

Eleventh Farm Credit District Employees' Retirement Plan

Introduction

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

This section of the Employee Handbook is intended to provide a brief description of the Eleventh Farm Credit District Employees' Retirement Plan (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 March 1, 1997. Thus, you will be a participant in the Plan only if you were hired by the Western Farm Credit Bank prior to March 1, 1997 or hired by a Western association prior to June 2, 1997 and did not have the value of your benefit as of December 31, 1997, transferred to the retirement savings plan.

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.

However, if you participate in this Plan and terminate employment after November 1, 1997, but are re-employed by a Western association within 12 months, you will resume participation.

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.

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Benefits Complete[®]

To help with your retirement planning, you may determine your accrued benefit under the Plan (and your vested interest therein), 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 Plan is determined in part by your years of Service.

Years of Service

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

Your Service under the Plan includes all of your years of employment as a benefits eligible employee. You begin earning service credit with your first hour of employment. In addition, your Service includes:

- All periods of your employment in a Farm Credit organization outside a participating Western employer, provided it meets the following three criteria:
 - The employment occurred before you came to Western and your total Farm Credit service has been continuous;
 - The employment would have been eligible employment under this Plan;
 - The employment is considered service under the prior retirement plan, for purposes of computing your benefit under that Farm Credit employer's plan.
- All periods of your eligible employment during which you were on an authorized leave of absence, without pay, which did not exceed 30 consecutive calendar days.
- Any period during which you were an Eligible Employee and received or were eligible to receive benefits under the Long-Term Disability Plan, provided you were participating in the Plan at the time your Long-Term Disability Plan benefits began.

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- Sick leave balance at the time of your retirement, provided that you begin your retirement no later than four weeks after you terminate your active employment. Sick leave balance at the time of your death will also be included as Service.
- Any periods of your employment with a Western employer after January 1, 1951, not covered under a retirement plan for which you and your employer deposited the necessary contributions to fund this service in accordance with the Plan.

Your Service will not include any period of employment for which you receive or are entitled to receive a retirement benefit from the U. S. Civil Service Retirement System or were an employee of the Farm Credit Administration.

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".

When You Can Retire

Your normal retirement date is the last 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.

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 60 and have completed 15 years of service, at least age 62 and have completed 5 years of service or your age plus service equals 85 or more. (For these purposes 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:

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<u>Your age at which payment commences</u>	<u>Percent of benefit you will receive</u>
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, the sum of your age and Years of Service (excluding unused sick leave) as of the date payments commence 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. When you retire, your benefits will start the first of the month after your retirement date and will be adjusted to reflect the probability it will be paid over a shorter period of time.

What Determines Your Benefit

Your Service is one of the factors used to determine your benefit. The other factor is your "Highest Average Earnings".

Highest Average Earnings

Your "Highest Average Earnings" 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 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 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 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.

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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:

(1.95% of your Highest Average Earnings
X
Your Years of Service)
-
Your retirement benefit from any other Farm Credit Organization for which
you received service credit in this plan
=
Monthly retirement benefit at normal retirement (age 65)

Example

Assume you retired on December 1, 2005 at age 65 with 32 Years of Service, and with your Highest Average Earnings of \$3,750 per month. Your retirement benefit would be calculated as follows:

1.95% of \$3,750 (Highest Average Earnings)	\$	73.125
TIMES		
32 Years of Service	x	32
Total Monthly Retirement Benefit	\$	2,340.00

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.

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 an unreduced monthly benefit at age 65. You must begin receiving benefits by April 1st of the year following the later of the year you reach age 70½, or the year in which you retire.

You may choose to begin receiving benefits as early as age 62 or as early as age 60 if you had at least 15 years of service, but 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.

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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

If you become "disabled" while you are employed, you will continue to accrue years of Service under the Plan. You will be considered "disabled" if you are eligible to receive benefits under your employer's long-term disability (LTD) plan.

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, you will receive equal monthly payments for as long as you live, with payments ceasing upon your death. This option is called the Single Life Annuity Option.

Optional Payment Methods

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

Joint & Survivor Annuity Option

If you are married, you may choose one of the Joint & Survivor Annuity Options to increase the payment amount to your spouse. You can elect to have 50%, 75% or 100% of your benefit continue to your surviving spouse. Your benefit will be reduced to provide the additional coverage. The amount of the reduction will be determined by your and your spouse's ages and also the percentage of continuance you elect.

Lump Sum Option

Employees who retire on or after January 1, 2006, can choose to receive a lump sum payment of the entire value of the retirement benefit.

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 a Single Life Annuity, the amount of your monthly benefit will be reduced to reflect that payments 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

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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.

If You Return to Work

Generally, if you return to work within 12 months of your termination of employment, other than as a temporary employee for less than one year, then you will resume participation in the Plan and begin receiving service. If you return to work after 12 months or as a temporary employee for less than one year, then you will not resume participation in this Plan and will not accrue any additional benefits under this Plan upon re-employment.

If you have commenced your retirement benefit and return to work within 12 months (other than as a temporary employee for less than one year), then your retirement benefit will be suspended until your employment terminates again. At that time your retirement benefit will be recalculated to reflect your additional service and earnings and also take into account the value of the payments you previously received. If you previously retired and you had commenced benefits under a Special Early Retirement Program, at the time that your retirement benefit is recalculated, the prior Special Early Retirement Program enhancements will no longer be included in your retirement benefit.

If you have commenced your retirement benefit and return to work after 12 months or as a temporary employee for less than one year, then you will continue to receive your retirement benefit (including any benefit enhancements if you commenced benefits under a Special Early Retirement Program), but you will not accrue any additional benefits under this Plan.

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 possible 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).

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You can change your tax withholding at any time by notifying *Benefits Complete*. 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 monthly survivor's benefit will be paid to your spouse only if so provided under the form of distribution you selected. For example, if you have your benefit paid under a 50% Joint & Survivor Annuity and you die before your spouse, 50% of your benefit will continue to be made to your spouse. 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.

Survivor Benefit Before Distribution Has Commenced

Married Participant

If you have been married for at least 24 months and have completed at least 10 years of service, a death benefit will be paid to your surviving spouse.

If you qualify, this death benefit will provide a lifetime monthly benefit to your surviving spouse equal to the actuarial equivalent of your normal retirement benefit. Such death benefit will normally commence as soon as administratively possible following your death, however, your surviving spouse can elect commencement anytime up to age 65. For employees who die on or after January 1, 2006, in lieu of a monthly benefit, a surviving spouse may elect a lump sum payment of the entire surviving spouse benefit.

Unmarried Participant

If you are not married, or have been married for less than 24 months and die while employed, or after terminating employment but before distribution of your benefit has commenced, no survivor's benefit will be payable on your behalf.

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.

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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 receiving your complete Benefit Election Package.

If you die before your benefit payments begin, your benefit election will not be effective, and survivor benefits may 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.

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

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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*. 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

The Western 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.

Following 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 the Western employers who contributed to this plan.

If funds are insufficient to pay accrued benefits to all participants, benefits will be allocated to individual participants according to the ratio of the present value of an individual's benefit to the present value of all participants' benefits.

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

Pension Benefit Guaranty Corporation

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

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