

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

- Name, address, date of birth, and social security number of both the participant and 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
- Timing of the payment

A QDRO cannot require a type or form of benefit that the RS Plan otherwise does not 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 & 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. You, your attorney, or your spouse's attorney may contact your BA or NRECA for the QDRO procedures and sample QDRO documents.

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. The only exception to this rule is if the Internal Revenue Service places a levy on your retirement benefit.

FORMS OF DISTRIBUTION

Benefits from the Plan become payable several ways. This section will assist you in understanding the various forms of payment available under the Plan.

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

If it becomes necessary to execute a Power of Attorney for retirement plan payment purposes, please be advised state law governs a Power of Attorney. Most states have a "checklist" document for this purpose. The checklist often allows you to give your Power of Attorney authority over retirement benefits. You should reference your retirement plan benefits if it is otherwise not part of the state-provided language. 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 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. *Since your spouse participates in these elections, it is very important you inform the plan administrator immediately of any change in your marital status.*

Automatic Form of Payment if you are Not Married

Unless you make another choice in writing, if you are not married, your benefit will be paid as a Life Only Annuity. This annuity provides a monthly payment to you for as long as you live. All payments stop when you die.

Other Forms of Payment

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

Alternate Annuity Payments

In addition to the automatic annuity options described above, there are other annuity options available for you to choose from:

A 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.

A 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.

A 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.

A 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, 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 and/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 59½. If you were born on or before 1936, your distribution may be eligible for special income tax averaging. Consult Internal Revenue Service Publication 575 for the rules and always seek the advice of a qualified tax professional before making financial decisions related to distributions.

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.

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, the Life Only Annuity and a general description of material features of the optional payment types available under the Plan. You should always seek the advice of a qualified tax professional before making financial decisions related to distributions. In addition, the NRECA Personal Investment & Retirement Consulting (PIRC) team is available to discuss payment options. To contact a PIRC representative, please call 866.673.2299 (option 5, then 2).

The distribution option form and guide will be sent to you not less than 30 days, and 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 should die without having made your election and signed the option forms, your beneficiary will only be eligible to receive the survivor portion of the automatic benefit under the Plan.

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. You may change or revoke your election at any time before payments begin.

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. However, if you wish benefit payments to begin 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. You may change or revoke your election at any time before payments begin.

Making elections upon termination of employment/reemployment

If you terminate your employment, elect to receive your payment (i.e., you signed your distribution option forms) and are reemployed within 90 days from the date you left your prior employment, you may still choose to receive your distribution. You are permitted to receive the distribution whether or not you become a participant in the RS Plan once you are reemployed. After the 90 day election period has elapsed, if you have not elected to receive a payment, 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, 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, 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, your benefit will not be distributed until a specified time described below.

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

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, it will no longer be a valid form. 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 Normal Retirement Age, you may defer receipt of your distribution until any date which is not later than your Normal Retirement Date. If the value of your benefit is more than \$1,000, and you retire on or after your Normal Retirement Date, you may defer receipt of your distribution until the January 1 following your retirement.

If you have not begun to receive your distribution by the time you reach your Normal Retirement Date, 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 either the date you reached your Normal Retirement Date 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 Normal Retirement Date and do not work at least 40 hours 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.

Note: If you delay your benefit payment, you must 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 the taxable portion of the benefit to another qualified plan (such as the NRECA 401(k) Pension Plan) or an Individual Retirement Account (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 (that you have from other sources, e.g. savings) to your distribution to make up the 20% that was withheld.

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. The 20% tax withholding does not apply.

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 Qualified Domestic Relations Order (QDRO).

Distributions which 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 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 59½, 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. However, this exception only applies 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 ½, even if you are over age 55.

Overpayments

An overpayment is made when you, your contingent annuitant, your beneficiary or an alternate payee is paid more than you or he or she is 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 is returned. This could occur by 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

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.

Claim Determination

The plan administrator will, in most circumstances, provide a decision about your claim within 90 days of receipt. If circumstances require an extension, written notice will be given to you prior to the expiration of the initial 90 day period, along with (1) an explanation of the reason(s) for the extension and (2) 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
- A description of what steps are necessary to submit your claim for review

If you are not notified of a claim denial as discussed above, the claim will be deemed denied on the 90th day after receipt. The plan administrator determines whether a claim has been submitted or received and, if so, the date on which it was sent or received.

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

Claim Review (Appeal)

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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

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 \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or

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

Assistance With Your Questions

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

AMENDMENT AND TERMINATION OF YOUR PLAN

This section discusses the rights and responsibilities of your employer if the Board of Directors elects to amend or terminate your Plan.

Your employer has the right to amend or terminate its participation in this Plan at any time.

If the Plan is amended, no amendment will permit any part of the Plan assets to be used for any purpose other than to provide benefits for participants or their beneficiaries. No amendment will cause any reduction in your vested accrued benefit or cause Plan assets to be returned to your employer.

If the Plan is terminated by your employer, your employer may make distributions to you in any manner allowed by the Plan or your employer may continue to operate the plan and trust, however with no further benefit accruals. If the trust is continued, your benefit will be payable to you when you retire or terminate your employment, or when another distribution event occurs. Look for further information and instructions from your employer if a Plan termination occurs.