

YOUR CO-OP LOGO HERE



Executive Compensation 457(b) Plan for Employees and Directors

A GUIDE FOR
PARTICIPANTS

Welcome

Congratulations. You've been selected for eligibility in the Executive Compensation 457(b) Plan as a highly valued contributor by your co-op.

Due to annual contribution limits, highly compensated employees may find it challenging to meet future retirement goals by relying solely on Social Security and qualified retirement plans, such as 401(k) plans or defined benefit pension plans. This plan provides the opportunity to supplement retirement savings by deferring part of your current income for long-term growth and earnings. Many factors go into deciding whether to participate, but once you are familiar with the plan's benefits and are ready to enroll, it's as easy as completing and submitting your deferral election and payment election forms.

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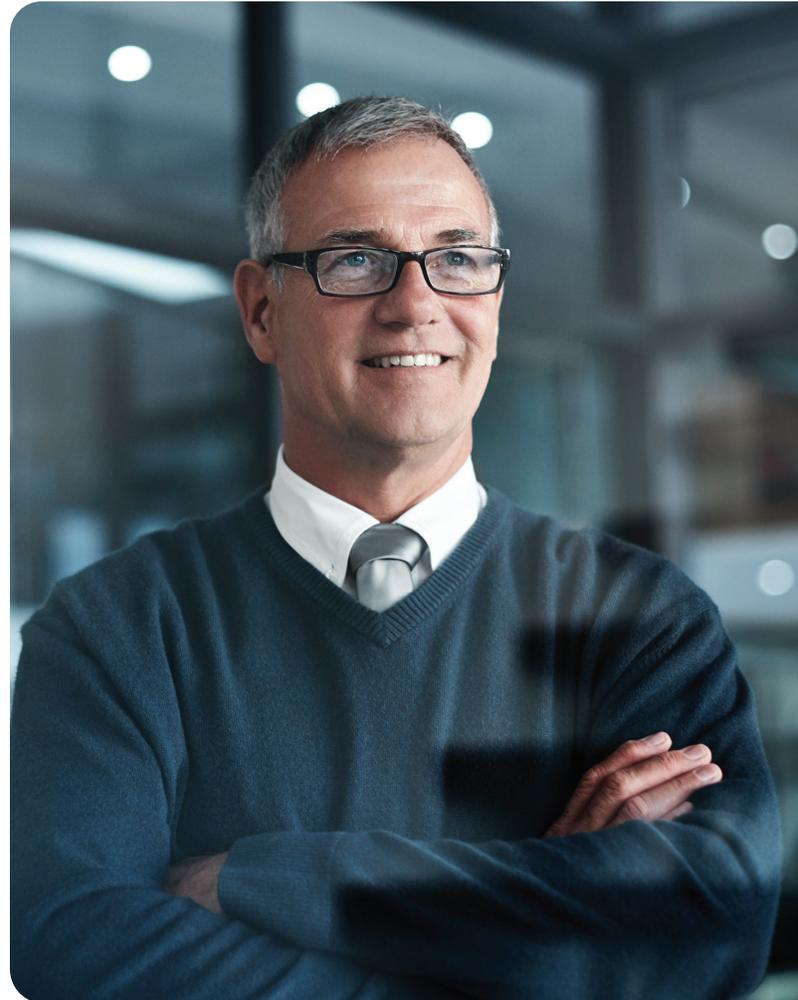
DISCLAIMER: This material provides a summary of Executive Compensation 457(b) Plan benefits available to eligible employees. In the event there are any inconsistencies between what is written here and the actual provisions of your plan, the plan document shall govern. This guide does not create a contract or guarantee of employment between the plan sponsor and any individual.

Plan Overview

Today's executives and other highly compensated employees use nonqualified deferred compensation plans to defer additional compensation and related income taxes, beyond the Internal Revenue Service (IRS) limits for *qualified* plans, such as 401(k) plans. The Executive Compensation 457(b) Plan provides an opportunity to elect the deferral amounts and payment terms (including the timing and form of distributions) to best meet your personal needs.

If you elect to participate in the Executive Compensation 457(b) Plan, you designate a portion of your compensation to be deferred on a pre-tax basis and put into an account — *owned by the cooperative* — for your benefit. In addition to the benefits of deferring current income, your account could achieve further tax-deferred growth through investment gains.

You will be paid distributions in the future according to your payment election and plan provisions. Typically, you will receive the deferred compensation plus any earnings when you are no longer providing services to your co-op. You will owe tax on those distributions as ordinary income at the time of payment, similar to how your salary is taxed.



Eligibility and Enrolling in the Plan

You are eligible to participate in the co-op's:

- **Executive Compensation 457(b) Plan for Employees** if you fall within a select group of management or highly compensated employees
- **Executive Compensation 457(b) Plan for Directors** if you are a member of the board of directors

Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.

Making Deferral Elections

You may defer any taxable income you receive from your co-op, up to the deferral limit, which is determined annually by the IRS. Contact your co-op's benefits administrator for the current deferral limit. Income eligible for deferral can include director's fees (if applicable) and any taxable compensation. Keep in mind, the annual 457(b) Plan contribution limits include employer contributions (if any) plus employee deferrals.

You make a written election for the amount you want to defer when you enroll. Your deferral election applies to

earnings beginning with the month following enrollment, and the first deduction is taken from the first paycheck of the subsequent month. For example, if you make your deferral election in January, the first deduction is taken from the initial check in February.

If you want to change the amount that is deferred, you must contact your co-op's benefits administrator the month in advance of when you want the change to take place and complete a new election form to indicate your revised election.

Annual Contribution Limits



The maximum annual salary deferral that you can contribute to the Executive Compensation 457(b) Plan is the lesser of 100% of your salary or the maximum contribution limit established annually by the IRS. The annual contribution limit to the 457(b) Plan includes your salary deferrals and any employer contributions (if applicable).

As a director or employee of the co-op, you can elect to contribute the maximum amount to the 457(b) Plan in addition to deferring the maximum amount annually to any qualified defined contribution plan, such as a 401(k) Plan, in which you also participate. Income deferred under the Executive Compensation 457(b) Plan does not reduce any other employer-paid benefits, such as employer matching contributions to a 401(k) Plan. Please note: If you participate in more than one 457(b) Plan, your combined contributions are limited to the total annual maximum contribution limit for all of your 457(b) plans.

Each fall, the IRS sets the annual contribution limits for retirement savings plans. The amounts are indexed for inflation and subject to change from year to year. If the annual contribution limit increases, you may increase your deferral elections.

Special Catch-Up Contributions

If you did not defer the maximum amount that you were eligible to contribute to the Executive Compensation 457(b) Plan in previous years, you may make special catch-up contributions during each of the three years prior to, but not including, the year you reach normal retirement age for your co-op's primary retirement plan, or as otherwise allowed by the plan document.

For example, you may elect to make special catch-up contributions for each of the years you reach ages 59, 60 and/or 61 if your co-op's primary pension plan's normal retirement age is 62. Be sure to verify your co-op's normal retirement age prior to starting any special catch-up contributions.

If you are a director, your normal retirement age is 65 for purposes of the special catch-up contributions.

During your three years of special catch-up eligibility, you are able to contribute *the lesser of*:

- a) Twice the annual deferral limit
- b) The annual deferral limit plus the amount you were eligible to contribute in previous years but did not

The total of your special catch-up contributions cannot exceed the difference between your actual contributions and the maximum amount you were eligible to contribute under the plan for prior years.

HERE IS AN EXAMPLE showing **contribution limits** and **annual contributions** since 2014 for a hypothetical employee:



This example assumes that Chris joined the plan in 2014 and will retire in 2021 upon reaching normal retirement age for the co-op's primary retirement plan. Between 2014 and 2017, the total of Chris' underutilized deferral amounts equals **\$33,000**.

Years	IRS Annual Deferral Limits	Chris' Total Annual Contributions	Chris' Underutilized Deferral Amounts
2014	\$17,500	\$0	\$17,500
2015	\$18,000	\$12,000	\$6,000
2016	\$18,000	\$13,000	\$5,000
2017	\$18,000	\$13,500	\$4,500
Total of Underutilized Deferrals Available for Special Catch-Up			\$33,000



Over the three years prior to 2021, when Chris reaches normal retirement age for the co-op's retirement plan, he can contribute up to the catch-up provisions. During that time Chris can also continue to make basic contributions up to the annual deferral limits.

Years	IRS Annual Deferral Limits	Chris' Total Annual Contributions	Chris' Special Catch-Up Contribution Amounts
2018	\$18,500	\$28,500*	\$10,000
2019	\$19,000	\$29,000*	\$10,000
2020	\$19,500	\$32,500*	\$13,000
2021/Retirement	\$19,500	\$19,500	Not Eligible
Total of Special Catch-Up Contributions			\$33,000

*Chris' total annual contributions between 2018 and 2021 include both his basic annual + special catch-up contributions.

IMPORTANT: If Chris chooses to retire during one of the three years prior to his normal retirement age, he cannot make any special catch-up contributions for that year.

Setting Up Accounts and Selecting the Investments

Your investment provider is Homestead Funds. Homestead offers a range of investment options including stock, bond and money market mutual funds. Your co-op will set-up an account for your benefit and, if elected by your co-op, you will decide how to allocate the assets among the available investment options. As with any investment, you will want to consider your financial goals, risk tolerance, time horizon, diversification and other investments. Please note that while you may control the investment decisions, the co-op owns the account until the benefits are paid to you. This means you may not send personal checks or transfer any other assets into the account, or take loans or write checks from the account.

Neither asset allocation nor diversification guarantees a profit or protects against a loss in a declining market. They are methods used to help manage investment risk.

EXCESS CONTRIBUTIONS

If your total deferrals exceed the maximum annual contribution limit (normal deferral plus any allowable special catch-up contributions), the excess deferrals and any attributable earnings must be distributed back to you as taxable income as soon as administratively feasible once the excess deferral is discovered. For your plan to remain in compliance, this must be done by April 15th of the next calendar year.



Distribution Rules and Process

Distributions will be made in accordance with the options and terms of your co-op's plan and your most recent payment election form. When you enroll in the plan, you determine:

- a) When the distribution will be received
- b) In what form the distribution will be paid

It is important to consider the timing and form of distribution from the plan relative to other company benefit plans, personal investments and Social Security benefits. You should consult your own tax or financial advisors before taking any action with respect to your investments and benefits.

Generally, benefits under the plan are payable to you by the co-op upon one of the following qualifying events:

- Severance from service (retirement, separation or termination)
- Attaining age 70½ (this in-service withdrawal provision allows for those who continue to work well beyond their normal retirement date to have access to their funds)
- Unforeseeable emergency
- Qualified domestic relations order
- As of the date you are determined to be disabled (not applicable to directors) if such determination leads to separation
- Upon your death, to your designated beneficiary(ies)

At enrollment, you should submit a payment election form specifying the time and form of benefit payment(s). You may make changes to your payment election up until your last day of employment and, if your plan document allows, up to 30 days following your severance from service. Additionally, you may have an opportunity to delay your distribution(s) by submitting a new payment election form no less than 30 days prior to the date payment is to begin.

Distributions may be paid out as one of the following:

- A single-sum cash payment
- A series of installments
- A combination of a lump sum plus a series of installments
- An in-kind transfer

There is no limit on the number of installment payments you can receive, as long as each payment complies with the required minimum distribution rules.

Once installments have begun, they cannot be changed or accelerated, except in limited circumstances. Please refer to the "Unforeseeable Emergencies" section for additional details.

Since the accounts are the property of the co-op until paid, the co-op must request any distributions from the investment company. When payments are due, the individual designated by the co-op as its authorized representative will contact the investment company where accounts are maintained on your behalf to request distributions.

IMPORTANT: Refer to the plan document for the distribution rules selected by your co-op. To change the time and form of payment, you must submit a revised payment election form; otherwise, your benefit will be paid as originally elected.

Tax Treatment of Distributions

FOR EMPLOYEES: As an employee, you will owe ordinary income taxes when you receive distributions (including in-kind transfers) of the deferred amounts, plus any interest or earnings credited to your account. Even though you may be retired and no longer an employee, local, state and federal tax withholding applies, and distributions will be reported as taxable income on your IRS Form W-2 as follows:

- **Box 1:** Wages, tips and other compensation
- **Box 11:** Nonqualified plans
- **Box 16:** State wages, tips, etc. (if applicable)
- **Box 18:** Local wages, tips, etc. (if applicable)

Since your benefits in the plan are fully and immediately vested, the contributions to the plan are subject to payroll taxes (i.e., FICA) at the time of deferral. Generally, the amounts later paid to you are not subject to employment taxes at the time of distribution.

Potential Impact on Your Social Security Benefits:

You should check with a tax professional before starting distributions of your deferred compensation to be certain of the effect on your Social Security benefits.

FOR DIRECTORS: As a director, you are considered an independent contractor (not an employee) who provides services for your co-op; therefore, the co-op doesn't withhold taxes from your deferrals or your payments. Your IRS Form 1099 will not reflect your deferrals to the plan; however, you will receive an IRS Form 1099-NEC for each year that you receive a distribution from the plan. The distributions are reported as nonemployee compensation on your 1099-NEC in boxes 1 and 7 (if applicable for state income).

IMPORTANT: Because tax regulations change from time to time and from state to state, you should consult your tax advisor about the implications of taking any distribution from the plan.



Important Points to Consider

- **Changing Distributions:** You use the payment election form to indicate the time and form of payments. Once benefit payments have begun, the choices you make are irrevocable and no further changes may be made to your elections.
- **Life Expectancy:** The number of installment payments that you can elect under this plan may not exceed your life expectancy under the “Single Life Table” published by the IRS.
- **Required Minimum Distributions:** This plan is subject to required minimum distribution rules established by the IRS. You must take mandatory withdrawals annually starting with the year in which you reach 70½ or 72 years of age (based on your plan’s provisions) or, if later, the year in which you retire. Generally, required minimum distributions must be withdrawn by December 31 of each tax year. You should check with your co-op for additional details on how initial and ongoing required minimum distributions are handled. Failure to take a withdrawal of at least that amount could result in a penalty equal to 50% of the difference between the required minimum distribution amount and any amount distributed from your account.
- **No Early Distribution Penalties:** Distributions received from 457(b) plans are not subject to the penalties that may apply to early distributions from retirement plans, such as 401(k) plans.
- **Unforeseeable Emergencies:** An unforeseeable emergency is defined as a severe financial hardship for the participant or beneficiary resulting from:
 - An illness or accident experienced by the participant or beneficiary, his or her spouse, or dependents
 - Property loss due to casualty or some other extraordinary or unforeseeable circumstance arising from events beyond the control of the participant or beneficiary
 - Funeral expenses of the participant’s spouse or dependent
 - Other similar extraordinary and unforeseeable circumstances beyond the control of the participant or beneficiaryThe criteria for an unforeseeable emergency are more restrictive than the IRS rules for hardship distributions that apply to 401(k) plans. If you are seeking unforeseeable emergency distributions, you must show that emergency expenses could not otherwise be covered by insurance, liquidation of your assets or cessation of your deferrals under the plan.
- **Unfunded Plans:** As a nonqualified deferred compensation plan, the Executive Compensation 457(b) Plan is unfunded. All assets are owned by the co-op until paid and are subject to the demands of general creditors in the event of insolvency of the co-op. As a plan participant, you are considered an unsecured general creditor of the co-op. The co-op contractually promises to pay your benefits under the plan to you at a later date, such as at retirement or separation from service, or to your beneficiaries upon your death. You should seek guidance from your personal financial or tax advisor before electing to participate.

Important: Homestead offers nonqualified deferred compensation plans as an additional service to members for their employees and directors and provides certain administrative support services; however, Homestead does not sponsor or act as the plan administrator of these plans, assume liability for their operation, or provide legal or tax advice in conjunction with the plans. Employers and participants are responsible for any tax or legal consequences associated with their adoption, operation or participation in nonqualified deferred compensation plans.

Investing in mutual funds involves risk, including the possible loss of principal. **Past performance does not guarantee future results.**

Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit homesteadfunds.com.

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