

## **SUMMARY OF MATERIAL MODIFICATIONS 401(K) PENSION PLAN**

**System Name: Southwestern Electric Cooperative, Inc.**

**RUS Number: 14046**

**Employer Identification Number: 37-0525575**

### **Recent Changes to Your Plan**

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

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

The following changes have been made to your 401(k) Pension Plan:

#### **I. A Change to the Investment Options offered under the 401(k) Pension Plan:**

**As of March 29, 2009, the Small Company Stock Index Fund was replaced by the Small Company Stock Fund and the NASDAQ 100 Tracking Stock was replaced by the Diversified Growth Stock.**

**The Small Company Stock Fund will be invested in a stock portfolio of companies whose market capitalization at the time of purchase is similar to the market capitalization of stocks represented in the Russell 2000® Index. A portion of the Fund may invest in short-term cash equivalents to satisfy liquidity needs.**

**The Diversified Growth Stock Fund shall be invested in common stocks of large companies believed to offer above average rates of earnings and cash-flow growth. To satisfy liquidity needs, a portion of the Diversified Growth Stock Fund may be invested in short-term cash equivalents.**

**The new investment options are actively managed funds and replace options that were index funds. As actively managed funds, the portfolio manager selects stocks and other holdings with a goal of achieving a return above the fund's benchmark index. Active managers make investment decisions based on market opportunities and risks, as opposed to following an index.**

**These changes were communicated to you in February 2009 if you were invested in the old investment options at that time.**

#### **II. A Change to the Market Timing Rule under the 401(k) Pension Plan:**

**The 401(k) Pension Plan's market timing rule provides that if you transfer out of an investment option, you may not transfer back into that investment option for a 30-day**

period. If you were a participant who had demonstrated transfer activity consistent with short term trading, in addition to the 30-day transfer restriction, a seven day business hold would be imposed on any and all transfers out of any and all investment options, except for the Money Market Fund. As of February 1, 2009, the market timing rule was changed to remove the seven day business hold on transfers in and out of investment options. The current market timing rule provides when you make an exchange out of an investment option, you may not transfer back to that investment option for a period of 30 days. This restriction also does not apply to transfers to and from the Money Market Fund.

For example, if you transfer out of the S&P 500 Stock Index Fund on March 1, then you cannot purchase shares of the S&P Stock Index Fund by a transfer of funds until after March 31. You will still be able to acquire new shares with your regular contributions as the market timing rule only applies to fund-to-fund transfers.

Also, if you want to change your asset mix using the Reallocate Total Balance function on the NRECA Employee Benefits web site, you will not be able to do so if you have any funds that are subject to the 30-day restriction. Instead, you will need to transfer money using the individual fund-to-fund exchanges until the 30-day restriction period has expired.

This change only applies to cooperatives that have elected Fund changes on a daily basis.

You previously received notice of this change in your quarterly 401(k) Pension Plan statement for the quarter ended December 31, 2008.

**III. An additional option for distributions is available under the 401(k) Pension Plan:**

If you receive a distribution from the 401(k) Pension Plan on or after January 1, 2007, you may roll over that distribution to a Roth IRA. The income limits restricting who may roll over to a Roth IRA no longer apply to rollovers made on or after January 1, 2010. If you elect this option you should consult with a tax advisor about the tax issues involved with this type of rollover.

**IV. A new rollover option is available for non-spouse beneficiaries under the 401(k) Pension Plan:**

If you die before receiving your benefit from the 401(k) Pension Plan and have named a non-spouse beneficiary, that beneficiary may now make a direct transfer of your benefit to an IRA. This change is effective for distributions on or after January 1, 2007.

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