

Northwest Farm Credit Services Retirement Plan

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Complete details of the Plan are contained in the Plan document. If there is a difference between this booklet and the Plan document, the Plan document will govern.

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Northwest Farm Credit Services Retirement Plan

Introduction

You and your employer work together to help prepare for a secure retirement. To help provide you a financial foundation for your retirement, Northwest Farm Credit Services provides benefits eligible employees – subject to the participation requirements described in the next section – with a retirement benefit under this Plan.

This booklet is intended to provide a brief description of the Northwest Farm Credit Services Retirement Plan (previously known as the AgAmerica District Defined Benefit Plan and hereinafter referred to as the “Plan”). Complete details of the Plan are contained in the Plan document. If there is a difference between this booklet and the Plan document, the Plan document will govern. The information provided on taxes is general in nature and may not apply to your personal circumstances. You should consult a tax advisor for more information.

Participating in the Plan

The Plan is closed to new participants. Only current participants will be eligible to receive benefits from the Plan.

The Plan was closed to new participants beginning January 1, 1995. Thus, you will be a participant in the Plan only if you were hired prior to January 1, 1995 and had previously satisfied the service requirement for Plan participation.

If you terminate employment with your employer and are subsequently reemployed, you will be considered an ineligible employee for purposes of further participation in the Plan. (You may, however, become a participant in the Farm Credit Consolidated Benefit Plan – 401(k) and Employer Contribution). If you were fully vested in your accrued benefit under the Plan when you terminated employment, you will be eligible to receive a retirement benefit when you reach your normal retirement date.

Plan Cost

Your employer pays the full cost of the Plan by making contributions to a retirement trust fund. The amount of these contributions is determined annually by an independent actuary who calculates how much must be in the trust fund to cover the benefits provided by the Plan.

The assets of the Plan are held in trust. The money in the trust may be used only to pay benefits and administrative costs for this Plan. The trustee makes all payments from the Plan.

Benefits Complete[®]

To help with your retirement planning, you may access your accrued benefit under the Plan (and your vested interest), and model retirement alternatives through *Benefits*

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Complete, 24 hours a day, seven days a week. *Benefits Complete* is provided by New York Life Investment Management (NYLIM). You may access *Benefits Complete* over an automated telephone system or via the Internet (<http://www.bcomplete.com>). This system also allows you access to a NYLIM Participant Service Representative, 1-800-294-3575, if you call between the hours of 9:00 AM and 8:00 PM Eastern Time any business day (a day on which the New York Stock Exchange [NYSE] is open).

Instructions for using *Benefits Complete* are contained in the online Transaction Guide accessible from the Welcome Screen at www.bcomplete.com.

Your Plan Service

Your benefit from the Plan is determined in part by your years of Service.

Years of Service

Your years of Service under the Plan include all of your years of employment as a benefits eligible employee. You begin earning service credit with your first hour of employment. In addition, for certain purposes, your Service will be increased for any unused sick leave hours that you have accumulated at termination of employment. A maximum of 35 years of Service will be used to determine your benefit.

You are fully vested, or have earned a benefit from the Plan, after you have completed five years of Service.

NOTE: *If you were hired on or before December 8, 1988, you will be given credit for all periods of regular service with the Farm Credit Administration. If you were hired after December 8, 1988, you will be given credit for any prior regular service with the Farm Credit Administration only through December 31, 1985.*

Break-in-Service

In general, you stop earning Service credit when you:

- Quit;
- Retire;
- Are discharged; or
- Die.

These situations are called a "break-in-service".

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When You Can Retire

Your normal retirement date is the first day of the month on or after your 65th birthday.

You will be eligible to begin receiving benefits from the Plan when you reach your normal retirement date. Your normal retirement date is the first day of the month on or after your 65th birthday.

If You Choose to Receive Benefits Before Normal Retirement

You may choose to begin receiving benefits before your normal retirement date if you are at least age 55 and have completed 5 years of Service. (For this purpose, your years of Service, will not include any unused sick leave). If you begin receiving benefits before age 65, your benefits will normally be reduced to reflect that they will be paid over a longer period of time.

The amount of the reduction will be determined by your age as of the date payment of your benefits commence as follows (the percentage will be prorated for ages between those shown):

<u>Your age at which payment commences</u>	<u>Percent of benefit you will receive</u>
55	70%
56	74%
57	78%
58	82%
59	86%
60	90%
61	92%
62	94%
63	96%
64	98%
65	100%

You should be aware, however, that your benefit, will not be reduced for age, if, at the time your employment ends you are at least age 55 and the sum of your age and years of Service (excluding unused sick leave) equals or exceeds 85.

If You Work Beyond Your Normal Retirement Date

If you choose to work beyond your normal retirement date, your Service will continue to count towards your retirement benefits (up to a maximum of 35 years). Your High Five Average Salary and Social Security Average Monthly Wage (as described in the next section) will be determined as of your actual retirement date. When you retire, your benefits will start the first of the month after your retirement date.

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What Determines Your Benefit

Your Service is one of the factors used to determine your benefit. The other factors are your High Five Average Salary and your “Social Security Average Monthly Wage”.

High Five Average Salary

Your High Five Average Salary is the average of your annual salary for the highest **60 consecutive months** of Service over your career with your employer. You should be aware, however, that, for Plan purposes, your “salary” is defined as base pay plus other certain types of pay (e.g. incentive, bonus, commission, overtime, shift differential) before payroll deductions but will not include non-cash awards, expense reimbursements, deferrals to non-qualified plans, and other nonrecurring compensation (e.g. pay in lieu of vacation, severance, sign-on bonus, retention pay, retirement gratuity, service awards, irregular/intermittent work).

In addition, the amount of salary that may be taken into account is further limited under the federal tax laws. For example, for 2006, the limit is \$325,000 for employees who were participants in the Plan before 1996.

Social Security Average Monthly Wage

Social Security is an important source of your future retirement income. While you are working, you contribute to Social Security through payroll taxes and your employer pays an equal amount on earnings up to the annual Social Security taxable wage base, \$90,000 for 2005. Your “Social Security Average Monthly Wage” is the average of the Social Security taxable wage bases for the 5 years preceding the calendar year in which you terminate employment.

For example, the Social Security Average Monthly Wage for someone retiring in 2006 is \$7,170 determined as follows:

2005	\$90,000
2004	\$87,900
2003	\$87,000
2002	\$84,900
2001	<u>\$80,400</u>
	\$430,200
	<u>÷ 60</u>
	\$7,170

If your High Five Average Salary is greater than one-half of your Social Security Average Monthly Wage, you will receive the excess benefit portion of the High Five Average Salary formula. The excess benefit helps replace some of the benefit you won't get from Social Security due to wages on which you didn't pay FICA tax.

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How Your Benefit is Calculated

Your benefit is calculated using a specific formula, as described in this section.

Your benefit is calculated using this formula:

$$\begin{array}{r} (1.45\% \text{ of your High-Five Average Salary} \\ + \\ .35\% \text{ of your High-Five Average Salary in excess of one-half of your Social Security} \\ \text{Average Monthly Wage)} \\ \times \\ \text{Your years of Service (up to 35)} \\ - \\ \text{Your retirement benefit from another Farm Credit Organization} \\ \text{for which you receive service credit in this plan} \\ = \\ \text{Monthly retirement benefit at normal retirement (age 65)} \end{array}$$

Example

Assume you retire on December 1, 2006, at age 65 with 32 years of Service, and with a High-Five Average Salary of \$3,750 per month. If we assume your Social Security Average Monthly Wage is \$7,170, your retirement benefit would be calculated as follows:

1.45% of \$3,750 (High-Five Average Salary)	\$	54.37
PLUS		+
.35% of \$165.00 (\$3,750 High-Five Average Salary - \$3,585.00 (½ of your Social Security Average Monthly Wage))	\$.58
		<hr/>
		54.95
TIMES		
32 years of Service	x	32
		<hr/>
Total Monthly Retirement Benefit	\$	1,758.40

Also, the IRS limits benefits payable from qualified retirement plans. The annual benefit limit for 2006 is \$175,000 for benefits commencing at age 65.

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If You Leave Before Retirement

If you terminate employment before your normal retirement date after completing five years of Service you will be eligible for a Plan benefit.

If you terminate employment after completing five years of Service, but before you are eligible to retire, you have the right to receive benefits beginning as early as age 55. You must begin receiving benefits by April 1st of the year following the year you reach age 70½.

If you choose to begin receiving benefits before you reach age 65, your monthly benefit will be reduced. See Section entitled "If You Choose to Receive Benefits Before Normal Retirement" for an explanation of how benefits are reduced for early commencement.

If you leave employment before you complete five years of Service, you will not be entitled to any benefits from the Plan. Any amounts forfeited will be used to reduce future contributions to the Plan.

If You Become Disabled

You may be eligible for a benefit from the Plan if you become disabled before retirement.

If you become "disabled" while you are employed, you may be eligible for a disability retirement benefit. You will be considered "disabled" if you are eligible to receive benefits under your employer's long-term disability (LTD) plan.

You will be eligible to receive a disability retirement benefit under the Plan if you remain disabled until your normal retirement date. Your disability retirement benefit would be calculated under the formula set forth on the previous page based on your High-Five Average Salary and your Social Security Average Monthly Wage as of the date you became disabled. However, you will be credited with an additional two years of Service upon your retirement for disability.

How Your Benefits are Paid

You can choose how your benefit will be paid from a variety of options.

Because people's needs differ, there are several payment options available to you. If you do not choose a payment option, the Plan will automatically pay benefits to you based on your marital status at retirement, as explained in this Section.

If You are Not Married

If you were hired prior to January 1, 1977, your benefit under the Plan will normally be paid to you in the form of a 5-Year Certain and Life Annuity. Under this form, you will

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receive equal monthly payments during your lifetime with the guarantee that at least 60 monthly payments will be made to you or, in the event of your death, your beneficiary.

If you were hired on or after January 1, 1977, your benefit under the Plan will normally be paid to you in the form of a Single Life Annuity. Under this form, you will receive equal monthly payments for as long as you live, with payments ceasing upon your death.

If You are Married

If you are married on the date your benefit is to commence, unless you elect otherwise with your spouse's consent, you will automatically receive a 66 2/3% Joint & Survivor Annuity. Under this form of benefit, you will receive a monthly benefit for life. Following your death, if you are survived by your spouse to whom you were married when your payment began, he or she will receive a monthly benefit for the remainder of his or her life equal to 66 2/3% of the benefit you were receiving at the time of your death. If you outlive your spouse, payments will stop following your death.

NOTE: *If you are married, your form of payment is the 66 2/3% Joint & Survivor Annuity. Although, if you prefer, you may elect to receive your benefit paid in the form of a 5-Year Certain and Life Annuity or a Single Life Annuity, or you may elect one of the optional forms described below, by filing a written election prior to the date your benefit is to commence. However, unless you select the 66 2/3% Joint & Survivor Annuity or the 100% Joint & Survivor Annuity Option with your spouse as your beneficiary as described below, your spouse must consent to your election in writing and your spouse's consent must be witnessed by a notary public.*

Optional Payment Methods

You may choose any of the optional payment methods by completing an annuity election form at the time of your retirement.

100% Joint & Survivor Annuity Option

If you are married, you may choose the Joint & 100% Survivor Annuity Option to increase the payment amount to your spouse.

Certain and Life Annuity Option

Under the Certain and Life Annuity Option, benefits are paid monthly for your lifetime, with payments guaranteed for a period of time – 5, or 10 or 15 years (as you may elect). If you die within the guaranteed period, payments in the same amount will be made to your beneficiary for the remainder of the guaranteed period.

Some Issues to Consider as You Make Your Decision

There are certain issues you should think about before you make your benefit election including:

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- If you receive benefits in any form other than a Single Life Annuity, the amount of your monthly benefit will be reduced to reflect that payment will be possibly made over two lifetimes or for a guaranteed period of time.
- You may choose a payment method or change your election any time before benefits begin. Once you start receiving payments, your form of payment cannot be changed.
- If your spouse named under a Joint and Survivor Annuity benefit dies before you, but after your monthly annuity has commenced, your benefit amount will remain at the reduced amount you elected. All payments will cease upon your death. You cannot reassign the survivor's share of the Joint and Survivor benefit to another joint annuitant.
- If you elect a Joint and Survivor Annuity option and you divorce after retirement, you will continue to receive the reduced Joint and Survivor benefits and, if your former spouse survives you, she or he will receive the monthly survivor benefit.

Paying Taxes on Your Benefits

When you receive your distribution from the Plan, taxes will automatically be withheld on your benefit payments unless you specifically request otherwise in writing. The amount withheld will depend on your filing status and the number of exemptions you claim. If you choose not to have taxes withheld from your benefit, you must pay them when you file your tax return. You may be required to pay estimated taxes – and possibly tax penalties - if you decide not to have taxes withheld, or if the amount withheld is not enough to cover the actual taxes due (state and federal).

You can change your tax withholding at any time by contacting AgriBank at 1-800-892-7924. Tax laws change frequently. You should talk to a qualified tax advisor before you begin receiving benefits from the Plan.

If You Die

Survivor Benefit After Distribution Has Commenced

If you die following termination of employment but after distribution of your benefit has commenced, a Survivor's benefit will be paid to your beneficiary only if so provided under the form of distribution you selected. For example, if you have your benefit paid under a 5-Year Certain and Life Annuity and you die before your designated beneficiary and before receiving 60 monthly payments, payments will continue to be made to your beneficiary for the balance of such 60 month period. On the other hand, for example, if you elect to receive your benefit in the form of a Single Life Annuity, and die after distribution has commenced, no Survivor's benefit will be provided under the Plan.

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Survivor Benefit Before Distribution Has Commenced

Married Active Participant

If you are married, have completed at least 6 months of Service, and die while employed by your employer, a death benefit will be paid to your surviving spouse.

The monthly benefit equals 30% of your salary payable to your surviving spouse plus 10% payable to each child (maximum of two) minus any Family Social Security Benefits and Worker's Compensation benefits. Benefits to your spouse will continue until death or 6 months following remarriage prior to age 60. Benefits to your child(ren) will continue until age 18.

This benefit will be no less than a lifetime benefit to your surviving spouse equal to the survivor's portion of the 66 2/3% Joint & Survivor Annuity. Such death benefit will normally commence as soon as administratively possible following your death.

Married Terminated Participant

If you are married, have terminated employment with a right to receive a benefit under the Plan, but die before distribution has commenced, a death benefit will be paid to your surviving spouse, if you elected coverage of such death benefit.

If you elected coverage of such death benefit, this death benefit will provide a lifetime benefit to your surviving spouse equal to the survivor's portion of the 66 2/3% Joint & Survivor Annuity. If you die after your early retirement date, such death benefit will normally commence as soon as administratively possible following your death. If you die before reaching the earliest age under the Plan, payment of the death benefit will be deferred until the date you would have reached the earliest possible retirement age.

You should be aware, however, that if you elected such coverage, and you subsequently begin to receive benefits under the Plan, the amount of your benefit will be reduced for each year that the spouse death benefit coverage was in effect. In this regard, your benefit will be reduced 1/10th of 1% (.1%) for each year of coverage under age 45, 2/10ths of 1% (.2%) for each year of coverage between age 45 and 55 and 5/10ths of 1% (.5%) for each year of coverage after age 55. For example, if this coverage was in effect from age 55 to 65, your benefit will be reduced by 5% (.5% x 10 years).

At anytime after you elected such coverage, you may elect to waive this coverage in order to avoid this reduction in your benefit for the time period after your waiver. However, to do so, you will be required to obtain your spouse's written and notarized consent.

Unmarried Participant

If you are not married and die while employed, or after terminating employment but before distribution of your benefit has commenced, no Survivor benefit will be payable on your behalf except for the monthly child(ren) benefit equal to 10% of your salary as described above.

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Applying for Benefits

This section describes the procedures you will need to follow to apply for benefits.

You may initiate your retirement by requesting a Retirement Application through *Benefits Complete* up to 90 days before your retirement date. Simply provide the date at which you anticipate terminating employment (i.e., your termination date) and the date you would like to begin receiving payments (i.e., your benefit commencement date). Your Retirement Application will be mailed to you within two business days. In addition, if you intend to retire, please notify your Manager and Human Resources Representative.

This is the first step in a two-step process. Once NYLIM receives your completed Retirement Application and your final payroll information from your employer, your Benefit Election Package will be mailed to your address of record within five business days. Your Benefit Election Package illustrates the various payment options available to you and allows you to select your form of payment. NYLIM will process your distribution request within two business days of receipt of your complete Benefit Election Package.

If you die before your benefit commencement date, your benefit election will not be effective, and survivor benefits will be payable only to a surviving spouse. If you are not married, no benefits will be paid after your death. *Benefits Complete* will help your spouse apply for benefits from the Plan.

You may contact *Benefits Complete* at www.bcomplete.com or at 1-800-294-3575. The *Benefits Complete* automated information line is available seven days a week, twenty-four hours a day. Participant Service Representatives are available Monday through Friday, 9:00 a.m. to 8:00 p.m. Eastern Time, except on New York Stock Exchange holidays.

Situations that Can Affect Your Benefits

Your benefit could be lost or delayed by certain situations, as described in this section.

The Plan is designed to provide you with continuing income when you reach retirement age. But some situations can affect your benefits, as summarized here:

- If you are entitled to a benefit when you leave employment, you must properly complete an election form and submit it before benefits can begin. If you do not complete an election form or you fail to provide all the necessary information, your benefit payment will be delayed.
- If you do not keep your current address on file and you cannot be located, your benefit payments may be delayed. You are responsible for notifying your employer and NYLIM of any change in address.

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Special Provisions for Highly Paid Employees

The Internal Revenue Code imposes limits on the benefits payable from the Plan. In general, these limits apply to:

- Benefits based on compensation over certain pay levels defined by the IRS; and
- The amount that can be paid out to any one person as an annual benefit.

If either of these maximums should apply, the benefit payable from the Plan could be less than the benefit determined in the way explained earlier for normal, early, or deferred vested retirement benefits. Anyone affected will be notified individually.

Assignment of Benefits

Your retirement benefits belong to you and may not be sold, assigned, transferred, pledged, or garnished under most circumstances.

If you become divorced or separated, a court order could require that part of your benefit be paid to someone else such as your spouse or your children. This is known as a Qualified Domestic Relations Order.

As soon as you become aware of any court proceedings that may affect your retirement benefits, you should contact *Benefits Complete*. The Order must be reviewed to ensure that it meets both the legal and the Plan's requirements for a Qualified Domestic Relations Order.

If you or your beneficiary are unable to manage your financial affairs, any payments due may be paid to a court-appointed guardian or another person who is legally authorized to conduct your financial affairs.

If the Plan is Ended or Amended

If the Plan is ended, or if there is a partial termination that affects you, any benefit you have earned will immediately become 100% vested as of the termination date.

Following a complete termination of the Plan, the benefits you have earned will be paid from the assets of the Plan.

Special limits apply to the benefits paid to the 25 highest paid participants. You will be notified if these limits apply to you

If this Plan is Merged With Another Plan

If this Plan is merged with another plan, or assets from this Plan are transferred to another plan, the benefits you have already earned will be protected. Your benefit under the new Plan will be at least as great as the amount you would have been entitled to if the Plan had been terminated just before the change.

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Pension Benefit Guaranty Corporation

As a governmental plan, this Plan is not covered under the provisions of the PBGC.

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