

Seventh District Retirement Plan – Cash Balance Formula

Introduction

You and your employer work together to help prepare for a secure retirement. To help provide you a financial foundation for your retirement, employers in the Seventh Farm Credit District provide benefits eligible employees hired on or after October 1, 2001 with a Retirement Plan – Cash Balance formula. (Note: During the third quarter of 2002, employees hired prior to October 1, 2001 were given the option to stay with the Seventh District Retirement Plan - Final Average Pay formula or move to the Cash Balance formula. All employees hired or re-hired on or after October 1, 2001 automatically have their benefit calculated using the cash balance formula.)

This section of the Employee Handbook is intended to provide a brief description of the Seventh District Retirement Plan – Cash Balance formula. Complete details of the formula and 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 Seventh District Retirement Plan – Cash Balance Formula

Part-time or full-time benefits eligible employees hired on or after October 1, 2001, scheduled to work at least 20 hours per week on a consistent basis, will automatically participate in the Plan on their date of hire.

If you are a part-time or full-time benefits eligible employee hired on or after October 1, 2001, you will automatically be covered under the Seventh District Retirement Plan – Cash Balance formula. You will also be a participant if you were hired as a part-time or full-time benefits eligible employee prior to October 1, 2001 and you elected to move to the Cash Balance formula during the Retirement Choice period, July–September 2002.

You are not eligible to participate in the Plan if you are:

- Earning benefits under the United States Civil Service Retirement System;
- A nonresident alien;
- Employed by an organization acquired by the Seventh District as the result of a foreclosure of a borrower; or
- Covered by a collective bargaining agreement (unless the terms of the bargaining agreement provides for participation in the Plan).
- A temporary employee

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If you are a temporary employee hired after October 1, 2001, you will become a participant in the Seventh District Retirement Plan – Cash Balance formula as of the first day of the month following a twelve (12) consecutive month period during which you are credited with at least 1,000 hours of service. The first 12-month period will begin on your date of hire. However, if you complete less than 1,000 hours in that 12-month period, you will be required to complete at least 1,000 hours of service in any following Plan Year, in order to participate in the Plan. For this purpose, an hour of service includes all hours actually worked, plus most paid non-working hours, for example vacation and sick days. However, no more than 500 hours of service will be credited to you for any single continuous period during which you are not actually working.

Plan Cost

Seventh District employers pay the full cost of the Seventh District Retirement Plan – Cash Balance formula 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 determine your accrued benefit under the Plan (and your vested interest), and model retirement alternatives through *Benefits 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 Seventh District Retirement Plan – Cash Balance formula is determined according to the formula set forth on page 6.

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Credited Service and Vesting

Credited service generally includes all of your years of employment as a benefits eligible employee in the Seventh District. You begin earning credited service with your first hour of employment.

If you are a temporary employee, you will begin earning credited service on the date you become classified as a regular employee.

You are fully vested, that is, have earned a benefit from the Plan, after you have completed five full years of credited service. If you leave employment in the Seventh District after you are fully vested, you will be eligible for a benefit when you reach age 55. If you leave the Seventh District fully vested and are later rehired, you will automatically be fully vested on your reemployment date.

Break-in-Service

In general, you stop earning credited service when you:

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

These situations are called a "break-in-service". If you complete an hour of service within 12 months of a break-in-service, you will not have incurred a break-in-service. This also applies if you are absent because of a military leave of absence and return to the Seventh District within the period of time required by law.

Effect on Credited Service Date

A break-in-service may affect your credited service date as described here:

- **If the break-in-service is less than 12 months**, you receive credited service for the period of time not worked. Your credited service date equals the credited service date before your break-in-service. For example:

Credited Service Date	06/05/2002
Employment Terminated	12/07/2002
Rehire Date	02/12/2003
Credited Service Date after Rehire	06/05/2002

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- **If the break-in-service is more than 12 months but less than 5 years** you receive credit for prior service, whether or not prior to the break you were vested in the Seventh District Retirement Plan – Cash Balance formula. Your credited service date is adjusted to exclude the period of time not worked in the Seventh District. For example:

Credited Service Date	07/11/2003
Employment Terminated	11/22/2004
Rehire Date	06/12/2005
Credited Service Date after Rehire	02/01/2004

- **If you terminated with less than five years of credited service without being vested and your break in service is greater than five years**, your credited service date on rehire will equal your rehire date. You will not receive any credited service based on your work before the break in service.

Effect of a Lump Sum Cashout on Credited Service Date

If you terminate your employment and receive lump sum cash out from the Seventh District Retirement Plan – Cash Balance formula, your credited service date is your rehire date. You may have an opportunity to repay the lump sum with interest and restore your prior service in the Plan.

Note: Please contact *Benefits Complete* at 1-800-294-3575 for verification of lump sum status and/or calculation of prior credited service.

If You Transfer Within the Farm Credit Organization

If you transferred from a Farm Credit Organization to an employer covered by this Plan before you incurred a five year break-in-service, your prior period of service will be counted as credited service in determining your Seventh District Retirement Plan – Cash Balance formula. Only your pay (as defined in the Section below, “How Much Will I Receive”) with an employer in the Seventh District is used in calculating your Pay Credits as described below. If you elected the Cash Balance formula during the 2002 Retirement Choice period and therefore had an opening balance based on prior service with another Farm Credit Organization, then your benefit from this Plan will be offset by the age 65 life only equivalent benefit you are, or would be, entitled to under any other plan that is attributable to service counted under this Plan.

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When You Can Retire

The normal retirement date for the Seventh District Retirement – Cash Balance formula is the first day of the month on or after the later of your 65th birthday or, if later, the 5th anniversary of your participation in the Plan.

You will be eligible to begin receiving benefits from the Plan when you reach your normal retirement date under the Plan. Alternatively, you can begin receiving benefits as early as age 55.

If you continue working beyond your normal retirement date, you will continue to receive Interest Credits and Pay Credits as described in the next section.

How Much Will I Receive?

Your lump sum benefit amount – called your “normal retirement benefit” or your “accrued benefit” – is determined according to the formula set forth on the following page.

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Formula for calculating your benefit amount:

Beginning of Year Account Balance
 + Interest Credits
 + Pay Credits
 = End of Year Lump Sum Account Balance

Annual Pay Credits:

<u>Years of Credited Service</u>	<u>All Pay</u>	<u>Pay Over Social Security Base</u>
Less than 5	5.0%	5.0%
At least 5 but less than 10	6.0%	5.0%
At least 10 but less than 15	7.0%	5.0%
At least 15 but less than 20	8.0%	5.0%
At least 20 but less than 25	9.0%	5.0%
25 or more	10.0%	5.0%

An example using:

Account balance beginning of year: \$24,130
 Years of credited service at December 31, 2006: 10 years
 Pay for 2006: \$45,000
 2006 Social Security wage base: \$94,200
 Interest credit rate: 4.47%

Applying the formula to the example:

(1) Account balance beginning of year:	\$24,130
(2) Plus Interest Credit of 4.47% [$\$24,130 \times 0.0447$]:	1,078
(3) Plus Pay Credit of 7.0% [$\$45,000 \times 0.07$]:	3,150
(4) Plus Pay Credit on pay over wage base [$(\$45,000 - \$94,200) \times 0.05$]:	0
(5) Equals account balance at end of year:	\$28,358

The Interest Credit Rate is based on the annual interest rate on the 30-year Treasury bonds as published by the IRS for the month of September of the preceding Plan year.

For Plan purposes, your eligible pay includes your base pay plus certain other 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 non recurring compensation (e.g. pay in lieu of vacation, severance, sign-on bonus, retention pay in conjunction with severance, retirement

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gratuity, service awards, irregular/intermittent work). In addition, the amount of pay that may be taken into account is further limited under the federal tax laws. For 2006, the limit is \$220,000 for employees hired after December 31, 1995, or \$325,000 if hired before January 1, 1996.

If You Leave Before Retirement

If your employment ends after completing five years of credited service you will be eligible for a Plan benefit.

If you leave employment after completing five years of credited service, but before you are eligible to retire, you have the right to receive a benefit beginning as early as age 55. You must begin receiving benefits by April 1 of the year following the year you reach age 70-1/2.

From the time you leave employment until the time you take a lump sum distribution or start a monthly annuity, your account will continue to receive annual Interest Credits – but not Pay Credits.

If your employment ends in the Seventh District before you complete five years of credited service, you are not entitled to any benefits from the Seventh District Retirement Plan. Any amounts forfeited will be used to reduce future contributions to the Plan.

If You Become Disabled

If you become disabled before retirement, you will become fully vested in your accrued benefit under the Plan regardless of your years of credited service.

If you become disabled while you are employed, you will become fully vested in your accrued benefit under the Plan, regardless of your years of credited service. For this purpose, you will be considered disabled if you are eligible to receive benefits under the District's Long Term Disability (LTD) Plan. The LTD Plan defines disability as being unable, because of illness or injury, to perform the substantial and material duties of your own occupation.

You will also continue to receive annual Interest Credits during the period you remain disabled. Pay Credits will continue until the earlier of the date on which your period of disability equals the period of Credited Service completed prior to becoming disabled; your recovery; commencement of benefit payments; or your Normal Retirement Date. The Pay Credit percentage (from the table associated with the example in the section, "How Much Will I Receive") will be determined based on your actual service plus this additional service during your period of disability.

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You may take a lump sum distribution or start a monthly annuity at your normal retirement date or any time after your early retirement date – age 55 and 5 years of service

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

You will receive monthly payments during your lifetime. When you die, payments will stop. This is called the Single Life Annuity.

If You are Married

You will receive monthly payments during your lifetime. If you die before your spouse, 50% of your benefit will continue to your spouse for his or her lifetime. This is called a 50% Joint and Survivor Annuity.

The 50% Joint and Survivor Annuity benefit is less than the Single Life Annuity benefit because the benefit is reduced to provide for the possibility of a longer period of payment to you and your spouse. The amount of reduction is based on your age and your spouse's age at the time you begin receiving your benefit.

Optional Payment Methods

You may choose any of the optional payment methods, including a lump-sum distribution, by completing a distribution election form at the time of your retirement.

If you are married and wish to choose someone other than your spouse as your beneficiary, or to choose an option other than a Joint and Survivor Annuity with your spouse as your beneficiary, your spouse must agree to your benefit choice in writing and his or her signature must be notarized.

Lump-Sum Option

After your employment ends you may elect to have your account balance under the Plan paid to you in the form of a lump-sum distribution as early as age 55. You should be aware that all, or any portion, of your lump-sum distribution may be rolled over to another retirement plan or to an IRA.

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Joint and Survivor Annuity Option

If you are not married and wish to provide for a survivor, you may choose a 50% or 100% annuity option for any beneficiary you name. If you are married, you may choose the 100% annuity option to increase the payment amount to your spouse.

Certain and Life Option

Under Certain and Life Option, benefits are paid monthly for your lifetime, with payments guaranteed for a period of time, 5 or 10 years (or 15 years for Louisville benefit only, i.e. accrued benefit earned as of December 31, 1993). 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.

Joint and Survivor Annuity Option with 10-year Certain and Life

If you are not married and wish to provide for a survivor, you may choose from the 50% or 100% Joint and Survivor Annuity Option with 10-year Certain and Life. If you are married, you may also choose one of these options. If you die within the first 10 years of payments, your spouse/beneficiary will continue to receive your monthly payments. At the end of the 10-year period certain, only your beneficiary (spouse or other designated beneficiary), if living, will receive a monthly amount (either 50% or 100%) for their lifetime.

One-Half Lump Sum and One-Half Monthly Annuity

One-half of the benefit's cash value can be paid as a lump sum and the remaining benefit paid in a monthly annuity. The lump sum can be rolled over to an IRA or another retirement plan if that plan accepts rollovers. You may choose from the optional forms of monthly payments described above for the remaining one-half.

Please note that the IRS limits benefits payable from qualified retirement plans. The annual benefit limit for 2006 is \$175,000 for benefits payable as an annuity commencing at age 65.

Some Issues to Consider as You Make Your Decision

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

- If you receive benefits in any form other than Single Life Annuity, the amount of your monthly benefit will be reduced to reflect that payment will be possibly made

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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 the person you have named under a Joint and Survivor Annuity benefit dies before you but after your monthly annuity and/or lump sum distribution 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 option and you divorce after retirement, you will continue to receive the reduced Joint and Survivor benefit and, if your former spouse survives you, she or he will receive the monthly survivor benefit.

Payment of Small Amounts

If the total present value of your benefit (that is, your account balance under the Plan) is \$1,000 or less, it will be paid to you in one lump sum.

If You Return to Work

If you return to work as a benefits eligible employee prior to starting a monthly annuity or receiving a lump sum distribution, your account will resume receiving Interest Credits and Pay Credits based on your Credited Service.

If you begin receiving a monthly annuity and then return to work in a benefits eligible status at a rate of more than 1,000 hours per Plan year, your annuity will be suspended and your account will resume receiving Interest Credits and Pay Credits. When your employment ends, your annuity will be recalculated based on the new account balance.

You can return to work and continue to receive retirement benefits if you work less than 1,000 hours in a year.

If you had received a lump sum distribution, then you will begin receiving pay and interest credits without consideration of your previous service.

Paying Taxes on Your Benefits

Retirement benefits you receive from the Plan are considered taxable federal income. States have varying tax laws. If you receive a lump sum payment from the Plan, unless you elect to have such payment paid directly to an IRA or to another eligible retirement plan, the payment will be subject to mandatory 20% federal income tax withholding and may also be subject to any applicable state income withholding.

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If you receive any other form of distribution, 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 may want to talk to a qualified tax advisor before you begin receiving benefits from the Plan.

If You Die Before Retirement

The Plan includes financial protection for your spouse or other beneficiaries if you should die before retirement.

If you die before your normal retirement date and before you begin receiving benefits, your spouse may be eligible for a benefit from the Plan. Your spouse is eligible for benefits if you and your spouse have been married for at least one year and you have completed at least five years of credited service or if you die after your normal retirement date while still employed by the District.

The benefit is figured using your account balance at your death. Benefits will be paid to your spouse in the form of a life annuity and will begin upon request. However, your spouse may elect to waive the annuity death benefit and receive the cash value of your account balance in a lump-sum distribution.

If you are not married or have been married less than one year, then the lump sum value of your Cash Balance account will be paid immediately according to your beneficiary designation or to your estate. Please access *Benefits Complete*, www.bcomplete.com or 1-800-294-3575, to select your beneficiary under the Plan.

Applying for Benefits

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

Within 90 days prior to the date you wish to retire, you should contact *Benefits Complete* to order a retirement application. After receipt of the completed application, and once your final pay through your date of termination is known, a benefit election package will be sent to your address of record. The election package will offer you a choice of payment method for your retirement benefits, the option for direct deposit of pension payments, and the ability to have federal and/or state income taxes withheld from your payment.

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If you die before your benefit commencement date, your benefit election will not be effective, and survivor benefits will be payable to your surviving spouse, beneficiary, or estate as described in the previous section. *Benefits Complete* will help your spouse or beneficiaries 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 Seventh District Retirement Plan – Cash Balance formula is designed to provide you with benefits when you reach your normal retirement date. But some situations can affect your benefits, as summarized here:

- If you leave employment in the Seventh District for any reason other than disability before you have five years of credited service, you will not be eligible for benefits from this Plan.
- 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.

Special Provisions for Highly Paid Employees

The Internal Revenue Code imposes limits on the benefits payable from the Defined Benefit Retirement Plan – Cash Balance formula. 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 vested retirement benefits. Anyone affected will be notified individually.

Assignment of Benefits

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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* or your Human Resources Department.

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

The employers intend to provide this Plan on an ongoing basis, however, they reserve the right to amend or terminate the Plan at any time. If material changes are made in the future, you will be notified of them.

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.

In the event of a complete termination of the Plan, the benefits you have earned will be paid from the assets of the Plan. If there are assets left over after accrued benefits have been paid to all participants, they will be returned to employers of the Seventh District who contributed to this Plan.

If funds are insufficient to pay accrued benefits to all participants, benefits will be paid first to provide benefits to retired participants and their beneficiaries who have been receiving benefits for at least three years. (This also includes individuals who could have started receiving benefits three years before the Plan ended if they had chosen to retire at that time.) Benefits will be based on the Plan provisions in effect five years before the Plan ended. If benefits have been reduced by an amendment during the three-year period ending on the Plan termination date, then the lowest benefit will be the one paid.

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, the Plan is not covered by the PBGC.

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