

SUMMARY OF MATERIAL MODIFICATIONS 401(k) PENSION PLAN

Participating System Name: Southwestern Electric Cooperative, Inc.

RUS Number: 14046

Employer Identification Number: 37-0525575

Recent Changes to Your Plan

Changes have been made to the 401(k) Pension Plan provided by your employer. The information provided below supplements the information included in your Summary Plan Description (SPD). To make sure you always reference the most current information regarding the 401(k) Pension Plan, you should keep this Summary of Material Modifications (SMM) with your 401(k) Pension Plan SPD.

It is important for you to understand your benefits. If you have any questions about the changes outlined below, please see your Benefits Administrator.

I. Additional options for distributions are available under the 401(k) Pension Plan:

An Individual cost-of-living adjustment (“Individual COLA”) option for certain annuity options has been added to the 401(k) Pension Plan (“401(k) Plan”). This change is effective for distribution events on or after December 1, 2013. All other distribution options under the 401(k) Plan will remain the same.

This new option allows you to elect one of the existing annuity options available under the 401(k) Plan and to elect to include inflation protection through the Individual COLA option. The Individual COLA option will allow you (and your surviving beneficiary) to receive 100% annual cost-of-living adjustments after receiving your first annuity payment. The annual adjustment is based on the consumer price index (CPI-U) measurements that are issued by the Bureau of Labor Statistics of the U.S. Department of Labor.

If you elect this option, your annuity payments will be automatically adjusted based on the average monthly percentage change in the CPI-U for the one-year period ending three months before each payment anniversary. This adjustment will occur beginning one year after your first payment date and each payment anniversary thereafter. This adjustment will be based on contract terms set by MetLife, the 401(k) Plan annuity provider. The amount of increase each year is not capped by MetLife.

Inflation protection is paid for by you, rather than your employer, through a lower starting monthly benefit (as compared to a similar type benefit without inflation protection).

Which annuity options offer the Individual COLA option?

When you commence your 401(k) Plan benefit, you can select the Individual COLA option for any of the following annuity options: 10-year certain and life; 50%, 75% and 100% joint and spouse/survivor and straight life. The Individual COLA option also can be combined with the cash refund feature currently available under the 401(k) Plan.

Why choose the Individual COLA option?

Some participants don't select the financial security of an annuity because they are concerned about how their annuity payments will be affected by inflation over time. The Individual COLA option allows you a way to keep better pace with inflation.

II. Additional Investment Fund added to the Qualified Default Investment Alternative

The 2050 Target Date Portfolio was added as an additional investment fund to the 401(k) Plan effective November 1, 2013. The 2050 Target Date Portfolio also is one of the Qualified Default Investment Alternatives for participants who do not make any investment elections for their contributions when they enroll in the 401(k) Plan.

Plan Sponsor: *National Rural Electric Cooperative Association*
4301 Wilson Boulevard, Arlington, Virginia 22203-1860
Plan Sponsor's Employer Identification Number: 53-0116145
Plan Number: 444