

SUMMARY PLAN DESCRIPTION
of the
RETIREMENT & SECURITY PROGRAM
as adopted by
CHUGACH ELECTRIC ASSOCIATION, INC.

02-009-001



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

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TABLE OF CONTENTS

INTRODUCTION	1
SUMMARY OF YOUR PLAN BENEFITS	2
GENERAL PLAN INFORMATION	3
What is the name of my plan?	3
What kind of plan is this?	3
What is the plan year?	3
Who is the Plan Administrator?	3
Who is the plan's Trustee?	4
Who is the person responsible for receiving legal documents?	4
Who is the plan's sponsor?	4
ELIGIBILITY AND PARTICIPATION IN THE PLAN	5
Who is eligible to become a participant in the Program?	5
Are employees required to make contributions to the plan in order to receive benefits?	5
Does my employer exclude any employees in certain job classifications from participation in the Program?	5
What is the minimum service requirement for participation in this plan?	5
How is a year of eligibility service determined if I do not work at least 1,000 hours in my first twelve months of employment?	5
Does my year of eligibility service begin over if I terminate employment and am rehired?	6
What is an hour of service for purposes of determining eligibility service and vesting service?	6
What happens if I complete 1,000 hours, but my employment is terminated before the end of my eligibility computation period, and I am rehired after the start of the subsequent year?	6
Does service with other related employers count for eligibility service in this plan?	6
If I move from one participating employer to another participating employer do I lose credit for service I completed at the first employer?	7
If I am in an excluded class of employees, but later move to a class of employees that is not excluded from participation in the plan, when will I begin participation in the Program?	7
VESTING AND BENEFIT SERVICE	8
What does the term "vested" mean?	8
What is a year of vesting service?	8
What is the vesting schedule?	8
One Year of Service	8
What is a year of benefit service?	9
If I have service with a different rural electric employer, will that service count with my current employer?	9
How is service credited for part-time employees?	10
RETIREMENT, QUASI-RETIREMENT, DISABILITY, DEATH AND TERMINATION OF EMPLOYMENT BENEFITS	11
When may I retire?	11
How are my retirement benefits calculated?	11
How is the benefit rate applied to determine my retirement benefit?	14
Under what conditions will I receive benefit service credit for the time I worked for a different employer?	15
How is my benefit determined if I terminate employment and receive, or begin to receive, my retirement benefit from a System and then I am subsequently reemployed by the same or another Participating System?	15

If I received a distribution from a prior period of employment with a rural electric employer that participated in the Retirement & Security Program, how is my benefit affected if I decide not to repay that distribution?	16
If I received my entire benefit in a total cash payment and am subsequently reemployed by a Participating System, how will my benefit be calculated if I repay my distribution?	16
How will my final effective salary affect my benefit if I transfer from a System that maintains the R&S Program to another System that maintains the R&S Program?	16
What effect will a change in the Definition of Salary, Normal Retirement Date or to COLA have on my benefits?	17
If I am employed by two participating employers, may I earn benefit service under each employer's plan?	17
If I declined to make required employee contributions in the past, may I choose to begin making them now?	17
What is a buy back?	17
If I elect to defer receipt of my benefit upon termination of employment, may I later make a request for a distribution?	17
Does the Program have an early retirement option?	18
What is the early retirement date under the 30 year plan?	18
What is quasi-retirement?	18
May I receive a distribution of my benefits at age 70 ½?	18
If I am still employed at my cooperative at age 70 ½, do I have to take a minimum distribution?	18
Will I continue to earn benefit credits after I quasi-retire?	19
Does the plan contain a cost of living adjustment?	20
May I delay my retirement?	20
If I delay my retirement, is there any effect on the single sum distribution I may receive?	20
Does this plan provide any benefits in the event of my disability?	21
What is the definition of disability?	22
May my employer terminate my employment if I become disabled?	22
If I am not actively at work due to a disability, and the plan is amended, will that amendment affect my benefit?	22
What happens if the plan is amended to reduce benefits while I am not actively at work?	22
How is my compensation averaged in the event of my disability?	23
When does my active employment cease?	23
When I return to work from a disability, when will I be eligible to participate in the Program again?	23
May I quasi-retire and transfer my Retirement & Security Program benefits to the SelectRE Pension Plan once I have reached my normal retirement date?	23
If I am incapacitated, what is the procedure for granting power-of-attorney to my designated agent?	23
What will I receive if I terminate employment?	24
If I am married, will the Program provide a benefit if I should die before I retire?	24
If I am not married, what will my beneficiary receive if I die before reaching my normal retirement age?	25
How are benefits paid if my spouse and I die simultaneously, or within a few days of each other, but before I reach my normal retirement date?	25
How are benefits paid if my spouse and I die simultaneously, or within a few days of each other, after I have retired or terminated but prior to receiving benefits?	25
What benefit will my beneficiary receive if I die after submitting my retirement forms, but before my normal retirement date?	25

What benefit will my beneficiary receive if I die after my normal retirement date, but before I have submitted my retirement forms indicating how I want my benefits paid?	25
If I am married, may I name someone other than my spouse as my beneficiary?	25
Who will receive my benefit if I have not named a beneficiary?	26
DISTRIBUTION INFORMATION	27
What events may cause me to receive my benefits from the plan?	27
What events may cause my beneficiaries to receive benefits from the plan?	27
How will I receive my retirement benefit?	27
What is an annuity?	27
What is a single sum or single cash payment?	28
How are benefits paid if I am married?	28
How will benefits be paid if I am not married?	28
How can I determine which is the best payment option for me?	28
May I change my payment option once I have begun receiving my benefits?	28
How soon after I retire will I receive my benefit?	28
Who will receive my benefits if I should die before I retire?	28
What are the normal forms of benefit?	29
May I waive the normal forms of payment?	29
What is the latest date my benefit may be paid to me?	30
What is the 30/90 day rule?	30
What happens if I do not return my benefit option form, my instructions as to how I want to receive my benefits, within 90 days?	30
How do I withdraw my required employee contributions?	30
What is a rollover?	30
What is an eligible rollover distribution?	31
What is not an eligible rollover distribution?	31
TOP HEAVY PLANS	32
What is a top heavy plan?	32
What effect will a top heavy plan have on my vesting?	32
Are there other nondiscrimination tests that might affect my benefits?	32
MISCELLANEOUS QUESTIONS	33
Is this plan covered by the Pension Benefit Guaranty Corporation plan termination insurance?	33
Has enough money been contributed to this plan to keep it funded in accordance with the minimum funding standards of the Internal Revenue Code?	33
May I use the benefit I have accrued as collateral for a personal loan, such as a loan for a home or a car?	33
What is a Qualified Domestic Relations Order (QDRO)?	33
Is there a limit on the amount of benefit I can receive from this plan if I also am a participant in the SelectRE Pension Plan?	33
What is “uniformed service”?	34
What rights do I have to make up contributions if I have a period of uniformed service?	34
What information should I have regarding my uniformed service when I return to work?	34
PROCEDURE FOR CLAIMING BENEFITS	35
What do I do if I think there is an error in my benefit calculation?	35
If I have been denied benefits from the plan, is there a review procedure?	35
STATEMENT OF ERISA RIGHTS	37
AMENDMENT AND TERMINATION OF YOUR PLAN	38

GLOSSARY39

INTRODUCTION

Your employer, in cooperation with the National Rural Electric Cooperative Association, has established a retirement plan, qualified under all applicable sections of the Internal Revenue Code of 1986 and Treasury Regulations, for the benefit of its employees and their beneficiaries. Your plan is tax qualified, which means that the benefits are not taxable to you when they are earned and credited to you and may be eligible for special tax treatment when distributed to you. Your employer will make contributions to the Program in the amount required to fund your benefits. Those contributions will pay for a benefit which will be paid to you when you retire, terminate your employment, or die. You will be liable for income tax when the benefit is distributed to you.

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

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

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

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

SUMMARY OF YOUR PLAN BENEFITS

Effective date of plan	January 1, 1954
Plan amendment	January 1, 1998
Employer Identification Number	92-0014224
Plan number	001
Plan type	Defined benefit pension plan
Eligible class of employees	Non-union employees
Eligibility waiting period	1 year
Normal retirement date	Age 62/30 years of Benefit Service
Current benefit formula	2.0% of a participant's final average effective salary, times years of benefit service from the amendment date of January 1, 1998.
Compensation used for benefit formula	Base salary

GENERAL PLAN INFORMATION

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

What is the name of my plan?

The name of your plan is the Retirement & Security Program.

What kind of plan is this?

This plan is a defined benefit pension plan. Contributions are made to the plan in an amount sufficient to fund the benefits of all eligible employees. The trust fund holds all contributions. Trust fund investment gains or losses do not affect the amount of benefits you will receive when you retire. It is the responsibility of your employer to contribute enough to assure that there is enough money in the fund to pay all promised benefits.

What is the plan year?

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

Who is the Plan Administrator?

The Plan Administrator for your plan is:

Director
Retirement, Safety and Insurance Department
National Rural Electric Cooperative Association
4301 Wilson Boulevard
Arlington, Virginia 22203

Employer Identification Number: 53-0116145

In addition to the Director of the Retirement, Safety and Insurance Department, the individual identified below is the person who has Plan Administrator responsibilities for your employer.

Helen Blanchard, Benefits Administrator
Chugach Electric Association, Inc.
P.O. Box 196300
Anchorage, AK 99519

Employer Identification Number: 92-0014224

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

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

Who is the plan's Trustee?

The name of the Trustee is:

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

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

Who is the person responsible for receiving legal documents?

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

Director
Retirement, Safety and Insurance Department
National Rural Electric Cooperative Association
4301 Wilson Boulevard
Arlington, Virginia 22203

Who is the plan's sponsor?

The sponsor is your employer.

ELIGIBILITY AND PARTICIPATION IN THE PLAN

This section explains how you will qualify for participation in this Program and when you will begin earning benefits.

Who is eligible to become a participant in the Program?

The employees who are eligible to participate in this Program are:

Employees of your employer who are not covered by a collective bargaining agreement.

Are employees required to make contributions to the plan in order to receive benefits?

You are not required to make any contributions as a condition of participation in this plan.

Does my employer exclude any employees in certain job classifications from participation in the Program?

No; your employer does not exclude any job classification from participation in the Program.

What is the minimum service requirement for participation in this plan?

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

You will meet the minimum service requirement:

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

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

For example, if you were hired on May 10, 1998 and on May 9, 1999 you had worked at least 1,000 hours since your first day at work on May 10, 1998, you would become eligible to participate in the Program on the first day of the month following May 9, 1999, which is June 1, 1999.

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

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

For example, if you began work on May 10, 1996, and on May 9, 1997 you had not completed at least 1,000 hours of service, the measurement year changes to January 1, 1997 to December 31, 1997. If you complete at least 1,000 hours during 1997, you will have one year of eligibility service on December 31, 1997.

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

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

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

What is an hour of service for purposes of determining eligibility service and vesting service?

An hour of service is any hour for which you were paid your salary. This includes paid vacation, sick leave, holidays, jury duty and military service. In addition, you are credited with hours of service for any period of uncompensated leave of absences for purposes of eligibility and vesting as long as you return to work at the end of such leave.

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

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

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

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

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

If I move from one participating employer to another participating employer do I lose credit for service I completed at the first employer?

No. Service with a) the RUS, b) a system that is not a Participant, c) an affiliate, d) a system prior to the date the System becomes a member of the Association, e) an entity merged, consolidated or liquidated into and f) leased employees who meet certain specific requirements, will count towards eligibility. Terminating service with one System, followed by re-employment with another System will not cause you to lose credit for the service you performed while employed by the first system, except if you incur a break-in-service.

If I am in an excluded class of employees, but later move to a class of employees that is not excluded from participation in the plan, when will I begin participation in the Program?

Your years of service while you were a member of the excluded group of employees will count toward meeting the minimum service requirement for participation in this plan.

Your years of service are counted for benefit accrual purposes in certain situations. In order to receive credit for a period of service while you were a member of an excluded class of employees, your employer must amend its plan to provide benefit service credit for your past years of service. If the plan is not amended to provide such a service credit, your final retirement benefit will not include credit for that period of time.

If the plan is amended to provide service credit for a period of past service, you will receive the appropriate credit, depending on the exact terms of the amendment to the plan.

VESTING AND BENEFIT SERVICE

This section is a brief description of how you earn service credit used to determine the amount of benefit you are entitled to, as well as how your continued service moves you up on the “vesting schedule”. This discussion is general in nature, with more detail in the next section, **Retirement, Quasi-retirement, Disability, Death and Termination of Employment Benefits**.

What does the term “vested” mean?

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

What is a year of vesting service?

You will be credited with a year of vesting service for any calendar year in which you have an hour of service, beginning with the first day of the 12 month period in which you were credited with a year of eligibility service. After your first year of vesting service, you will be credited with a year of vesting service for any subsequent calendar year in which you perform at least one hour of service in that calendar year.

What is the vesting schedule?

Each employee who completes one or more hours of service on or after January 1, 1989 will become vested in the benefit provided under this plan 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%

Here is how this schedule works:

If you were to terminate your employment after three years of service, you will be 30% vested in your accrued benefit. If your monthly accrued retirement benefit were \$300, you would receive \$90 (30% of \$300) at your normal retirement date. You would forfeit \$210 (70% of \$300). After you have five or more years of vesting service none of your benefit can be forfeited.

Benefits are not 100% vested until you have begun your fifth calendar year of employment. If you should terminate employment before you earn an hour of service in your fifth calendar year of employment, you will forfeit the amount that is not vested.

You will have 100% ownership of all retirement benefits derived from employer contributions in your Plan when you enter your 5th year of vesting service or at age 55, whichever comes first.

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. Benefits derived from contributions by your employer may be forfeited, in part, if you die before receiving your benefits.

What is a year of benefit service?

A year of benefit service is a year in which you earn retirement benefits, subject to the following special rules:

- Your year of benefit service is based on 12 months of participation in the Program in which you complete 2280 hours of service. If you enrolled, 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.
- When you retire on or after your normal retirement date, your plan will treat your final year as a full year of benefit service regardless of your date of retirement.
- Years during which you were a participant in your plan with your present employer and any years credited for benefit service under a plan in which you participate that was merged or consolidated with the program.

The above description of benefit service is a general description of the years for which you can earn credit. The next section of this Summary Plan Description provides more detail on the various service crediting rules that can affect your retirement benefit. As always, if you have any questions about your own service, you should contact your Benefits Administrator for assistance.

If I have service with a different rural electric employer, will that service count with my current employer?

It depends on whether service is being counted for purposes of eligibility, benefit accrual, or vesting. With regard to eligibility and vesting service, you will receive credit towards eligibility to participate in the Program for service with a different rural electric employer that is a member of NRECA, or as service described in the question “Does service with other related employers count for eligibility service in this plan?”. However, vesting service will be credited only after you complete 1,000 hours of eligibility service and other requirements necessary to become a participant in the plan (see Eligibility to Participate). You will not receive credit for benefit service with another employer unless your current employer adopts a plan amendment that specifically includes such service.

How is service credited for part-time employees?

Service is credited for part-time employees in the same manner as service is credited for full time employees.

Eligibility to participate is based on the minimum age and/or service requirements as explained in the section, **Eligibility and Participation** in the Plan of this Summary Plan Description. You may not be excluded from participation merely because you are designated as a part-time employee. You may be excluded only if you are in an excluded class of employees or if you have not met the age and service requirements.

As explained above, once you have become a participant in the plan, you are credited with a year of vesting service if you work at least an hour during the calendar year, and you will receive benefit service credit for each month in which you work at least one hour.

RETIREMENT, QUASI-RETIREMENT, DISABILITY, DEATH AND TERMINATION OF EMPLOYMENT BENEFITS

Here is more detail on how benefits are calculated for various events that may result in a distribution of benefits to you. It also explains how the service crediting rules outlined in the previous section apply to various situations.

Normal Retirement, Early Retirement and Quasi-Retirement

Important Note

There are sample calculations of how the plan's benefit formula works in this section of the Summary Plan Description. These sample calculations do not consider any benefits you may have accrued under this or another plan. When you actually retire, your benefit will be based on your personal employment and plan participation history. The sample calculations in this section of the Summary Plan Description are for illustrative purposes only.

When may I retire?

The normal retirement date under this plan is the first day of the month coincident with or next following the day you reach the age specified in the plan as the normal retirement age. If your birthday is the first day of the month, then that day is your normal retirement date.

Your normal retirement date under this plan is:

The first day of the month coincident with or next following the day you reach age 62. However, you may retire after completing 30 years of benefit service without your benefit being reduced for early retirement. This means that if you have 30 years of benefit service, and elect to receive your benefit, your benefit is not actuarially reduced for payment to you at an age that is younger than age 62.

For example, if your date of birth was April 28, 1935 and you began earning benefit service under the Retirement & Security Program on May 1, 1970, if you continued to earn benefit service up through your normal retirement date, you would have 30 years of benefit service on May 1, 2000, and you would be age 62 on April 28, 1997. Your normal retirement age would be the earlier of the date you completed 30 years of benefit service (May 1, 2000) or attainment of age 62 (April 28, 1997). Your normal retirement date in this example would be May 1, 1997.

How are my retirement benefits calculated?

Your benefits are calculated based on your years of benefit service with your employer and your final average compensation. However, various factors can impact the determination of your benefit. For example, you may have worked for other employers who participate in the Program prior to working for your current employer; your employer may have changed the provisions of your plan at one or

more times over the years; or you may have had a period of military service, or disability. This general information cannot address all possible situations that affect your benefit. The explanations and examples shown here are for the purpose of illustrating the function of the benefit formula and **should not** be viewed as the final determination of your own benefit. Your benefit will be calculated using your personal service and pay. Before we explain the benefit formula itself, there are some definitions and concepts with which you should become familiar.

Effective Salary

Salary refers to the amounts you earn as an employee of Chugach Electric Association, Inc.. Salary includes amounts that were actually paid to you, except where certain deferred compensation amounts are included as salary for purposes of the Retirement & Security Program. Salary is defined as:

Base Salary

Base salary means your regular compensation from your employer including wages from your employer subject to income tax withholding, plus any amount deferred under a qualified salary reduction arrangement under Sections 125, 401(k) and 457(b) of the Internal Revenue Code of 1986, but excluding reimbursements or other expense allowances, moving expenses, pension, deferred compensation or retirement allowances, retainer or fee under a contract, or any amount deferred under a nonqualified defined benefit deferred compensation plan, but excluding any extra compensation, overtime or bonus. Generally, 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.

This is the definition of compensation that is used to determine the amount of retirement benefit you will receive from the Program.

NOTE: Under Federal regulations, compensation in excess of \$160,000 (1998) may not be used to calculate benefits. This figure is adjusted from time to time by the IRS to reflect changes in the cost of living.

Final average effective salary

Final average effective salary is the average of your highest effective salary received during the five out of the last ten years of employment with your employer, or if you have been employed for less than five years, the average of your effective salary for all years of employment.

Benefit Rate

Benefit rate refers to the current benefit rate (also called the benefit level) elected by your employer (as in effect for each year of benefit service) expressed as a percentage of your final average effective salary for each year of benefit service. Your plan's current benefit rate is 2.0% of final average effective salary. There may be more than one benefit rate needed to calculate your benefit because your employer may have changed the rate over the years, or you may have worked for another employer in the past who participates in the Program. The rate shown here is the current rate for current benefit determinations as of the edition date shown at the bottom of this page. There will be some examples later on to show how the calculation can vary depending on certain situations.

Graduated benefit rate

The graduated benefit rate is the rate for current benefits. The graduated benefit rate may be different from the rate applicable to your past service.

How is the benefit rate applied to determine my retirement benefit?

Following are some examples of how your benefit might be calculated.

Chugach Electric Association, Inc. Retirement & Security Program (R&S Program) provides a GRADUATED BENEFIT 2.0% of final average effective salary for your years of benefit service from January 1, 1998.

For example, assume the effective date of this benefit rate is January 1, 1997. Also assume you would have 25 years of benefit service when you reach retirement age, and that your final average effective salary would be \$30,000. Your normal retirement benefit would be calculated as follows:

Benefit Rate	Final Average Effective Salary	Years of Benefit Service	Annual Normal Retirement Benefit
2.0%	\$30,000.00	25	\$15,000.00
Your Normal Retirement Benefit			<u>\$15,000.00</u>

This illustration does not include any benefits accrued previously under this or another Retirement and Security Program.

Based on the information used in this example, your normal retirement benefit would be the amount shown above. This example does not take into consideration any of your personal service history.

It is for illustrative purposes only. In addition to this benefit, you may be entitled to other benefits as a result of any service you may have had with another participating rural electric employer. In addition, if you are a long service employee you may be entitled to one or more of the following benefits:

- Original Retirement & Security Program benefit
- Basic benefit
- 1974 benefit improvement
- Excess benefit accrued and funded under the provisions of this retirement plan that were in effect prior to January 1, 1978.

Most employees will not qualify for the above additional benefits. If you think you may qualify, you should contact your Benefits Administrator.

Under what conditions will I receive benefit service credit for the time I worked for a different employer?

When you transfer from one System to another you begin earning benefits under the new System's plan from the date of your eligibility to participate in that plan and for each year of benefit service you have thereafter. Your service with your prior employer usually is not counted under this plan.

You may receive credit for prior service if your System elects to amend the plan by executing a "buy back to include transfer of service". Such a buy back occurs when your System amends the plan to give benefit credit for time worked at another system. A buy back is effective for employees who were employed on the effective date of the buy back; it is not applicable to employees hired after the effective date of the buy back, or to any employees who may be in an excluded class of employees. Please see the question "**What is a buy back?**" in this section for more details on how a buy back works. Please note that your employer is not obligated to execute a buy back; it is a business decision made by the board of directors.

If you were employed by another cooperative, and you transferred to Chugach Electric Association, Inc., your final benefit will be the sum of the benefits you earned under the plan of the employer for which you first worked, 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.

How is my benefit determined if I terminate employment and receive, or begin to receive, my retirement benefit from a System and then I am subsequently reemployed by the same or another Participating System?

If you terminate employment, and are re-employed, the plan will calculate the amount of your retirement benefit due to you at your normal retirement age, or sooner if you terminate employment before normal retirement age, one of two ways.

If you have received, or begin to receive your retirement benefit attributable to your prior service, your benefit will continue to be paid after your reemployment. When you finally retire your benefit will be calculated by disregarding the benefit service and effective salary attributable to your prior service, i.e., the service for which you are currently receiving benefit payments.

If you have not received, or begun to receive your retirement benefit attributable to your prior service, i.e., the service you performed before your last date of termination, and you are reemployed by a Participating System within 18 months (or within six months of termination of employment if such reemployment occurs before 1994), your subsequent termination or retirement benefit will be based on your final average effective salary and on all of your prior years of Benefit Service.

Important Note

If the period of time between termination of employment and reemployment is greater than 18 months, your first period of plan participation will be frozen. Your frozen benefit will be based solely on your benefit service and final average effective salary as of your prior termination of employment. When you begin to receive your benefit, your total benefit will be the sum of your frozen benefit and a benefit based on your benefit service and final average effective salary after your reemployment.

If I received a distribution from a prior period of employment with a rural electric employer that participated in the Retirement & Security Program, how is my benefit affected if I decide not to repay that distribution?

Benefit credit is not provided for time for which you have received a distribution. For example, if you worked for five years, terminated employment and received a single cash payment of your benefit; then were re-employed by an employer that participates in the Retirement & Security Program, you would not be given credit again for the time that you had been paid.

If I received my entire benefit in a total cash payment and am subsequently reemployed by a Participating System, how will my benefit be calculated if I repay my distribution?

Your subsequent benefit will be calculated based on all your prior benefit service and your final average effective salary but only if:

- you were fully vested and you are reemployed by a Participating System within 18 months of your prior termination of employment (or within six months of termination of employment if such reemployment occurs before 1994) and you repay your prior benefit plus the appropriate interest, no later than five years from your reemployment, or the System's enrollment in the R&S Program, if later; or
- you were not fully vested upon your prior termination of employment or you are reemployed by a participating system within 18 months of your termination of employment and you repay your prior benefit plus the appropriate interest, no later than five years from your reemployment or the System's enrollment in the Program, if later.

If you were fully vested upon your prior termination of employment and you are reemployed more than 18 months after your prior termination of employment (or more than six months if such reemployment occurs before 1994), your prior benefit will be reinstated if you repay your benefit as described above. But, your ultimate final average effective salary will not be applied to your prior service in calculating your retirement benefit when you retire, i.e. your prior benefit remains "frozen".

If you decide to repay your benefit, you will be given a repayment schedule that will include principal and interest due. The interest rate used for this repayment is generally 5%.

If you deposited your distribution in an IRA, and have made no other contributions to that account, you may be able to use those funds to repay a prior distribution. For additional information, see the section, **Distribution Information** of the Summary Plan Description.

How will my final effective salary affect my benefit if I transfer from a System that maintains the R&S Program to another System that maintains the R&S Program?

Generally, if you transfer to a System that has adopted a uniform benefit formula, your benefit will be determined under two formulas. The years of benefit service at the prior System will be taken into account solely under the prior formula and calculated based on your final average effective salary as of your retirement or other termination of employment from your prior employer. The years of benefit service with your current employer will apply to your current benefit level.

What effect will a change in the Definition of Salary, Normal Retirement Date or to COLA have on my benefits?

Any change to the definition of Salary, Normal Retirement Date or COLA will apply only to the accrued benefits of an individuals' benefits accrued after the amendment effective date unless the new System elects to have its formula apply to all years of Benefit Service, including those completed before the transfer (a buy back). However, no amendment may reduce the benefits accrued prior to the amendment.

If I am employed by two participating employers, may I earn benefit service under each employer's plan?

You may earn benefits under one employer's plan at a time, even if you are an employee of more than one participating system.

If I declined to make required employee contributions in the past, may I choose to begin making them now?

Yes, but you will not receive benefit service for those years in which you declined to make contributions. The Program does not allow you to make contributions now to make up for the years in which you declined to make contributions. Also, if your employer elects to improve benefits for your past service, you will not receive credit for the time in which you declined to make required employee contributions.

What is a buy back?

A "buy back" occurs when your employer elects to amend the plan to provide additional benefit service for a period of past service or to improve benefits accrued for a period of past service. There are several rules that affect the years of service eligible to benefit from this buy back. The most important ones are:

- You must have repaid any distributions you received from the Program in order to receive benefit for those years.
- No credit is given for any period of time that you declined to make required employee contributions.
- Credit is not given if you are disabled.
- You must be actively employed on the date of the amendment to the plan that provides for the buy back.

If you are a new employee and do not have any prior benefit service, only the prospective portion of the formula will apply to you. However, if you have transferred from another cooperative please see the next question.

If I elect to defer receipt of my benefit upon termination of employment, may I later make a request for a distribution?

Yes; you can make a request for a distribution unless you have become re-employed by an employer that participates in the Retirement & Security Program. If you are again covered under the Program, no distribution may be made.

Does the Program have an early retirement option?

You may elect retirement, at a reduced benefit, before your normal retirement date provided that you have attained age 55. The benefit you will receive in early retirement will be reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which your elected early retirement date precedes your normal retirement date.

What is the early retirement date under the 30 year plan?

If you participate in the 30 year plan, your early retirement date is the first day of the month following the completion of 30 years of benefit service upon which you elect to retire. This type of early retirement benefit is subsidized, i.e. not actuarially reduced.

What is quasi-retirement?

Quasi-retirement refers to an election under this plan that permits you to receive your retirement benefit in a single cash payment once you have reached your normal retirement date, even if you continue to work for an employer that participates in the Program. There are special taxation rules and rules that could affect any future long term disability benefits to which you may be entitled.

Upon reaching your normal retirement date, you may elect to receive your retirement, without terminating employment, on the first day of any month. However, if you are under age 59 1/2 you will be subject to income tax *and* to an additional 10% tax on the taxable portion of your distribution(s) unless an exception to the 10% tax applies. Your quasi-retirement distribution will not be subject to taxation currently if you transfer it to the SelectRE Pension Plan. If your employer does not participate in the SelectRE Pension Plan, you should ask your tax advisor for advice about transferring your distribution to an IRA.

May I receive a distribution of my benefits at age 70 ½?

In addition to the quasi-retirement election upon your normal retirement date described above, you may make a one-time election as of the first day of any month coincident with or following age 70 ½ to receive the retirement benefit that has accrued for you.

If I am still employed at my cooperative at age 70 ½, do I have to take a minimum distribution?

Minimum required distributions for active participants who turn 70 ½ after 1998 are no longer required. A participant will not have the option to elect minimum distributions. Minimum distributions can be deferred until April 1st of the year following the later of the year the participant turns 70 ½ or retires. This change affects participants differently depending upon when they reach age 70 ½. The rules are complicated, so please read the following.

A. Participants who turned 70 ½ in 1996 or earlier (currently receiving minimum required distributions).

Participants who currently are receiving an annuity must continue to receive annuity payments, and future accruals must be rolled into the annuity. An option form will *not* be issued upon the participant's actual retirement.

Participants who elected to have their benefits paid in a lump sum in a prior year will be given all plan options for 1998 accruals, including the option to suspend minimum payments until retirement.

If a participant elects to have his 1998 accruals paid in a lump sum, the present value of his accrued benefit as of December 31, 1998 will be paid in a lump sum, and future accruals will be paid in a lump sum by the following December 31. A new option form will be issued upon the participant's actual retirement. If a participant elects to suspend payments, an actuarial increase will be provided until the participant retires, and a new option form will be issued upon retirement.

The election not to continue to receive the current year's accruals in a lump sum is irrevocable until retirement. However, participants will have the right to quasi-retire on or after age 70 ½. An option form will not be issued automatically each year. Therefore, the participant must apply for the quasi-retirement distribution.

B. Participants who turned age 70 ½ in 1997 or 1998.

Participants will be given all of the plan options, including the option to suspend distributions until retirement. If a participant elects to suspend payments, an actuarial increase will be provided until the participant retires, and a new option form will be issued upon retirement.

Participants who elect to have the minimum distribution paid as an annuity must have all future accruals rolled into the annuity. A new option form will *not* be issued upon retirement.

Participants who elect to receive their entire benefit in a lump sum will have the present value of their accrued benefit as of December 31, 1997 (or, if the participant turns 70 ½ in 1998, as of December 31, 1998) paid in a lump sum. Any future accruals will be paid in a lump sum by the following December 31. A new option form will be issued upon the participant's actual retirement. If a participant elects to suspend payments, an actuarial increase will be provided until the participant retires, and a new option form will be issued upon retirement.

The election not to receive a distribution is irrevocable until retirement. However, participants will have the right to quasi-retire on or after age 70 ½. An option form will not be issued automatically each year. Therefore, the participant must apply for a quasi-retirement distribution.

C. Participants who turn age 70 ½ in 1999 or later.

The Program will eliminate minimum required distributions for participants who are employed by a participating system. Therefore, participants will not have the option to elect distributions at age 70 ½, and distributions will be deferred until actual retirement. An option form will be issued upon the participant's actual retirement. However, the participant will have the right to quasi-retire on or after age 70 ½. An option form will not be issued automatically each year. Therefore, the participant must apply for a quasi-retirement distribution.

Will I continue to earn benefit credits after I quasi-retire?

Your plan ceases accruals after you have 30 years of benefit service credit. The cessation of benefit service credit occurs regardless of age, i.e., if you attain 30 years of credit at age 55 you will not earn further credits beyond age 55, however your benefit, when finally calculated will be based on your final average effective salary at the time you actually retire.

Distributions from the Retirement & Security Program will cause any current or future long term disability benefits to which you may be entitled to be reduced. The only way to avoid this offset of long term disability benefits if you quasi-retire is to transfer your quasi-retirement distribution to the SelectRE Pension Plan, another employer's qualified retirement plan or to an IRA. Your disability income benefits will decrease if you begin to withdraw from the SelectRE Pension Plan the benefit derived from the R&S Program transferred at quasi-retirement.

General Retirement Issues

Does the plan contain a cost of living adjustment?

No adjustment will be made to your benefit for increases in cost of living.

May I delay my retirement?

You may postpone your retirement until the first day of any month following your normal retirement date.

The retirement benefit payable if you postpone retirement beyond your normal retirement date will be limited to 30 years of benefit service.

If I delay my retirement, is there any effect on the single sum distribution I may receive?

Yes. Generally, your normal retirement benefit value is greater at your normal retirement date than at a later date. You should be aware of two specific effects on your benefit before you decide to delay your retirement.

If you plan to receive your benefit as a single sum you should be aware that the total dollars you will receive may be reduced if you delay receipt of that distribution. A reduction is possible because the single sum 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 for fewer years. In some cases, the additional years of benefit service credit and pay increases may offset the reduction due to a shorter life expectancy.

If you plan to receive your benefit in the form of an annuity, and you delay receipt of that annuity, there will not be any "make up" payments once you do retire. The payments that would have been made to you, but for your decision to continue working, may not be recaptured.

Please note, however, that the interest rate used to calculate a single cash payment under the R&S Program 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 probably should ask for a projection of your single cash payment based on the current interest rate and on the projected interest rate for the following year.

You should discuss any decision to delay receipt of your benefits with your Benefits Administrator and tax counsel before you make any elections.

Disability Benefits



The rules associated with the long term disability income and distributions from the SelectRE Pension Plan and the Retirement & Security Program are complex. Never withdraw any funds until you speak with your Benefits Administrator about the interaction of long term disability income and pension distributions.

Does this plan provide any benefits in the event of my disability?

Your plan has a special feature that permits you to continue to earn benefit service credits for periods of time that you are unable to work due to a disability. A participant whose active employment stopped as the result of total and permanent disability will continue to receive credit for vesting and benefit purposes until his participation is discontinued upon the last day of the month in which the earliest of the following events occurs:

- You cease to meet the definition of total and permanent disability as defined below;
- 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.

Your employer is not required to continue your employment relationship if you become disabled and are not working. This retirement plan feature for disabled individuals does not guaranty or result in any employment rights. See the question **“May my employer terminate my employment if I become disabled?”**.

What is the definition of disability?

Total disability means that the following three conditions are met:

- your active employment ceased due to sickness or accidental bodily injury and you are completely unable to perform any and every duty pertaining to your occupation for which you were employed by your employer, as of the day you stopped working; and
- you qualify for total disability benefits under the Long Term Disability Plan sponsored by NRECA, whether or not your employer participates in NRECA's disability plan; and
- you and your employer have continued to make contributions, as required, for the six-month period commencing with the first day of the month coincident with or next following the date your active employment ceased.

Upon satisfying all of the above conditions, you will be considered to be a disabled, inactive employee for whom benefit accruals continue but employee contributions are waived. Benefits will be based on the effective salary in effect for benefit purposes when active employment ceased.

May my employer terminate my employment if I become disabled?

Yes. It is important to remember that your employer may have valid business reasons for terminating your employment if you become disabled. If your employment is terminated, you no longer will continue to earn additional years of benefit service credit. At that point, you will be eligible to receive any benefits from the plan that you have earned.

⇒⇒ Important Note: Be sure to check with your Benefits Administrator to determine how a distribution from the Retirement & Security Program might affect any long term disability benefits you may be receiving currently, or may be entitled to in the future.

If I am not actively at work due to a disability, and the plan is amended, will that amendment affect my benefit?

It depends on whether or not the amendment is an improvement of plan benefits. The rules of the Program do not permit individuals who are not actively at work to receive any benefit improvements. Generally, but not always, a benefit improvement is a change that increases benefits or makes them available sooner.

What happens if the plan is amended to reduce benefits while I am not actively at work?

Generally, your benefit will be affected by a change to the plan that reduces, or otherwise curtails benefits under the Program. It is important to remember that this does not mean that benefits that you have already accrued would be reduced. Accrued and vested benefits may not be reduced under any circumstances; however, it is possible that your benefit will be affected by a change such as the elimination of cost of living adjustments (COLA) on future benefit accruals, or an increase in the normal retirement age for future benefit accruals. These are just two examples of possible changes and should not be interpreted as a limit on the changes that could occur.

How is my compensation averaged in the event of my disability?

It depends on the date your active employment ceased due to disability. If your active employment ceased after December 31, 1982 and prior to July 1, 1990, your effective salary (during your disability period) for purposes of benefits under this plan will be the three year average of your effective salaries for the two consecutive calendar years immediately preceding the calendar year in which your active employment ceased plus the Calendar Year in which your active employment ceased. 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.

If your active employment ceased at any other time (i.e., prior to January 1, 1983 or after June 30, 1990 during the period of disability) the compensation used is your effective salary on the date your active employment ceased.

See the definition of effective salary earlier in this section.

When does my active employment cease?

As long as you are receiving compensation you are considered an active employee for the time you are required to wait before you begin to receive disability benefits. Usually, this is either 13 weeks or 26 weeks, depending on your employer's disability program. Once you begin receiving disability payments, you no longer are actively at work until such time as you return to work from your disability.

If you are not receiving any compensation you will be withdrawn from the plan for purposes of benefit accruals until you satisfy CBA's definition of disability.

When I return to work from a disability, when will I be eligible to participate in the Program again?

You will begin to participate immediately on the first day of the month following your return to work.

May I quasi-retire and transfer my Retirement & Security Program benefits to the SelectRE Pension Plan once I have reached my normal retirement date?

Yes, you may transfer your Retirement & Security Program benefits to the SelectRE Pension Plan as long as you have not terminated your employment, and your employer participates in the SelectRE Pension Plan.

If I am incapacitated, what is the procedure for granting power-of-attorney to my designated agent?

State law governs the granting of power-of-attorney. The medical professionals involved with your treatment should recommend the appropriate procedure to you or your designated agent. Once a legal power-of-attorney has been granted, the designated agent may act on your behalf.

Termination of Employment

What will I receive if I terminate 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. **There is a detailed discussion of the various forms in which your benefit may be paid in the section, Distribution Information of this Summary Plan Description.** You should review all of this information carefully.

Your plan is designed to encourage you to remain with your employer until you retire. Payment of your benefits under your plan is available only upon your death, retirement, quasi-retirement, termination of employment or termination of the plan or in connection with payment required by a Qualified Domestic Relations Order (QDRO).

If your employment is terminated, you will be entitled to receive only the vested percentage of your accrued benefit, and the remainder of your accrued benefit will be forfeited. Only your accrued benefit derived from employer contributions is subject to forfeiture.

The form of benefit to which you are entitled upon termination of employment is the normal form available to you upon retirement including the optional forms of payment. In the event that the present value of your benefit is \$3,500 or less and no amount has been distributed as an annuity, the benefit shall be distributed as a single cash payment.

Death Benefits

If I am married, will the Program provide a benefit if I should die before I retire?

Yes. If you have attained age 55 before your death, the Program will provide your spouse with a benefit equal to 50% of the benefit that would have been payable to you if you had terminated employment on the date of your death, and elected to defer payment until your normal retirement date. Your spouse may elect to begin payments sooner, but the payments will be subject to the normal actuarial reductions for payments earlier than normal retirement age. Your spouse may also elect to receive the benefit as a single sum payment.

If you have not yet attained age 55 before your death, the Program will provide your spouse with a benefit equal to the survivor portion of a 50% Joint and Spouse Annuity, subject to reductions for payments prior to normal retirement age.

In lieu of the benefit described above, the surviving spouse may elect to receive a payment of \$50.00 per month, until the earlier of remarriage, death, or attainment of age 62. Thereafter, the amount of benefit will be the amount determined under the Joint and Survivor form of payment as described above.

If I am not married, what will my beneficiary receive if I die before reaching my normal retirement age?

Your beneficiary will receive a benefit equal to the benefit that would have been payable to you, if on the date of your death you separated from service and elected an immediate annuity payment. The payment will be made in the form of a 10-year Certain and Life Annuity. The beneficiary will also have the option of electing a single cash payment instead of an annuity payment.

How are benefits paid if my spouse and I die simultaneously, or within a few days of each other, but before I reach my normal retirement date?

If you and your spouse die simultaneously, or if your spouse dies within 10 days of your death, the Program will provide benefits to the alternate beneficiary in the form of 120 equal monthly payments (10-Year Certain and Life Annuity). The amount of payment will be equal to the amount of benefit you would have received if you had terminated employment on the date of your death and elected an immediate annuity. Your spouse must not have begun to receive benefits prior to his or her death.

How are benefits paid if my spouse and I die simultaneously, or within a few days of each other, after I have retired or terminated but prior to receiving benefits?

If you and your spouse die simultaneously, or if your spouse dies within ten days of your death, your benefits will be paid to your beneficiary as if you died without a spouse. The amount of benefit will be determined as if, on the day of your death, you separated from employment and elected to receive the benefit that would have been payable to you as an annuity with 120 equal monthly payments.

What benefit will my beneficiary receive if I die after submitting my retirement forms, but before my normal retirement date?

Your election of the form of your retirement benefits is contingent upon your attaining your normal retirement date. If you should die before your normal retirement date the benefit that will be paid will be the plan's standard pre-retirement death benefit. (See the earlier question regarding the death benefit provided by this plan.)

What benefit will my beneficiary receive if I die after my normal retirement date, but before I have submitted my retirement forms indicating how I want my benefits paid?

When you plan to retire, it is best to execute your retirement option forms promptly. If you should die without having made your elections and signed the benefit option forms, your beneficiary will receive the survivor portion of the Joint and Spouse Annuity. (See the discussion in the next section for details on the joint and survivor form of benefit).

If I am married, may I name someone other than my spouse as my beneficiary?

Yes, you may designate someone other than your spouse as your beneficiary but only if your spouse agrees in writing. Your Benefits Administrator can provide you with the proper forms for this purpose.

Who will receive my benefit if I have not named a beneficiary?

Your benefit would be paid to your contingent beneficiary. If you did not name a contingent beneficiary, payment will be made to the first surviving person in the following order:

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

DISTRIBUTION INFORMATION

Benefits from the Program become payable several ways. This section will assist you in understanding the events that may make you eligible to receive a distribution from the plan and the various forms of benefit available.

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

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

You may receive a distribution from the plan if you retire, quasi-retire, die, terminate your employment or in the event the plan is terminated. You may also receive benefits when you turn age 70 1/2.

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

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

How will I receive my retirement benefit?

Your benefit will be paid in one of the following forms:

- Joint and Spouse Annuity
- 10 year Certain and Life Annuity
- Survivorship Annuity with either 100%, 66 2/3% or 50% of the amount payable during the joint lives of the participant and beneficiary, continuing for the life of the beneficiary upon the death of the participant
- Single Life Annuity
- Single Cash Payment

In order to receive your benefit you must choose how you would like to receive it on forms provided to you by the Plan Administrator. If you do not choose in writing, your benefits will be paid to you in a joint and 50% spouse annuity (if you are married) or in a single life annuity (if you are not married).

What is an annuity?

A Single Life Annuity provides equal monthly payments for your life.

A Joint and Spouse Annuity provides equal monthly payments for your life and then based on the annuity you elect, a percentage (50%, 66 2/3%, or 100%) of your monthly payments to your spouse for life.

What is a single sum or single cash payment?

A single sum or single cash payment is a distribution of the single cash value of your vested annuity benefit. This type of distribution might not be a “lump sum distribution”.

How are benefits paid if I am married?

If you are married and you do not make an election indicating how you want your benefit paid, you will be paid in the form of a 50% joint and spouse annuity. With a joint and spouse annuity, payments are made to you every month. If you should die before your spouse, payments will continue to your spouse for as long as he or she lives. The payments to your spouse after your death will be 50% of the amount you were receiving before your death.

If you wish to receive your benefits in a form other than a 50% joint and spouse annuity, you may elect another form of benefit, with consent of your spouse.

How will benefits be paid if I am not married?

If you are not married when you retire and you do not make an election, you will receive your benefit in the form of a single life annuity that provides a monthly payment to you for as long as you live. All payments stop when you die.

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

When you are about to retire, the Plan Administrator will explain the joint and spouse annuity, the single life annuity, the single sum payment and the ten year certain and life annuity to you in detail. You will have at least 30 days, but no more than 90 days, to think about your choice. During that 90-day period you will be able to change your election if you decide you did not make the best choice initially. Once payments begin, you may not make any changes. After 90 days you must request another option form as the previous option form will no longer be valid. Please refer to the question, **“What happens if I do not return my benefit option form, my instructions as to how I want to receive my benefits, within 90 days?”**

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

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

How soon after I retire will I receive my benefit?

The Plan Administrator will make payments as soon as administratively possible, after we receive your benefit option forms.

Who will receive my benefits if I should die before I retire?

When you enroll in the plan you are asked to designate your beneficiary.

If you are married at the time of your death, Federal law requires that your spouse be the beneficiary of your pension benefits. You may designate someone other than your spouse only if your spouse

agrees in writing. Your spouse's signature must be witnessed by a notary public.

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

For additional information, please review the **Death Benefit** section of this Summary Plan Description.

What are the normal forms of benefit?

If you are married on the date your benefit payments are to begin, your benefits will be paid in the form of a 50% joint and spouse annuity, unless you make another choice in writing. A 50% joint and spouse annuity will pay a benefit for as long as you live. If you are survived by a spouse, your spouse will receive a monthly benefit for the remainder of his or her life equal to 50% of the monthly benefit you were receiving at the time of your death.

Instead of the 50% joint and spouse annuity, you may elect a 66 2/3%, or 100% survivor annuity. However, you should note that the *larger* the annuity you elect for your spouse, the lower the joint monthly benefit that will be paid to you during your joint lives. You should consider the differences in monthly payments before making your election.

If you are not married on the date your benefits are to begin, you will receive a single life annuity, which will pay monthly payments to you for as long as you live with no survivor benefit to your beneficiary.

May I waive the normal forms of payment?

You may elect to waive these normal forms of payment, subject to the following rules:

If you are married, you may waive the 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. The Plan Administrator will provide you with forms to make these elections. Since your spouse participates in these elections, you must inform the Plan Administrator immediately of any change in your marital status.

If you and your spouse elect not to receive the joint and spouse annuity, whether with 50%, 66 2/3, or 100% survivor benefit, or if you are not married when your benefits are scheduled to begin and you elect in writing not to receive the single life annuity, you can elect an alternative form of payment. Your payment may be made in one of the following methods:

- Single sum payment (lump-sum);
- Life annuity with 120 months certain;
- Single life annuity;
- Survivor annuity, with non-spouse contingent annuitant.

What is the latest date my benefit may be paid to me?

Distribution of the participant's benefits shall commence not later than the 60th day after the close of the calendar year in which the latest of the following events occurs:

- the date on which you reach the age of 65 or your normal retirement age;
- the 10th anniversary of the year in which you became a participant in the plan;
- the date you terminated employment with your employer.

What is the 30\90 day rule?

You will be provided with a written explanation of the terms and conditions of the joint and spouse annuity, the life annuity and a general description of material features of the optional forms of retirement benefit available under the Program not less than 30 days, and not more than 90 days before payments are to begin. This means that no payments may begin for at least 30 days from the date you receive the benefit explanation material. During this period you may elect to waive the 50% joint and spouse annuity (with the consent of your spouse), or any other form of payment you have elected. However, if you wish benefit payments to begin sooner than 30 days you may elect to waive the 30 day minimum, as long as payments have not yet begun. If you waive the 30 day minimum, payments may begin sooner than the end of the seven day period beginning the day after your receipt of the benefit explanation material. You may change or revoke your election at any time before payments begin. Once payments begin you may no longer change or revoke your elections. If you wait longer than 90 days to return your option forms they will be invalid and new forms will have to be requested by you.

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

If you do not return your benefit option form before 90 days have elapsed, it will no longer be a valid form. You may again request a benefit option form and make an election at any time. However, the amount of the distribution will be based on your age and current actuarial factors at the time you request payment.

How do I withdraw my required employee contributions?

If you made required (after-tax) 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.

What is a rollover?

A distribution may be made to a participant who subsequently rolls over the distribution to an IRA or another qualified plan within 60 days of receiving the money. If you receive a distribution directly, 20% of it will be withheld for income tax. You will receive only 80% of your total distribution for rollover. You may add money (that you have from other sources, e.g. savings) to your distribution to make up the 20% that was withheld and roll over an amount equal to 100% of your benefit, but you must complete the rollover within 60 days of the day you received the

distribution.

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

What is an eligible rollover distribution?

Distributions from the Retirement & Security Program that are eligible rollover distributions and are affected by the 20% tax withholding are:

- lump sum distributions (including lump sum distributions to a surviving spouse or to an alternate payee under a Qualified Domestic Relations Order (QDRO))

What is not an eligible rollover distribution?

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 period payments made over life or life expectancy of employee or joint lives or joint life expectancies of employee and beneficiary
- Any payment in a series of substantially equal periodic payments over a period of ten years or more

TOP HEAVY PLANS

What is a top heavy plan?

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

Each year the Plan Administrator is responsible for determining whether or not your plan is a top heavy plan. If your plan is a top heavy plan, your employer must satisfy special top heavy minimum rules with respect to your plan, which may include additional benefits for “non key” employees.

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

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, based on your years of service, of either schedule. In years when the plan is not top heavy the plan’s regular schedule applies.

Regular Vesting Schedule		Top Heavy Vesting Schedule	
Years of Vesting Service	Vested Percentage	Years of Vesting Service	Vested Percentage
1	10%	1	0%
2	20%	2	10%
3	30%	3	20%
4	40%	4	100%
5	100%		

Based on these two vesting schedules, you will have a greater vested percentage in years 1, 2 and 3 under the Regular Vesting Schedule.

Are there other nondiscrimination tests that might affect my benefits?

Possibly. This plan is reviewed annually to determine if there are any issues relating to the nondiscrimination rules of the Internal Revenue Code. If there are, corrective action is taken so that the benefits under this plan do not violate any of the rules.

MISCELLANEOUS QUESTIONS

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

Is this plan covered by the Pension Benefit Guaranty Corporation plan termination insurance?

Yes. The Pension Benefit Guaranty Corporation (PBGC) is a quasi-governmental organization that insures the pensions of certain groups of employees. Your plan is covered by this insurance. The insurance provided by the PBGC may not cover one hundred percent of the benefit you have earned, because the insurance coverage is limited by law to certain levels.

PBGC insurance is provided in situations where a plan is terminated by the sponsoring employer, and does not have sufficient assets to pay the benefits that have been accrued by the employees who participated in the plan.

Has enough money been contributed to this plan to keep it funded in accordance with the minimum funding standards of the Internal Revenue Code?

Yes.

May I use the benefit I have accrued as collateral for a personal loan, such as a loan for a home or a car?

No. Federal law prohibits using any qualified retirement plan benefits as collateral.

What is a Qualified Domestic Relations Order (QDRO)?

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

Is there a limit on the amount of benefit I can receive from this plan if I also am a participant in the SelectRE Pension Plan?

There could be a limit on the amount of benefit you could receive from this plan. The general rule is that when the benefit from the Retirement & Security Program is added to the contributions under SelectRE Pension Plan, the total benefit cannot exceed 100% of the maximum benefit allowed by law in either plan individually.

If your benefits under the combined plans exceed the limit, your accrued benefit under the Retirement & Security Program would normally be reduced. The actual calculation is quite involved, and this illustrates the basic rule. The Plan Administrator performs the calculation and applies any limits that are required. Most people are not affected by this limit.

The above rule will be repealed under regulations as of January 1, 2000.

What is “uniformed service”?

The Uniformed Service Employment and Reemployment Rights Act (“USERRA”) defines uniformed service as service, voluntary or involuntary, with the Armed Services, Army National Guard, Air National Guard and the Commissioned Corps of the Public Health Service.

What rights do I have to make up contributions if I have a period of uniformed service?

If you leave your employer because of an obligation for uniformed service, you may receive make up accruals upon your return to employment. Credit for eligibility, vesting and benefit service is granted retroactively to the day the individual left for uniformed service upon your return to employment within the time specified under the Uniformed Services Employment and Reemployment Rights Act. The salary used for computing benefit accruals is the salary that you would have reasonably been expected to have earned had you not been absent due to uniformed service.

If your employer’s plan requires that employees make a contribution as a condition of participating in the plan, you will be given the opportunity to make those contributions so that you may also receive the employer provided benefits. If you decline to make up the employee contributions your plan is not required to accrue benefits for you.

What information should I have regarding my uniformed service when I return to work?

You will need to supply your employer a copy of your discharge orders.

PROCEDURE FOR CLAIMING BENEFITS

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

What do I do if I think there is an error in my benefit calculation?

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

The written explanation will contain the following information:

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

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

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

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

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

- You will receive a written decision regarding your claim that sets forth the basis for the decision and specific references to plan provisions upon which the decision was based.
- If you want the decision reviewed by a court, such review can occur only after the plan's claim's review procedure has been completed and must commence within one year from the date the Plan Administrator renders a final written decision.

STATEMENT OF ERISA RIGHTS

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

As a participant in the Program described in this Summary Plan Description, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants will be entitled to:

- Examine without charge, at the Plan Administrator's office and at other specified locations, such as the work sites and union halls, all plan documents, including insurance contracts, collective bargaining agreements, detailed annual reports and plan descriptions.
- Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to receive a pension at normal retirement age, and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be provided free of charge.

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 Program, have the duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining pension benefits or exercising your rights under ERISA. If your claim for a pension benefit is denied in whole or in part, you must receive written explanation of the reason for the denial. You have the right to have the Program review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Program and do not receive them within 30 days, you may file suit in a 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 Plan 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. If it should happen that the 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 court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous. If you have any questions about this statement or your rights under ERISA, you should contact the Plan Administrator or the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

AMENDMENT AND TERMINATION OF YOUR PLAN

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

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

If the plan is terminated, your employer may make distributions to you in any manner allowed by the plan or your employer may continue the trust. If the trust is continued, your benefit will be payable to you when you retire or terminate your employment, or when another distributable event occurs.

GLOSSARY

Accrued benefit: The benefit earned by a participant in a plan through participation in the plan.

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

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

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

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

Defined contribution plan: A plan that provides individual accounts for participants. Retirement, disability, death and termination benefits are based on the amount of contributions made to the plan and the investment gain (or loss). There is no guarantee as to the amount of benefits available.

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

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

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

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

IRS: Internal Revenue Service

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

Key employee: 1) An officer who earns at least a specific dollar threshold in a given year, or 2) One of the 10 employees owning the largest interest in the employer's business and receiving compensation in excess of \$30,000 or 3) A more than 5% owner of the employer's business, and 4) An employee who is more than a 1% owner of the employer's business with pay greater than a specific threshold in a given year.

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

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

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

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

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

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

Vesting: The process of acquiring full ownership of benefits accrued under the plan by virtue of continuous employment for a specified number of years or other events specified by the Program resulting in 100% vesting.

Year of Benefit Service: For benefit accrual purposes, an employee shall be credited with a Year of Benefit Service for any Calendar Year that he is a participant and is credited with 2,280 Hours of Service for a Calendar Year subject to special rules.

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

Year of Vesting Service: An employee shall be credited with a Year of Vesting Service for any Calendar Year in which he is credited with one or more Hours of Service, beginning with the first day of the 12-month period in which he is credited with either a Year of Eligibility Service or a Full Month of Employment.

