



Welcome to the Retirement Security Plan

Providing a brighter financial future for America's electric co-op employees



With the RS Plan, you have an edge!

Congratulations and welcome! You've recently been enrolled in NRECA's Retirement Security (RS) Plan, a pension plan designed exclusively for electric co-op employees.

Why this is great news: Through your employment at your co-op, you have a strong advantage in building your own financial future.

As a participant in the RS Plan, you have access to a traditional pension—a benefit that's increasingly rare in today's workforce and one that can increase your financial security later in life.

A recent survey indicated that more than half of Americans with a pension were confident that they would have the resources to live comfortably for 25 years into retirement. Among those with a 401(k) plan but no employer pension, only one-third were confident in their financial futures.¹

Only 1 in 5 private-industry American workers has a traditional pension today.



¹ Towers Watson "Retirement Attitudes" survey, 2010. "Confident" encompassed "somewhat or very confident."

*"I'm saving for my retirement,
but I sure feel better knowing
there's another source of
income waiting for me, too."*

~ JANE, AGE 49

What can the RS Plan do for you?

Although you may not be thinking much about retirement today, having a pension benefit could make a big difference for you and your family down the road. **The RS Plan is designed to replace a portion of your income after you retire.** For example, after a typical co-op career of 30 years, the average employee might expect an RS Plan benefit that replaces roughly half of his or her working income.

Your RS Plan benefit is different from a 401(k) or other savings plan in two important ways:

- **Your employer funds your benefit.** To help you build your nest egg, your co-op makes contributions that fund your retirement income.² By contrast, with a 401(k) account, most (or all) of the contributions come out of your paycheck.
- **Your benefit is based on a formula, not on investment returns.** No matter how the financial markets are performing during your career or when you retire, you'll receive a benefit based on that formula. Turn the page to learn more about how this amount is determined.

²Some co-ops also require employee contributions to the RS Plan. Talk with your co-op's benefit administrator to learn more.

How it works



Understanding the basics about your RS Plan benefit today can help you plan smart for tomorrow.

HOW MUCH money will I get when I retire?

The benefit you'll receive at retirement depends on three factors:

- :: **Your length of benefit service.** This is the amount of time you've spent earning RS Plan benefits over the course of your career.
- :: **Your co-op's benefit level.** This percentage is determined by your co-op. To find out your benefit level, ask your co-op's benefits administrator or see your Summary Plan Description.
- :: **Your final average salary.** Your salary is averaged from your five highest earning years³ and helps determine your retirement benefit.

How benefits are calculated⁴: Two examples

		BENEFIT SERVICE		FINAL AVERAGE SALARY		BENEFIT LEVEL ⁵		ANNUAL BENEFIT AT RETIREMENT
Mary, age 60		30 YEARS	x	\$75,000	x	1.7%	=	\$38,250
Greg, age 41		10 YEARS	x	\$55,000	x	1.7%	=	\$9,350

These examples show annual retirement benefits when a retiree chooses to receive monthly annuity payments.

The amount of your benefit can also be affected by other factors, including when you retire and how you decide to receive your money. While you may not know the exact amount until you actually retire, you can track your estimated annual benefit at retirement on the RS Plan statements you'll receive each year.

³Depending on your plan, this might be your highest five salaries during your career, or the highest five during your last 10 years of plan participation.

⁴Benefit formulas for certain employees at Indiana Statewide Association co-ops and Kauai Island Utility Cooperative are calculated differently. If you are an RS Plan participant in one of these groups, please see your benefits administrator for details.

⁵The average benefit level in the RS Plan is 1.7%. Your co-op may have a larger or smaller benefit level.

WHEN do I start earning a benefit?

As soon as you meet your employer's eligibility requirements. For example, you may have to be 21 years old or work for a certain period of time before you can begin earning benefits. Generally, you start participating in the RS Plan on the first day of the month after you meet all eligibility requirements.

WHEN do I "own" my RS Plan benefit?

After you have five years of vesting service or turn 55 while actively participating in the Plan (whichever comes first), you own 100% of whatever benefit you have earned by then. Once you've met your co-op's eligibility requirements, you'll earn one year of vesting service for every calendar year in which you work at least one hour. For instance, if you started work on December 31, 2010, you would earn five years of vesting service after your first hour of work in 2014.

WHAT IF I don't stay in this job my entire career?

The RS Plan is a portable benefit, offered by nearly 900 electric cooperatives around the United States. If you change jobs and join another cooperative that participates in the RS Plan, you may continue to earn pension benefits. Different co-ops may have some variations in their plans, so if you change jobs, speak with your benefits administrator about how any differences may affect your pension benefit.

If your new employer doesn't participate in the RS Plan, you'll have different choices. You can wait till you retire to receive the benefit you earned, or take your reduced benefit as a distribution⁵ when you leave your job.

⁵Taxes and penalties may apply if you take your benefit early, so discuss this decision with a tax professional.

HOW will I get my benefit?

Later, when you retire, you'll have several different choices of how to receive your money. Some options give you a guaranteed stream of income for the rest of your life. Others allow you to receive part or all of your benefit at once. These are big decisions you'll want to talk over with a trusted financial advisor when the time comes (see page 5). If you're joining the RS Plan later in your career and approaching retirement, ask your benefits administrator for the brochure, "Your Retirement Security Plan Benefit: What's Next?"



Remember—you can chart your own course.

Having a pension waiting for you at the end of your career can provide peace of mind. But there are other important things you can do today to improve your financial security later in life:

:: Take care of your health.

Staying healthy can save you a lot of money during your lifetime. No matter your age, now is the time to eat right, get regular exercise, stop smoking and see your health care provider regularly. Today, even healthy retirees with Medicare benefits devote a lot of their income to medical expenses. Healthy habits now can help you both physically and financially later in life.

:: Build your personal savings.

Most people will need personal savings, along with a pension and/or Social Security benefits, to support themselves in retirement. A 401(k) account or an Individual Retirement Account can be a great place to start. If you're not sure how much to save or how to invest, a PIRC representative can help (see next page).

:: Know the basics about your RS Plan benefit.

What can you expect from the RS Plan down the road, and when? How does your pension work, and how does it fit into your overall retirement plan? Knowing the answers to these questions can help you retire with confidence later on. Review pages 2 and 3 of this brochure, and if you have more questions, contact NRECA (see next page) or review your Summary Plan Description.

Don't forget: Save early, save often.

“Whether you think you can or not, put as much as you can into your retirement savings and continue to do that throughout your career—don't stop.”

~ STEVE MOSER
Successfully retired from N.W. Electric Co-op,
Cameron, MO, after 34 years



Questions? We can help along the way.

When you have questions about your pension benefit, you can talk with your co-op's benefits administrator about details that are specific to your co-op's plan.

As a participant in the RS Plan, you have access to another resource for retirement planning guidance: NRECA's Personal Investment & Retirement Consulting (PIRC) service. The PIRC team helps thousands of electric co-op employees each year understand their retirement benefits and plan for the future. PIRC can:

- :: Answer questions about your RS Plan benefit and how it fits into your overall financial plan
- :: Help you evaluate whether you're saving enough to stay on track
- :: Talk with you about different investment strategies
- :: Help you design a personalized retirement income plan as you near the end of your career
- :: Later in your career, work with you to develop a personalized, written retirement plan

Contact PIRC
866.673.2299
(option 5, then 2)

8:30 a.m. – 5:00 p.m. E.T.
or by appointment

By email: pirc@nreca.coop

"As NRECA investment advisors, we get to share a lot of good news with our co-op participants about their financial outlook. The RS Plan is one of the benefits that helps us do that."

~ BRIAN PACE
PIRC REPRESENTATIVE



This brochure provides information about the Retirement Security Plan. Complete details about individual co-ops' plans can be found in your Summary Plan Description, which your benefits administrator can provide. If there are differences between the information in this brochure and the legal plan documents, the plan documents govern.



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