**TUCSON ELECTRIC POWER COMPANY**

*Summary Plan Description for*

# SALARIED EMPLOYEES RETIREMENT PLAN

**Updated 2025**

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## Introduction

This Summary Plan Description, or "SPD," describes the Tucson Electric Power Company Salaried Employees Retirement Plan (the "**Plan**"). The **Plan** is a defined benefit plan as described in Section 414(j) of the Internal Revenue Code (the "Code"). The benefits under the **Plan** are funded by the **Plan's** assets, which are maintained in trust (the "Trust") for the benefit of **Plan Participants** and their **Spouses** or beneficiaries. Effective January 1, 2025, the Plan was frozen to employees who were hired or rehired on or after January 1, 2025. This SPD describes the terms of the Plan as in effect on July 1, 2025.

The **Plan** and Trust are lengthy, written documents that set forth the provisions of the retirement program. In order to find out how the **Plan** and Trust affect you and your family, you could read the actual documents (copies are available to you at the offices of the **Company** during regular business hours). In order to provide you with a basic understanding of your rights and benefits under the **Plan**, as required by law, we have prepared this SPD, which describes the provisions of the **Plan** and Trust.

This SPD does not interpret, extend or change the **Plan** or Trust in any way. In case of a conflict between this SPD and the actual provisions of the **Plan** or Trust, the provisions of the **Plan** or Trust will govern your rights and benefits.

## Glossary

**Actuarial Equivalent** — an amount of equivalent value when computed on the basis of actuarial tables and assumptions as stated in the **Plan** document. For example, monthly retirement benefits providing a certain amount over a certain period of time are **Actuarially Equivalent** to monthly benefits providing a different amount over a different period of time. Also, the present "cash value" of a monthly retirement benefit can be expressed as an **Actuarial Equivalent** lump-sum.

**Average Monthly Earnings** — the average of your **Earnings** during the five consecutive **Plan Years**, within the last fifteen **Plan Years** before your retirement, termination, or death, in which your **Earnings** were the highest. If you have **Earnings** for a period of less than five consecutive **Plan Years, Average Monthly Earnings** will be the average **Earnings** for those years. **Average Monthly Earnings** is determined on the first day of the month following your birthday that occurs during the **Plan Year** in question. Your **Average Monthly Earnings** will be based solely on your monthly **Earnings** rates during periods of **Service** with the **Company** during which you are an **Eligible Employee**. However, subject to certain limitations (See *Limitations on Benefits*, below), if you participate in the **Union Plan** and you accrue a benefit pursuant to this **Plan**, the preceding sentence is disregarded and your **Average Monthly Earnings** shall take into account the monthly **Earnings** rates during periods of **Service** while you participated in the **Union Plan**. In all other instances, if you cease active participation in the **Plan** and subsequently begin participating in another defined benefit plan sponsored by the **Company** or a related company, any **Earnings** during the period in which you are participating in the other defined benefit plan will not be taken into account for calculating **Average Monthly Earnings** under this **Plan**. If you terminate employment and are reemployed on or after January 1, 2025, all compensation paid to or earned by you after being rehired is disregarded for purposes of determining your **Average Monthly Earnings**.

**Break in Employment** — in general, is the date you (1) resign, (2) are discharged, (3) die, (4) retire, or (5) are temporarily laid off for over a year or fail to return to work after authorized absence or layoff.

**Company** — Tucson Electric Power Company, and any subsidiary or related company that has, with the approval of the board of directors, adopted the **Plan**.

**Credited Service** — generally your **Years of Vesting Service** (including one-twelfth of a year for each month or partial month of **Service**). If you are rehired on or after January 1, 2025, you will not accrue any additional **Credited Service** for **Service** following your rehire.

As a general rule, you will not earn **Credited Service** for any period during which you are not an **Eligible Employee**. However, if you are a participant in the **Union Plan** or the **UES Plan** and you accrue a benefit pursuant to this **Plan**, you will earn **Credited Service** in accordance with the terms and conditions of this **Plan** for periods of **Service** while a participant in the **Union Plan** or **UES Plan**, as applicable. However, you will not earn **Credited Service** under this **Plan** for any period in which you are not entitled to earn credited service for the same period under the **Union Plan** or the **UES Plan**, as applicable. Additionally, you will not receive **Credited Service** under this **Plan** for a period of **Service** in the **UES Plan** if you commenced participation in this **Plan** prior to January 1, 2025.

**Early Retirement Date** — the first day of any month before your **Normal Retirement Date** after you have attained your **Early Retirement Age**, and given at least 120 days' notice to the Pension Committee. Your **Early Retirement Age** is the earlier of: (1) the date you have attained age 55 and completed at least 10 **Years of Vesting Service**; or (2) if you were hired before June 1, 2009, the earlier of (A) the date you terminate employment if, on such date, you have satisfied the **Rule of 85** or (B) if you did not satisfy the **Rule of 85** on your termination date, any date following your termination date if on such date you have satisfied the **Rule of 85**.

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| **Earnings** | your basic rate of monthly compensation prior to any salary reduction contributions to a Code Section 401(k) plan, but excluding overtime pay, bonuses, or other compensation. For **Plan Years** (that is, calendar years) beginning on or after January 1, 2025, the maximum **Earnings** that can be taken into account under the **Plan** are $350,000. This limitation may increase for cost-of-living under IRS rules. |
| **Eligible Employee** | any person employed by the **Company**, excluding (1) "leased employees" as defined in the Code, (2) individuals required to be treated as employed by the **Company** or a related company under Section 414(o) of the Code, (3) individuals who are included in a unit of employees covered by a collective bargaining agreement unless the collective bargaining agreement provides otherwise, (4) employees who are employed by the **Company** as student interns, (5) employees of FortisUS Inc. ("FortisUS") who were not transferred to FortisUS directly from TEP or were transferred from TEP but did not participate in the **Plan** immediately prior to transfer, and (6) employees who are hired or rehired on or after January 1, 2025.<br><br>If you were employed by the **Company** or a related company as a student intern on December 31, 2024, you are excluded from participation in the **Plan**, even if you subsequently become employed in a position that would otherwise meet the definition of **Eligible Employee**. A student intern who transfers to a different position with the **Company** or a related company shall be treated as an **Employee** hired on or after January 1, 2025 for purposes of determining eligibility for the **Plan**.<br><br>Individuals who are not classified by the **Company** as employees, and individuals who are classified by the **Company** as employees of any entity other than the **Company**, do not meet the definition of **Eligible Employee** and are not eligible for benefits under the **Plan**. |
| **Employee** | any person employed by the **Company** or a related company. |
| **Employment Date** | the date on which the **Employee** first completes an hour of service with the **Company** or a related company. |
| **Late Retirement Date** | the first day of any month following your **Normal Retirement Date** on which you elect to retire. |

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| **Military Service Disability or Disabled due to Military Service** | means (1) the inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, (2) which was incurred while you were performing qualified military service as defined in Section 414(u)(5) of the Code and (3) for which the Department of Defense, Department of Veterans Affairs or a comparable state agency has made a verification or certification of your disability. In order to have a **Military Service Disability**, all three of the conditions in the prior sentence must be satisfied. |
| **Normal Retirement Benefit** | a monthly annuity beginning on your **Early**, **Normal** or **Late Retirement Date** that is payable for the greater of your lifetime or 120 months. |
| **Normal Retirement Age and Normal Retirement Date** | your **Normal Retirement Age** is 65; your **Normal Retirement Date** is the first day of the month that coincides with or next follows your attainment of the **Normal Retirement Age**. |
| **Optional Forms of Payment** | the **Actuarial Equivalent** forms of benefit payment that you will receive only if you make a written election on the form provided by the Pension Committee. **Optional Forms of Payment** are described in the Methods of Payment section. |
| **Participant** | any **Eligible Employee** who becomes eligible for participation in the **Plan**. |
| **Plan** | Tucson Electric Power Company Salaried Employees Retirement Plan, as amended from time to time. |
| **Plan Year** | each twelve-month period beginning on January 1 and ending on December 31. |
| **Qualified Joint and Survivor Annuity** | a monthly annuity for your life payable if you are married at the time your annuity payments commence. The amount payable to you is the **Actuarial Equivalent** of the **Normal Retirement Benefit** that would have been payable to you if you had been unmarried. A survivor annuity is payable to your **Spouse** for his or her life if you pre-decease your **Spouse**. The monthly annuity payable to your **Spouse** after your death is 50% of the amount that was payable during your lifetime. |

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| **Reemployment Date** | the date on which the **Employee** first completes an hour of service with the **Company** or a related company following a **Break in Employment**. As explained in this SPD, **Employees** or **Participants** hired or rehired on or after January 1, 2025 are excluded from participation in the **Plan**. |
| **Required Beginning Age** | the year you reach:<br>• Age 70½ if you were born before July 1, 1949;<br>• Age 72 if you were born on or after July 1, 1949 but before January 1, 1951;<br>• Age 73 if you were born on or after January 1, 1951 but before January 1, 1960; and<br>• Age 75 if you were born on or after January 1, 1960. |
| **Rule of 85** | the sum of (1) your attained age on your last birthday and (2) your years of **Credited Service** equals at least eighty-five (85). The **Rule of 85** only applies if your **Early Retirement Date** is after January 1, 1995.<br>If you are receiving **Credited Service** under this **Plan** for periods of **Service** while you were a participant in the **UES Plan**, such service shall not be included for determining your eligibility for the **Rule of 85** under this **Plan**. |
| **Service** | each period commencing on your **Employment Date** and continuing until a **Break in Employment** and each period commencing on your **Reemployment Date** and continuing until a subsequent **Break in Employment**. |
| **Sixty Month Break in Service** | if you are not employed by the **Company** or a related company during the sixty consecutive month period following a **Break in Employment**, you will incur a **Sixty Month Break in Service**. However, if the **Break in Employment** occurred for maternity or paternity reasons, then the twenty-four months immediately following the **Break in Employment** will not be considered in determining whether a **Sixty Month Break in Service** has occurred. |
| **Spouse** | effective as of June 26, 2013, the person of the opposite or same sex, who is legally married to you on the date on which a benefit under the **Plan** becomes payable to you or on your behalf. A former **Spouse** will be treated as a **Spouse** or surviving **Spouse** to the extent provided for in a qualified domestic relations order satisfying the requirements of Section 414(p) of the Code. |

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| **Standard Retirement Benefit** | if you are unmarried, a single life annuity which will pay you a monthly benefit for your lifetime; if you are married, a **Qualified Joint and Survivor Annuity**. |
| **Totally and Permanently Disabled** | means that you are eligible for and receiving benefits under a Company-sponsored long-term disability plan. |
| **UES Plan** | Pension Plan for Employees of UniSource Energy Services, as amended from time to time |
| **Union Plan** | Pension Trust Plan for Employees of Tucson Electric Power Company Represented by I.B.E.W. Local 1116, as amended from time to time |
| **Year of Service** | means each 365 days of **Service** completed. |
| **Year of Vesting Service** | a **Year of Service**, but excluding **Service** prior to attaining age eighteen (18) for an individual who was not an **Employee** prior to June 1, 1976.<br><br>If you were a **Participant** in the **Plan** prior to your termination of employment and you are reemployed on or after January 1, 2025, you will not be eligible to resume active participation in the **Plan**, but will be eligible to accrue **Years of Vesting Service**. For the avoidance of doubt, you will not be eligible to accrue any additional **Credited Service** following your **Reemployment Date**. |

**Eligibility and Participation**

You automatically become a **Plan Participant** on the later of the date on which you have attained age 21 or have completed one **Year of Service**, or, if later the date you become an **Eligible Employee**.

Notwithstanding the foregoing, **Employees** or **Participants** hired or rehired on or after January 1, 2025 are excluded from participation in the **Plan**.

**Vesting**

Vesting is an expression of irrevocable ownership rights you have in your pension benefits, based on **Years of Vesting Service**. You are 0% vested until you have completed five **Years of Vesting Service**, at which time you are 100% vested. If you are employed at age 60, your vested percentage will automatically be 100%.

Once you become vested, the benefit you have earned, based on your **Credited Service**, cannot be forfeited (so long as you live) even though you may leave the employment of the **Company** before retiring.

**Break in Employment & Reemployment**

You will incur a **Break in Employment** upon your resignation, discharge, death or retirement from the **Company** or a related company, or upon failure to return to work after an authorized absence, or temporary layoff over one year.

You will not incur a **Break in Employment** if your absence is due to an authorized leave of absence, layoff not to exceed one year, military service, or sick leave, provided you return to work immediately following such absence.

If, before you have completed at least five **Years of Vesting Service**, you incur a **Break in Employment** that lasts for five or more consecutive years, you will forfeit all of your **Years of Service**, **Years of Vesting Service** and **Credited Service** previously credited to you unless the period of absence following the **Break in Employment** is less than your **Service** completed prior to the **Break in Employment**. If you forfeit your **Years of Service**, **Years of Vesting Service** and **Credited Service** earned prior to your **Break in Employment**, you will be treated as a new **Eligible Employee** under the **Plan** if you are rehired and are eligible for the **Plan**.

If you incur a **Break in Employment** after you have completed at least five **Years of Vesting Service**, you shall immediately become a **Participant** in the **Plan** upon your reemployment (if then an **Eligible Employee**), and all your **Years of Vesting Service** and years of **Credited Service** previously earned will be reinstated.

Notwithstanding the foregoing, if you were not participating in the **Plan** prior to your termination of employment and you are reemployed on or after January 1, 2025, you will not be eligible to participate in the **Plan**. Additionally, if you were a **Participant** in the **Plan** prior to your termination of employment and you are reemployed on or after January 1, 2025, you will not be eligible to resume active participation in the **Plan**, but will be eligible to accrue **Years of Vesting Service**. For the avoidance of doubt, if you are reemployed on or after January 1, 2025, you will not accrue any additional **Credited Service**.

Your benefit payments will be suspended if you are reemployed by the **Company** before you reach your **Normal Retirement Date**. Your benefit payment amounts will be paid in accordance with the **Plan** and resume after you again retire. If you are receiving retirement benefit payments and are reemployed by the **Company** after your **Normal Retirement Date**, your benefits will continue to be paid without regard to your reemployment.

**Contributions to the Plan**

The **Company** pays for the entire cost of the **Plan**; thus, you are neither required nor permitted to contribute toward your pension benefits. The **Company** contributes to the **Plan** an amount that is calculated on an actuarial basis to be sufficient to provide for the payment of benefits to **Participants** at retirement. The money is held in the Trust for the purpose of providing benefits to **Plan Participants** and their **Spouses** or beneficiaries.

**Retirement Benefits at Normal Retirement Age**

You may elect to retire and receive a **Normal Retirement Benefit** on your **Normal Retirement Date**. This benefit will begin on your **Normal Retirement Date** and will be payable in one of the forms of benefit payment described in the Methods of Payment section.

For **Participants** whose **Normal** or **Late Retirement Date** is on or after November 1, 1995, your **Normal Retirement Benefit** will be equal to the greater of (1) the benefit determined under (a) below, or (2) the sum of the benefits determined under (b) and (c) below.

(a) Your benefit determined under this subsection (a) equals 40% of your **Average Monthly Earnings** reduced by 1/300 for each month of **Credited Service** less than 300.

(b) Your benefit determined under this subsection (b) equals 40% of your **Average Monthly Earnings** reduced by 1/180 for each month of **Credited Service** less than 180. For **Participants** who terminate on or after January 1, 1988, to the extent that such a **Participant** has more than 15 years of **Credited Service**, he or she accrues an additional monthly benefit of 1/2 of 1% of the **Participant's Average Monthly Earnings** for each full year of **Credited Service** (not to exceed a total of 10%). For purposes of calculating a **Participant's** benefit under this subsection (b), **Credited Service** is determined as of October 31, 1995 without regard to **Credited Service** after such date, and **Average Monthly Earnings** is calculated without taking into account **Earnings** rates applicable to periods after May 31, 1996.

(c) Your benefit determined under this subsection (c) equals 40% of your **Average Monthly Earnings** reduced by 1/300 for each month of **Credited Service** less than 300. For purposes of calculating a **Participant's** benefit under this subsection (c), **Credited Service** does not include **Service** prior to November 1, 1995, and **Credited Service** in excess of 25 years, reduced by the amount of the **Participant's Credited Service** as of October 31, 1995, is not taken into account.

Your retirement benefit is payable in addition to any Social Security payments for which you qualify.

**<u>Example of Benefit at Normal Retirement Date</u>:**

Normal Retirement Date: January 1, 2010
Average Monthly Earnings as of January 1, 2010: $5,000
Average Monthly Earnings as of October 31, 1995: $3,750
Credited Service: 20 years

Greater of (a), **or** (b) plus (c):

| | | |
|---|---|---|
| (a) | 40% of Average Monthly Earnings Reduced by 1/300 for each month of Credited Service less than 300 (20 yrs. = 240 months of Credited Service; Reduction is 60/300 times $2,000, or $400) | $2,000.00<br>- $400.00<br>= $1,600.00 |
| | | $1,600.00 |
| (b) | 40% of Average Monthly Earnings Reduced by 1/180 for each month of Credited Service less than 180 as of October 31, 1995. (5 yr. 10 mo. = 70 months of Credited Service as of October 31, 1995, so reduction in this example is 110/180 times $1,500, or $916.67.) Plus 1/2 of 1% of Average Monthly Earnings for each full year of Credited Service over 15 years as of October 31, 1995. (Only 5 yr. 10 mo. of Credited Service as of October 31, 1995 in this example, so no additional amount in this example) | $1,500.00<br>- $916.67<br>= $583.33 |
| (c) | 40% of Average Monthly Earnings Reduced by 1/300 for each month of Credited Service less than 300 after October 31, 1995 (14 yr. 2 mo. after October 31, 1995; Reduction is 130/300 times $2,000, or $866.67) equals Normal Monthly Retirement Benefit | $2,000.00<br>- $866.67<br>= $1,133.33 |
| (b)+(c) | Therefore, (b) plus (c) equals | $583.33<br>+$1,133.33<br>= $1,716.66 |

The greater of the results under (a), or (b) plus (c), is $1,716.66. Thus, $1,716.66 is the applicable Normal Monthly Retirement Benefit under this example.

The benefit described above is your "Normal Form of Retirement Benefit." However, unless you affirmatively elect this form of benefit, you will receive the **Standard Retirement Benefit** (as described in the Methods of Payment section), which is the **Actuarial Equivalent** of the Normal Form of Retirement Benefit.

**Retirement Benefits After Normal Retirement Date**

If you remain employed past your **Normal Retirement Date**, the payment of your benefit will be delayed until your **Late Retirement Date**. Your Normal Form of Retirement Benefit will be calculated in the same manner as if you had retired on your **Normal Retirement Date**, except **Average Monthly Earnings** and **Credited Service** will be determined as of your **Late Retirement Date**.

**Retirement Benefits at Early Retirement Date**

If you terminate from active employment, you may elect to receive an Early Retirement Benefit on your **Early Retirement Date** (see definition in Glossary). This benefit will begin on your **Early Retirement Date** and will be payable in one of the forms of benefit payment described in the Methods of Payment section.

Your Normal Form of Retirement Benefit will be calculated in the same manner as described above, as if your **Early Retirement Date** had been your **Normal Retirement Date**, using **Credited Service** and **Average Monthly Earnings** at your **Early Retirement Date**. Your **Early Retirement Benefit** is then determined by multiplying your **Normal Retirement Benefit** by the appropriate reduction factor in accordance with the schedule below. However, the reduction will not apply if you were hired prior to June 1, 2009 and you commence your benefits after satisfying the **Rule of 85**.

**Early Retirement Benefit Reduction Schedule:**

| Age at Retirement | Reduction Factor | Benefit as a % of Normal Retirement Benefit |
|---|---|---|
| 64 | 0% | 100% |
| 63 | 0% | 100% |
| 62 | 0% | 100% |
| 61 | 4% | 96% |
| 60 | 8% | 92% |
| 59 | 16.7% | 83.3% |
| 58 | 24.4% | 75.6% |
| 57 | 31.2% | 68.8% |
| 56 | 37.2% | 62.8% |
| 55 | 42.6% | 57.4% |

**Example of Benefit at Early Retirement Date:**

Assume the same facts as in the previous example for a benefit at **Normal Retirement Date**, except that January 1, 2010 is the **Participant's Early Retirement Date** at age 55. Because the sum of the **Participant's** attained age (age 55) and years of **Credited Service** (20) is less than 85, the $1,716.66 amount from the previous example is reduced for early commencement as described below:

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| Normal Monthly Retirement Benefit | $1,716.66 |
| reduced by Early Retirement Reduction | |
| $1,716.66 X 42.6% = $731.30 | - 731.30 |
| equals Monthly Early Retirement Benefit | = $985.36* |

**Note:* This benefit is your Normal Form of Retirement Benefit. However, unless you affirmatively elect this form or an optional form of benefit, you will receive the **Standard Retirement Benefit** (as described in the Methods of Payment – Standard Retirement Benefit section), which is the **Actuarial Equivalent** of the Normal Form of Retirement Benefit.

In the preceding example, if the **Participant** had at least 30 years of **Credited Service** at his or her **Early Retirement Date**, then the Early Retirement Reduction shown above would not apply, because (i) the **Participant** was hired prior to June 1, 2009 and (ii) the **Participant** would have satisfied the **Rule of 85** because the **Participant's** attained age (55) plus **Credited Service** (30) would equal 85.

**Benefits if You Terminate Employment Before Retirement Age**

If you terminate your employment before age 60 and are 0% vested (that is, you have not completed at least five **Years of Vesting Service**), no benefits will be payable to you under the **Plan**. You will be entitled to receive a Termination Retirement Benefit if, for reasons other than death, disability retirement or other retirement, you terminate your employment with the **Company** after December 31, 1988, before you are eligible to receive an Early or **Normal Retirement Benefit**, and after you have (1) completed at least five **Years of Vesting Service**, or (2) attained age 60. Your Termination Retirement Benefit will be paid on your **Normal Retirement Date** in the form of the appropriate **Standard Retirement Benefit** unless you elect one of the **Optional Forms of Payment** described in the Methods of Payment section.

If you terminate employment with a Termination Retirement Benefit, you may elect to commence your Termination Retirement Benefit if and when you satisfy the eligibility requirements for an **Early Retirement Date**. Your Termination Retirement Benefit under the Normal Form of Retirement Benefit will be calculated in the same manner as described above, as if your termination date had been your **Normal Retirement Date**, using **Average Monthly Earnings** and **Credited Service** at your termination date.

If you are eligible for and elect to commence your Termination Retirement Benefit at an **Early Retirement Date**, then your Early Retirement Benefit is determined by multiplying your Termination Retirement Benefit by the appropriate percentage reduction factor in accordance with the schedule below. However, the reduction will not apply if you were hired prior to June 1, 2009 and you commence your benefits after satisfying the **Rule of 85**.

**Termination Retirement Benefit Reduction Schedule:**

| Age at Retirement | Reduction Factor | Benefit as a % of Normal Retirement Benefit |
|---|---|---|
| 65 | 0% | 100% |
| 64 | 9.8% | 90.2% |
| 63 | 18.4% | 81.6% |
| 62 | 26.1% | 73.9% |
| 61 | 32.9% | 67.1% |
| 60 | 38.9% | 61.1% |
| 59 | 44.2% | 55.8% |
| 58 | 49.0% | 51.0% |
| 57 | 53.3% | 46.7% |

| Age at Retirement | Reduction Factor | Benefit as a % of Normal Retirement Benefit |
|---|---|---|
| 56 | 57.1% | 42.9% |
| 55 | 60.6% | 39.4% |

A **Participant** who becomes entitled to a Termination Retirement Benefit also may elect to receive his or her Termination Retirement Benefit as (1) a cash lump-sum equal to either the lump-sum **Actuarial Equivalent** of his or her Termination Retirement Benefit or (2) a **Standard Retirement Benefit** or other form of benefit as described in the Methods of Payment section, without regard to whether the **Participant** has attained an **Early Retirement Date**, with the amount of such benefit being equal to the **Actuarial Equivalent** of his Termination Retirement Benefit.

The amount of any lump sum is based on your age and the applicable **Actuarial Equivalent** lump-sum interest factors and the applicable mortality table prescribed by law. If you elect the lump-sum as described above, you will not be entitled to any other benefits under the **Plan**. See Methods of Payment – Optional Forms of Payment section for more information on how the amount of a cash lump sum is calculated.

**Disability Service Credit**

If you terminate employment due to **Total and Permanent Disability** or **Military Service Disability** after completing 10 or more **Years of Vesting Service**, you will continue to accrue **Credited Service** under the **Plan** until the earliest of (1) your benefit commencement date, (2) the date on which you are no longer **Totally and Permanently Disabled** or **Disabled due to Military Service** or (3) your **Normal Retirement Date**. If you were hired before June 1, 2009, and become **Totally and Permanently Disabled** after completing at least 10 years of **Credited Service** but less than 15 years of **Credited Service**, your accrued benefit will be calculated based on no less than 15 years of **Credited Service**.

**Death During Qualified Military Service**

If you die while performing qualified military service and in accordance with the HEART Act, your beneficiaries will be entitled to any additional benefits provided under the **Plan** had you resumed and then terminated employment on account of your death.

**Payment of Benefits**

Benefits will generally begin at these times:

- For a person who reaches **Normal Retirement Age** and retires, benefits will commence on the first day of the month coinciding with or next following the person's 65th birthday, which date is the **Normal Retirement Date**.

- For a person who reaches **Normal Retirement Age** and delays retirement, benefits will commence on the first day of the month coinciding with or next following the date of actual retirement, which date is the **Late Retirement Date**. However, distributions of your entire interest must begin no later than April 1 of the calendar year following the later of the calendar year in which you retire or reach your **Required Beginning Age**, unless you are a 5% owner

of the Company, in which case distributions of your entire interest must begin no later than April 1 of the calendar year following the calendar year in which you reach your **Required Beginning Age**.

- For a person eligible for and who elects to receive an Early Retirement Benefit, benefits may commence on the first day of the month coinciding with or next following the person's 55th birthday unless he or she is eligible to start payments earlier under the rules described previously in this SPD.

- For a person eligible to receive a Termination Retirement Benefit, benefits generally begin on the first day of the month coinciding with or next following the person's 65th birthday. However, as described previously, an immediate lump-sum payment or monthly benefit may be elected and, if the person is eligible, benefits may also commence as of the person's **Early Retirement Date**.

**Methods of Payment**

**Standard Retirement Benefit**

Unless you elect otherwise from the **Optional Forms of Payment** listed below, your benefit will automatically be paid in one of the following two forms, depending upon your marital status at the time of your termination or retirement:

Unmarried: A single life annuity that will pay you a monthly benefit for your lifetime, with all payments ceasing upon your death. The single life annuity is the **Actuarial Equivalent** of the **Normal Retirement Benefit** described in the Glossary.

Married: A **Qualified Joint and Survivor Annuity** which will pay you a reduced monthly payment for your lifetime and, in the event you die before your **Spouse**, 50% of the amount of your monthly pension will be paid to your surviving **Spouse** for his or her lifetime. The amount of each monthly payment will be smaller under this form of payment than the amount paid to unmarried **Participants** because payments are expected to be made over the lives of two people instead of just one.

**Optional Forms of Payment**

Instead of receiving the benefit in the automatic form described above, you may elect payment of your benefit in any of the methods described below. If you are married, your **Spouse** must consent in writing to any of these forms of payment. Please see the Spousal Consent section for further details on the consent requirement.

(a) A monthly annuity payable over your lifetime, with all payments ceasing upon your death.

(b) A monthly annuity that is certain to be paid for 10, 15 or 20 years, and then for your life if you live beyond the 10, 15 or 20 year period (generally referred to as a 10, 15 or 20 years certain and life annuity).

(c) A monthly life annuity for you, with a guaranteed period of 10 years, with a percentage equal to 50%, 66⅔%, 75% or 100% of the remaining benefit continued to your beneficiary, if living, for the lifetime of the beneficiary after your death.

(d) A monthly annuity adjusted for Social Security benefits. If your retirement benefit under the **Plan** commences before the earliest date you could receive Social Security benefits, your retirement benefit under the **Plan** will be adjusted so that you receive a larger retirement benefit under the **Plan** prior to receiving Social Security benefits and a reduced retirement benefit under the **Plan** at the commencement of Social Security benefits. The objective is to provide a level amount of income when Social Security benefits and your retirement benefits under the **Plan** are considered together. This type of annuity may be paid in any of the optional forms of benefit described in paragraphs (a), (b), (c), (e) and (f) of this Section.

(e) A monthly annuity payable over your lifetime with the excess, if any, of the lump-sum **Actuarial Equivalent** of your retirement benefit (calculated at your retirement date) over the total dollar amount of the annuity payments paid to you or paid to your beneficiary upon your death.

(f) A monthly annuity payable over your lifetime and, following your death, continuing to your beneficiary for his or her lifetime, in an amount equal to 50% or 75% of the benefit payable to you, if your beneficiary is living at the time of your death.

(g) A cash lump-sum payment equal to the **Actuarial Equivalent** of the normal form of benefit payable as of your **Normal Retirement Date** (or **Late Retirement Date**, if the resulting cash sum is greater), assuming payment of the retirement benefit began at that time. The calculation of any **Actuarial Equivalent** lump-sum benefit under the **Plan** depends upon (i) your **Normal** or **Late Retirement Benefit** accrued to the date of calculation (which is your termination date or retirement date), (ii) your age at the date of calculation, and (iii) the interest rate and mortality table prescribed by law. The amount of your **Normal** or **Late Retirement Benefit** is then converted from a monthly amount into a "present value" payable as a lump-sum. In general, for a given monthly amount of **Normal** or **Late Retirement Benefit**, the younger you are, or the higher the interest rate(s), the smaller the lump-sum will be. Any such cash lump-sum payment will be in lieu of all other benefits under the **Plan**.

The Pension Protection Act of 2006 places restrictions on your ability to receive certain types of distributions based on the funded status of the **Plan**. Currently, the **Plan** is not subject to any restrictions on distributions. In the event that the **Plan** becomes subject to restrictions on distributions, the Pension Committee will notify you.

**Small Payments**

If the lump sum **Actuarial Equivalent** of your vested accrued benefit does not exceed $5,000, the Pension Committee may pay the lump-sum value of your benefit automatically in a single cash payment, in lieu of all other benefits under the **Plan**. Notwithstanding the foregoing, you must consent in writing to such a distribution if the **Actuarial Equivalent** of your vested accrued benefit exceeds $1,000.

If you receive a single cash payment of your benefit and are later reemployed, any future benefit payable will be reduced by the **Actuarial Equivalent** of the cash payment.

**Death Benefits**

**<u>If You Die Before Benefit Payments Have Begun</u>**

For vested **Participants** who have been married to the same **Spouse** for a one-year period prior to death, the following death benefits are available:

(a) Except as provided in paragraph (b), your **Spouse** will receive a benefit equal to the survivor portion of the 50% **Qualified Joint and Survivor Annuity** which would have been payable to you if you terminated employment on the date of your death, survived to your first **Early Retirement Date**, and elected to receive a 50% **Qualified Joint and Survivor Annuit**y starting on the first day of the following month; or

(b) If you reach your **Early Retirement Date** while employed and die prior to commencing benefits, your **Spouse** will automatically receive a benefit equal to the survivor portion of the 100% **Qualified Joint and Survivor Annuity** which would have been payable had you retired on the first day of the month after your date of death, and selected a 100% **Qualified Joint and Survivor Annuity** starting on that date.

These death benefits must be paid to your surviving **Spouse** pursuant to (a) or (b), as applicable, in the form of a monthly annuity payable for the life of your **Spouse**. Notwithstanding the foregoing, if you were hired prior to January 1, 2009, your surviving **Spouse** may elect to waive the monthly death benefit described above, and instead receive an **Actuarially Equivalent** lump sum payment in lieu of the survivor annuity otherwise payable. The election of a lump sum benefit, however, is only available if the **Plan** meets certain funding thresholds. If the **Plan's** funded status is below certain levels, your surviving **Spouse's** ability to receive a lump sum distribution may be restricted.

No death benefit shall be payable if on the date of your death, you are either unmarried or have been married to your **Spouse** for less than twelve months.

**<u>If You Die After Retirement Benefit Payments Have Begun</u>**

Your beneficiary may receive death benefits if provided for under the terms of the form of annuity you are receiving at death.

**Limitations on Benefits**

- You may not receive the entire benefit to which you have become entitled if the **Plan** terminates and funds are not sufficient to provide your full benefit.

- The IRS has established rules limiting the amount of benefits payable from qualified plans, as well as rules limiting the dollar amount of compensation considered for benefit accrual purposes. You will be notified if these rules apply to you.

- The Code also may impose additional limitations on your **Plan** benefits if you are one of the 25 highest paid **Employees** of the **Company** or a related company. If you have any questions concerning these limitations and whether they apply to you, contact the Pension Committee.

- If you are receiving benefit payments and you are reemployed by the **Company** prior to your **Normal Retirement Date**, your benefit payments will be suspended if, in reemployment, you work 40 or more hours per month. Your benefits will resume after you again retire. Your benefit will be actuarially adjusted for benefits you have previously received.

- If you are also entitled to a monthly retirement benefit from the **Union Plan**, your benefit under the **Plan** will be adjusted to reflect the **Actuarial Equivalent** of your benefit payable under the **Union Plan**. Any death benefit under the **Plan** will generally be adjusted on account of any death benefit payable under the **Union Plan**; however, if you accrued a benefit under the **Plan** prior to January 31, 2011, no offset shall be made with respect to a death benefit payable in the form of the survivor portion of a 50% **Qualified Joint and Survivor Annuity**.

- If at the time you terminate employment, you are actively accruing a benefit under this **Plan** and you are also entitled to a monthly retirement benefit from the **UES Plan**, your benefit under this **Plan** will be adjusted to reflect the **Actuarial Equivalent** of your benefit payable under the **UES Plan**. Additionally, any death benefit under this **Plan** will generally be adjusted on account of any death benefit payable under the **UES Plan**. Alternatively, if at the time you terminate employment, you are actively accruing a benefit under the **UES Plan** and you are also entitled to a monthly retirement benefit from this **Plan**, the benefit payable under this **Plan** will not be reduced by any benefit payable under the **UES Plan**; however, the benefit payable under the **UES Plan** will be reduced in accordance with the terms of the **UES Plan**.

*Important Note:* If you are married and elect to designate anyone other than your **Spouse** as your beneficiary under the **Plan** if you should die, your election will be valid only if your **Spouse** provides written consent. See "Spousal Consent" below.

**Special Rules Governing Certain Former Employees of Century Power Corporation**

If you are a **Participant** in the **Plan** who (i) was employed by Century Power Corporation ("CPC") at CPC's Springerville Generating Station ("Springerville") at the time the **Company** acquired Springerville, (ii) became an **Eligible Employee** as a result of such acquisition of Springerville, and (iii) was a participant as of December 15, 1992 under the "Century Power Corporation Salaried Employees Retirement Plan" as in effect on December 15, 1992 (the "CPC Plan"), then your benefits under the **Plan** are subject to certain rules, as described below:

- Your **Service** under the **Plan** includes all "Service," as defined in the CPC Plan, which you were credited with for benefit calculation purposes under the CPC Plan as of December 15, 1992.

- Your **Credited Service** under the **Plan** includes all "Credited Service," as defined in the CPC Plan, which you were credited with for benefit calculation purposes under the CPC Plan as of December 15, 1992.

- Your **Average Monthly Earnings** under the **Plan** is determined by including your "Earnings," as defined in the CPC Plan, which you were credited with through December 15, 1992.

- Your **Normal Retirement Benefit** under the **Plan** will not be less than the normal monthly retirement benefit you had accrued as of December 15, 1992 pursuant to the terms of the CPC Plan (your "CPC Plan Benefit"). You are 100% vested in your CPC Plan Benefit.

- Your Early Retirement Benefit under the **Plan** will not be less than your CPC Plan Benefit reduced for early commencement under the terms of the CPC Plan.

- If you die before attaining an **Early Retirement Date** while employed by the **Company** as an **Eligible Employee**, the monthly benefit payable to your surviving **Spouse**, if any, will be at least the **Actuarial Equivalent** of the monthly surviving **Spouse** benefit, payable under the terms of the CPC Plan, which is attributable to your CPC Plan Benefit.

**Special Rules Governing Certain Former Employees of Citizens Communications Company**

If you are a **Participant** in the **Plan** who was an employee of Citizens Communications Company on August 10, 2003 and became employed by the **Company** on August 11, 2003, you will be credited with **Credited Service** in accordance with the terms and conditions of the **Plan** for periods of service while you were a participant in the Citizens Pension Plan.

**Spousal Consent**

An election by a married **Participant** to receive his or her benefit in any form other than the **Qualified Joint and Survivor Annuity** requires the consent of the **Participant's Spouse**. In addition, if the **Spouse** is not going to be the sole beneficiary of the **Participant**, the **Spouse's** consent to the additional beneficiary is required. The **Spouse's** consent must be in writing and must be witnessed by a **Plan** representative or notary public. If another beneficiary or beneficiaries are chosen, the names of those beneficiaries must be mentioned on the consent form. If a married **Participant** elects an **Optional Form of Payment** for an alternate beneficiary, the election will be considered invalid if not accompanied by a completed spousal consent form available from the Pension Committee.

**Qualified Domestic Relations Orders**

As required by federal law, the terms of the **Plan** provide that you may not assign any portion of your **Plan** benefit to another party. An exception to this rule is in the case of a Qualified Domestic Relations Order, or "QDRO," issued by a court in the event you and your **Spouse** become divorced. A QDRO may assign all or a portion of your benefits under the **Plan** to your former **Spouse**, and the **Plan** is required to follow the QDRO if it meets the requirements of applicable law. If you are going through a divorce, you should contact the Plan Administrator regarding the **Plan's** procedures for QDROs, which you can obtain, without charge, from the Plan Administrator.

**Rollovers of Lump Sum Payments**

There are two kinds of rollovers. The rules regarding rollovers apply to **Plan** benefits paid in the form of a single cash lump sum. Monthly retirement payments, and minimum annual distributions

made from the **Plan** because you have attained your **Required Beginning Age** (or you retire, if later) may not be rolled over under any circumstances.

The first kind of rollover is a "direct rollover." For lump-sum payments, you may choose to have the **Plan** make a "direct rollover" of your payment from the **Plan** to the trustee or custodian of an "eligible retirement plan." An "eligible retirement plan" includes: (1) an individual retirement account described in Section 408(a) of the Code; (2) an individual retirement annuity described in Section 408(b) of the Code; (3) a qualified plan described in Section 401(a) of the Code; (4) an annuity plan described in Section 403(a) of the Code; (5) an annuity contract described in Section 403(b) of the Code; (6) an eligible deferred compensation plan described in Section 457(b) of the Code maintained by a state, political subdivision of a state, or an agency or instrumentality of either; and (7) a Roth IRA described in Section 408A(b) of the Code, provided that any distribution to such Roth IRA is made in accordance with the provisions of Section 408A of the Code. (Alternatively, you may still choose to have your payment made directly to you instead of payment in the form of a "direct rollover.")

Under a "direct rollover," you instruct the **Plan** to directly roll over a qualifying lump-sum payment to an "eligible retirement plan," and you will not include the amount of the distribution in your income for the year in which the distribution is made. If only part of your distribution is directly rolled over, the amount you retain will be taxed currently.

Under the second kind of rollover, you elect to have the lump sum paid to you first, and then within 60 days of receipt you may roll over all or part of it into an "eligible retirement plan." You will not include the amount rolled over within 60 days in your income for the year in which the distribution is made. However, this second kind of rollover is not a "direct rollover," and the lump-sum distribution, when first paid to you, is subject to the withholding rules described in the following paragraph.

If you receive any part of your lump-sum distribution in a form other than as a "direct rollover" made to an "eligible retirement plan," federal income tax withholding equal to 20% of the amount not directly rolled over must, by federal law, be withheld from the amount not directly rolled over when that amount is distributed to you. As noted above, this is true even if you subsequently roll over all or part of the distribution amount within 60 days to an "eligible retirement plan." In this case, if you wish to roll over the entire amount of your distribution (that is, the gross distribution before the deduction for 20% mandatory federal tax withholding) within 60 days in order to avoid current taxation on the entire amount, you will have to add, from your own resources, an additional amount representing the 20% previously withheld for federal income tax.

In addition to the mandatory 20% federal tax withholding that applies to lump-sum benefits not paid as a "direct rollover," other federal and/or state tax withholding may apply to your distribution unless you elect in writing that such withholding not be made. The Pension Committee will provide you with the appropriate forms for making such an election.

**THE FOREGOING INFORMATION ON ROLLOVERS IS NOT INTENDED TO BE A COMPREHENSIVE GUIDE TO THE FEDERAL INCOME TAX TREATMENT APPLIED TO DISTRIBUTIONS FROM QUALIFIED RETIREMENT PLANS. THE PLAN DOES NOT PROVIDE TAX OR OTHER LEGAL ADVICE. FURTHERMORE, THE LAWS REGARDING TAXATION OF PLAN DISTRIBUTIONS ARE EXTREMELY COMPLEX**

**AND CHANGE FREQUENTLY. EACH PARTICIPANT, THEREFORE, IS RESPONSIBLE FOR AND URGED TO OBTAIN COMPETENT LEGAL, TAX AND/OR ACCOUNTING ADVICE REGARDING THE TAX CONSEQUENCES OF DISTRIBUTIONS BASED UPON HIS OR HER PARTICULAR SITUATION.**

**Claims Procedure**

As a general rule, you are not required to file a claim for benefits under the **Plan**. If you do not receive a benefit you think you are entitled to, or if you are dissatisfied with the determination of your benefits, eligibility, participation, or any other right or interest under this **Plan**, you may file a written claim with the Pension Committee in accordance with the claims procedures described below. Please note that in order to file suit in a state or Federal court, you must first exhaust these claims procedures (*i.e.*, you must complete the entire claims process, including filing an appeal). You must bring any action in connection with the Plan in the United States District Court of Arizona and such action must be commenced not later than 180 days after you are first given written notice of a denial following your appeal to the Pension Committee, pursuant to the process described below.

Different rules apply depending on whether or not your claim relates to a **Military Service Disability** benefit. Your claim relates to a **Military Service Disability** benefit if it relates to a determination of your **Military Service Disability** under the **Plan**. These rules are summarized below.

If your claim (other than a **Military Service Disability** claim) is wholly or partially denied, notice of the decision shall be furnished to you within 90 days after receipt of the claim by the Pension Committee. If, however, the Pension Committee determines that special circumstances require an extension of time to process the claim, written notice (including an explanation of the special circumstances requiring an extension and the date by which the Pension Committee expects to render the benefits determination) will be furnished to you before the end of the original 90-day period. In no event will such extension be for more than 90 days from the end of the initial 90-day period.

The denial notice will be in writing, and will include the following:

(a) The specific reason or reasons for the denial;

(b) Specific reference to the pertinent **Plan** provisions upon which the denial is based;

(c) A description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;

(d) An explanation of the **Plan's** appeal procedure including the time limits applicable to the **Plan's** appeal procedures, and a statement of your right to bring a civil action under the Employee Retirement Income Security Act of 1974 ("ERISA").

You have the right to appeal a denial of a claim under the **Plan** to the Pension Committee. Such appeal (other than a **Military Service Disability** claim) may be accomplished by sending a written notice of appeal to the Pension Committee within 60 days after you receive notification of the denial. After you have filed a notice of appeal with the Pension Committee, you or your authorized

representative may review pertinent documents and may submit issues and comments in writing including reasons why your claim should be allowed.

You may request, free of charge, reasonable access to, and copies of, all documents, records, and other information "relevant" to your claim for benefits. Review of your claim shall take into account all comments, documents, records and other information submitted by you relating to the claim, without regard to whether such documents, records or other information were submitted or considered in the initial benefit determination. "Relevant" means that documents, records or other information were relied upon in making the benefit determination; were submitted, considered, or generated in the course of making the benefit determination, even if the Pension Committee did not rely on them in making the benefit determination; or demonstrate compliance with the administrative processes and safeguards required for making of the benefit determination.

A decision by the Pension Committee will be made within 60 days of the date that your written notice of appeal is filed with the Pension Committee. If special circumstances require an extension of the 60-day period, you will be notified before the end of the original 60-day period. At most, your appeal will be decided within 120 days.

The Pension Committee's decision will be in writing and shall include specific reasons for the decision. If your appeal is denied, your denial notice will set forth:

(a) The specific reason or reasons for denial of the claim;

(b) Reference to the specific **Plan** provisions upon which the denial is based;

(c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(d) A statement of the claimant's right to bring a civil action under ERISA.

**Special Rules for Military Service Disability Claims**

If your **Military Service Disability** claim is wholly or partially denied, the Pension Committee shall furnish notice of the decision to you within 45 days after receipt of the claim. If, however, the Pension Committee determines that special circumstances require an extension of time to process the claim, written notice (including an explanation of the special circumstances requiring an extension and the date by which the Pension Committee expects to render the benefits determination) will be furnished to you before the end of the original 45-day period. The extension will be for a period of 30 days from the end of the intial 45-day period. If the Pension Committee determines that an additional extension is required, written notice (including an explanation of the special circumstances requiring an additional extension and the date by which the Pension Committee expects to render the benefits determination) will be furnished to you before the end of the initial 30-day extension. In no event will such additional extension be for more than 30 days from the end of the 75-day period (the original 45-day period plus the extension of 30 days).

The notice of denial will be in writing, and will include the following:

(a) The specific reason or reasons for the denial;

(b) Reference to the specific **Plan** provisions upon which the denial is based;

(c) A description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;

(d) A statement whether any internal rule, guideline, protocol or other similar criterion was relied on for the denial, and if so, a statement that such internal rule, guideline, protocol or similar criterion will be provided free of charge upon request;

(e) A statement that you are entitled to receive, upon request and free of charge, the names of any medical and/or vocational experts whose advice was sought with respect to the benefit determination without regard to whether the advice was relied upon in deciding the appeal;

(f) A statement that you are entitled to receive, upon request and free of charge, an explanation of any medical and/or vocational findings, if the adverse determination was based in whole or in part on such findings;

(g) An explanation of the **Plan's** appeal procedure, including the time limits applicable to the **Plan's** appeal procedures, and a statement of your right to bring a civil action under ERISA; and

(h) The following statement: "You and your **Plan** may have other voluntary alternative dispute resolution options such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

You have the right to appeal a denial of a **Military Service Disability** claim under the **Plan** to the Pension Committee. Such appeal may be accomplished by sending a written notice of appeal to the Pension Committee 180 days after you receive notification of the denial. After you have filed a notice of appeal with the Pension Committee, you or your authorized representative may review pertinent documents and may submit documents, records, issues and comments in writing including reasons why your claim should be allowed.

You may request, free of charge, reasonable access to, and copies of, all documents, records, and other information "relevant" to your claim for benefits. Review of your claim shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such documents, records or other information were submitted or considered in the initial benefit determination. "Relevant" means that documents, records or other information were relied upon in making the benefit determination; were submitted, considered, or generated in the course of making the benefit determination, even if the Pension Committee did not rely on them in making the benefit determination; or demonstrate compliance with the administrative processes and safeguards required for making of the benefit determination.

If the appeal is from a decision based in whole or in part on a medical judgment, a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, other than the health care professional who was consulted in connection with the initial benefit determination or a subordinate of such health care professional, will be consulted. No deference will be given to the initial adverse benefits determination and the appeal will be

decided by neither the individual who made the initial adverse benefits determination nor a subordinate of such individual.

A decision will be made within 45 days of the date that your written notice of appeal is filed with the Pension Committee. If special circumstances require an extension of the 45-day period, you will be notified. At most, your claim will be decided within 90 days.

The Pension Committee's decision will be in writing and shall include specific reasons for the decision. If your appeal is denied, your denial notice will set forth:

(a) The specific reason or reasons for denial of the claim;

(b) Reference to the specific **Plan** provisions upon which the denial is based;

(c) A statement whether any internal rule, guideline, protocol or other similar criterion was relied on for the denial, and if so, a statement that such internal rule, guideline, protocol or similar criterion will be provided free of charge upon request;

(d) A statement that you are entitled to receive, upon request and free of charge, the name of any medical and/or vocational experts whose advice was sought with respect to the benefit determination;

(e) A statement that you are entitled to receive, upon request and free of charge, an explanation of any medical and/or vocational findings, if the adverse determination was based in whole or in part on such findings;

(f) A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits;

(g) A statement of your right to bring a civil action under ERISA; and

(h) The following statement: "You and your **Plan** may have other voluntary alternative dispute resolution options such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

**Amendment or Termination of the Plan**

The **Company** reserves the right to amend the **Plan** at any time, subject to certain terms and conditions set forth in the **Plan**. The **Company** has delegated the power to amend the **Plan** to the President of Tucson Electric Power Company, subject to certain limitations.

The **Company** has adopted the **Plan** expecting to maintain it indefinitely. Because future conditions cannot be predicted, however, the **Company** reserves the right to terminate the **Plan** and its contributions into the Trust at any time by following proper legal procedure. The **Plan** shall terminate in the event that the **Company** is dissolved and liquidated or merged or consolidated with a successor company that does not elect to continue the **Plan**. If the merger or

consolidation of the **Company** is with a related company, the **Plan** shall continue without interruption, unless the documents evidencing the merger or consolidation state otherwise.

If the **Plan** is terminated, the accrued benefits of all affected **Participants** will become 100% vested. The Pension Committee shall make a prompt determination of the fair market value of the Fund and it shall then be applied so as to provide (to the extent not already provided) benefits in the order of priority prescribed by ERISA. You might not receive your entire benefit if the **Plan** terminates with insufficient funds to provide full benefits, and the benefits are not insured by the Pension Benefit Guaranty Corporation ("PBGC"), as described below.

**Benefits Insured by the PBGC**

Your pension benefits under the **Plan** are insured by the PBGC, a federal insurance agency. If the **Plan** terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) vested normal and early retirement benefits; (2) disability benefits if you become disabled before the **Plan** terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) benefits greater than the maximum guaranteed amount set by law for the year in which the **Plan** terminates; (2) some or all of benefit increases and new benefits based on **Plan** provisions that have been in place for fewer than 5 years at the time the **Plan** terminates; (3) benefits that are not vested because you have not worked long enough for the **Company**; (4) benefits for which you have not met all of the requirements at the time the **Plan** terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the **Plan's** normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your **Plan** has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your Plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at http://www.pbgc.gov.

**Rights Under ERISA**

As a **Participant** in the **Plan**, you are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants shall be entitled to:

**Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the **Plan**, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the **Plan** with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan administrator, copies of documents governing the operation of the **Plan**, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a notice of the **Plan's** funding status. The **Plan** administrator is generally required by law to furnish each **Participant** with a copy of this annual funding notice no later than 120 days after the close of each **Plan** year.

Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the **Plan** now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The **Plan** must provide the statement free of charge.

**Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your **Plan**, called "fiduciaries" of the **Plan**, have a duty to do so prudently and in the interest of you and other **Plan Participants** and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

**Enforce Your Rights**

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of **Plan** documents or the latest annual report from the **Plan** and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the **Plan** administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the **Plan's** decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that **Plan** fiduciaries misuse the **Plan's** money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S.

Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous. However, no legal action may be commenced or maintained against the **Plan** prior to your exhaustion of the **Plan's** claims procedures described in this SPD.

**Assistance with Your Questions**

If you have any questions about your **Plan**, you should contact the **Plan** administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the **Plan** administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

**THIS SPD IS AS ACCURATE AS POSSIBLE AT TIME OF DISTRIBUTION. IT WILL BE UPDATED FROM TIME TO TIME AS REQUIRED BY ERISA. NOTHING HEREIN IS A CONDITION OF EMPLOYMENT OR IN ANY WAY AFFECTS OTHER CONDITIONS OF EMPLOYMENT.**

## Important Information

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|---|---|
| Plan Name: | Tucson Electric Power Company Salaried Employees Retirement Plan |
| Plan Sponsor and Address: | Tucson Electric Power Company<br>88 East Broadway<br>Mail Stop HQE202<br>Tucson, AZ 85701 |
| Employer Identification Number: | 86-0062700 |
| Plan Number: | 001 |
| Plan Administrator: | Pension Committee<br>c/o Tucson Electric Power Company<br>88 East Broadway<br>Mail Stop HQE202<br>Tucson, AZ 85701<br><br>Telephone (520) 884-3702<br><br>The Pension Committee is designated as an agent for all purposes of legal process. Service of legal process may be made upon the Plan Administrator or Trustee. |
| Type of Administration: | Committee appointed by Board of Directors of the **Company**. |
| Funding Medium: | Trust Fund |
| Trustee: | Russell Investments Trust Company |
| Trustee's Address: | 1301 Second Avenue<br>18th Floor<br>Seattle, WA 98101 |