

SUMMARY OF MATERIAL MODIFICATIONS RETIREMENT SECURITY PLAN

Participating System Name: Southwestern Electric Cooperative, Inc.

RUS Number: 14046

Employer Identification Number: 37-0525575

Recent Changes to Your Plan

A change has been made to the Retirement Security Plan provided by your employer. The information provided below is in addition to the information included in your Summary Plan Description (SPD). To make sure you always reference the most current information regarding the Retirement Security Plan, you should keep this Summary of Material Modifications (SMM) with your Retirement Security Plan SPD.

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

The following change has been made to your Retirement Security Plan:

I. Additional distribution options have been made available under the Retirement Security Plan:

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

This new option allows you to elect one of the existing annuity options available under the RS 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 on an annual basis beginning one year after your first payment date and each payment anniversary thereafter. The adjustment will be based on the average monthly percentage change in the CPI-U for the one-year period beginning October 1 and ending September 30 of the calendar year preceding each payment anniversary. The amount of increase each year is capped at a maximum of 10%.

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 RS 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 RS 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.

My co-op already provides benefits with an automatic 50% COLA retirement benefit. How would I be affected by the Individual COLA option?

When you retire, currently you are provided an automatic annual cost-of-living adjustment (COLA) as part of your benefit, with the annual increase determined in a similar manner as the Individual COLA described above, but only based on 50% of the change in CPI-U. The Individual COLA option, which you may elect at your benefit commencement, provides increases based on 100% of the change in CPI-U. The increase from 50% to 100% inflation protection is paid for by you, rather than your co-op, through a lower starting benefit.

Plan Sponsor: *National Rural Electric Cooperative Association*
4301 Wilson Boulevard, Arlington, Virginia 22203-1860
Plan Sponsor's Employer Identification Number: 53-0116145
Plan Number: 333