

**PENSION RESTORATION DEFERRED COMPENSATION PLAN  
AND  
PENSION RESTORATION SEVERANCE PAY PLAN**

- Chugach is a participating employer in the NRECA sponsored defined benefit plan, the Retirement and Security Program, for its non-represented employees.
- In 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.
- NRECA made available a Pension Restoration Severance Pay Plan and a Pension Restoration Deferred Compensation Plan for cooperatives to adopt in order to make employees whole for their lost benefits.
- In May 1998, the Chugach Board of Directors adopted NRECA's Pension Restoration Severance Pay Plan and the Pension Restoration Deferred Compensation Plan (PRP) on May 6, 1998, to allow Chugach to protect the benefits of employees whose pension benefits may be reduced because of these limitations.
- There is no cost to the Association to fund benefits under the PRP because any benefits payable under Chugach's PRP are credited by NRECA to the quarterly retirement bill. For example, when a previous employee retired, he received a PRP benefit of \$5,116.52. NRECA issued a credit to Chugach of \$5,116.52 which reduced the second quarter retirement invoice from NRECA by that amount.
- NRECA has notified Chugach that the Treasury Department and the Internal Revenue Service (IRS) have issued new regulations which affect the current PRP and that the plans need to be amended by December 31, 2006 in order to be in compliance with the new regulations.
- A resolution with a recommendation to amend Chugach's PRP will be an agenda item for the June board meeting.