

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**BOARD MEETING**  
**AGENDA ITEM SUMMARY**

**June 21, 2006**

**ACTION REQUIRED**

**AGENDA ITEM NO. IX.B.**

**Information Only**  
 **Motion**  
 **Resolution**  
 **Executive Session**  
 **Other**

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**TOPIC**

**NRECA's Pension Restoration Plan**

**DISCUSSION**

In April of 1998, NRECA notified Chugach that there were employees whose pension benefits from the Retirement & Security Program would be reduced because of the limitations on retirement benefits payable under Sections 401(a)(17) or 415 of the Internal Revenue Code of 1986, as amended. As a result, NRECA made available a Pension Restoration Severance Pay Plan and Pension Restoration Deferred Compensation Plan (the Plans) for cooperatives to adopt in order to make employees whole for their lost benefits. In May 1998, the Board of Directors adopted the Plans to protect these benefits.

NRECA has notified Chugach that the Treasury Department and the Internal Revenue Service (IRS) have issued new regulations which affect the Plans and that Chugach needs to adopt NRECA's updated Deferred Compensation Pension Restoration Plan and freeze participation in NRECA's Severance Pay Pension Restoration Plan by December 31, 2006 in order to be in compliance with the new regulations.

Adoption of NRECA's updated Deferred Compensation Plan has no cost to the Association.

The Finance Committee met on May 24, 2006 and recommended approval of these changes at the June 21, 2006 Board of Directors meeting.

**MOTION**

Move that the Board of Directors freezes participation in NRECA's Severance Pay Pension Restoration Plan effective January 1, 2005, and adopts the updated Deferred Compensation Pension Restoration Plan, which has been updated to comply with Section 409 (A) of the Internal Revenue Code, effective June 21, 2006.

**WHEREAS**, The Board of Directors of Chugach Electric Association, Inc. (the Board) approved the adoption of the Pension Restoration Severance Pay Plan (the Severance Pay PRP) and the Pension Restoration Deferred Compensation Plan (the Deferred Compensation PRP) on May 6, 1998 to provide supplemental payments to certain employees due to limitations under the Internal Revenue Code of 1986 relating to permissible payments from qualified pension plans; and

**WHEREAS**, the Board desires to amend the Severance Pay PRP and the Deferred Compensation PRP to comply with changes in the law.

**NOW THEREFORE BE IT RESOLVED** that the Board adopts NRECA's updated Severance Pay PRP and the updated Deferred Compensation PRP, effective June 21, 2006 designed to comply with Section 409 (A) of the Internal Revenue Code.

**BE IT FURTHER RESOLVED**, that the Board specifically resolves to amend the Severance Pay PRP and the Deferred Compensation PRP as follows:

1. In recognition of the fact that there were no eligible participants in the Severance Pay PRP as of January 1, 2005, participation in the Severance Pay PRP is frozen effective January 1, 2005.
2. The terms of the Severance Pay PRP in effect on December 31, 2004 will govern the payment of benefits earned before January 1, 2005.
3. The Deferred Compensation PRP shall be amended to provide that benefits earned on or after June 21, 2006, shall be vested as set forth in the Deferred Compensation PRP.