Important Information about Investing in the National Electrical Annuity Plan (NEAP)

As required by the Department of Labor, this document includes important information to help you understand and compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to NEAP’s Internet Web site – www.neap.org – or you can contact NEAP directly at 2400 Research Boulevard, Suite 500, Rockville, MD 20850-3266, (301) 556-4300. A free paper copy of the information available on the Web site can be obtained by contacting NEAP at the address or telephone number above. Customer Service Representatives are available from 8:00 a.m. to 5:00 p.m. Eastern Time, Monday through Friday.

This document is broken into four sections as follows:

- **Section 1** Reviewing Your Investment Alternatives – NEAP Life Stage Funds
- **Section 2** Investing in NEAP
- **Section 3** Investment Performance and Expense Tables
- **Section 4** Fee Information

These materials do not require you to take any action; however, this document can aid you in making informed investment decisions. Please review it carefully and retain it for your records. You will receive an update of this information annually. Additionally, you will be notified if any of the information in this document changes.
Section 1

REVIEWING YOUR INVESTMENT ALTERNATIVES—NEAP LIFE STAGE FUNDS

Types of Investments

NEAP offers a Life Stage Program for its participants. Each of NEAP’s five professionally designed and managed Life Stage Funds has an asset mix that’s tailored for a specific age group—Under 30, 30s, 40s, 50s, and 60s Plus. The Life Stage Funds for younger age groups have a higher risk—higher return profile compared to Life Stage Funds for older age groups that are closer to retirement. Upon becoming a participant in the plan, NEAP automatically matches you to the Life Stage Fund that corresponds to your age group. As you move into the next age group, NEAP automatically moves you to the corresponding Life Stage Fund. Your retirement assets are professionally managed for you throughout your working career without you having to make another investment decision. Although NEAP believes the automatic design investment feature is the best choice for most participants, NEAP recognizes that some participants may wish to choose to invest in a different Life Stage Fund. Therefore, you always have the option of choosing a Life Stage Fund that is outside your age group. You may choose a different Life Stage Fund upon your enrollment in NEAP or by contacting the NEAP office (see page 1 for contact information). You may not invest your NEAP account in more than one Life Stage Fund at any time. Section 2 of this document provides detailed information about the five investment alternatives available to you in NEAP. Note that if you do elect to choose a different Life Stage Fund, such change will take effect on the first day of the calendar quarter following NEAP’s receipt of such election.

Section 2

INVESTING IN NEAP

Investment Objectives: This section provides a more detailed description of the investment objectives of each of the Life Stage Funds.

Under 30 Life Stage Fund

The Under 30 Life Stage Fund is an aggressive, diversified investment portfolio designed primarily to provide growth opportunities for participants who likely will not retire for another 40 years. With approximately 70% of its assets invested in equities, the Under 30 Life Stage Fund is the most aggressive portfolio in the Life Stage program. It is designed for younger participants who, with a longer-term time horizon, can weather the short-term volatility typical of the equity (stock) markets, and reap the rewards of more aggressive investing which can be significant. Nonetheless, approximately 30% of the Under 30 Life Stage Fund is diversified in investments that are typically more stable, such as fixed income (bonds) and real estate, to help offset some of the volatility of the fund’s stock investments.

30s Life Stage Fund

The 30s Life Stage Fund is a fairly aggressive, diversified investment portfolio designed to provide growth opportunities for participants who have 30 or more years before they retire. With approximately 60% of its assets invested in equities, the 30s Life Stage Fund is oriented toward asset growth. While stock investments offer the potential for a greater investment return, they are also more volatile in the short term and are susceptible to market downturns. The investment mix of the 30s Life Stage Fund recognizes that participants in their 30s have a long-term time horizon, and typically can afford to weather the short-term volatility of the equity markets. Nonetheless, approximately 40% of the 30s Life Stage Fund is diversified in investments that are typically more stable, such as fixed income (bonds) and real estate, to help offset some of the volatility of the fund’s stock investments.
Section 2 continued

40s Life Stage Fund
The 40s Life Stage Fund is a moderately aggressive, diversified investment portfolio designed to provide both investment growth and stability. This fund is ideal for participants who have 20 or more years left before retirement. Approximately 50% of the 40s Life Stage Fund’s assets are invested in equities, which generally provide the opportunity for a greater investment return, but also are more volatile in the short term and are susceptible to downturns. To help defend against the volatility of the equity markets, approximately 50% of the 40s Life Stage Fund portfolio is diversified in investments that are typically more stable, such as fixed income (bonds) and real estate, to help offset some of the volatility of the fund’s stock investments.

50s Life Stage Fund
The 50s Life Stage Fund is a moderate-to-conservative, diversified investment portfolio designed to offer stability and asset preservation with opportunity for investment growth. This fund is ideal for participants who are nearing retirement, but have another ten years or so to work. Approximately 40% of this fund is invested in equities, which generally provide a greater investment return, though they are more volatile and are susceptible to downturns. To help defend against the volatility of the equity markets, approximately 50% of the 50s Life Stage Fund portfolio is invested in stable value assets with the aim of protecting principal while providing a steady and predictable rate of return. In addition, approximately 10% of the 50s Life Stage Fund is allocated to real estate to provide further diversification.

60s Plus Life Stage Fund
The 60s Plus Life Stage Fund is a conservative, diversified investment portfolio designed to preserve assets while providing a modest opportunity for growth. This fund is ideal for participants who are close to or in retirement. With approximately 65% of the fund invested in stable value assets, the 60s Plus Life Stage Fund is the most conservative portfolio in the Life Stage Program. Recognizing that growth potential is also still important as participants approach and move into their retirement years, approximately 20% of the fund is allocated to large cap equity investments, which are more volatile and are susceptible to market downturns. The 60s Plus Life Stage Fund’s significant allocation to stable value assets is meant to defend against the volatility of the equity markets, while still providing a steady and predictable rate of return. In addition, approximately 10% of the 60s Plus Life Stage Fund is allocated to real estate to provide further diversification.

LIFE STAGE FUND TARGET ASSET ALLOCATION
Each of the Life Stage Funds has a unique target asset allocation designed to be appropriate for the risk tolerance of the age group covered by that fund. In general, the asset allocation of the Life Stage Funds for younger participants has a higher risk and higher return profile than the Life Stage Funds for older participants. These target asset allocations may be adjusted from time to time. The current target asset allocations for the various Life Stage Funds as of August 2016 are summarized in the following charts.
LIFE STAGE FUNDS
TARGET ASSET ALLOCATION

Under 30:
- 45% Large Cap
- 13% Mid Cap
- 12% Small Cap
- 20% Fixed Income
- 10% Real Estate

50s:
- 25% Large Cap
- 7% Mid Cap
- 8% Small Cap
- 50% Stable Value
- 10% Real Estate

30s:
- 38% Large Cap
- 11% Mid Cap
- 11% Small Cap
- 30% Fixed Income
- 10% Real Estate

60s Plus:
- 20% Large Cap
- 5% Small Cap
- 65% Stable Value
- 10% Real Estate

40s:
- 30% Large Cap
- 10% Mid Cap
- 10% Small Cap
- 40% Fixed Income
- 10% Real Estate
Section 3

INVESTMENT PERFORMANCE AND EXPENSE TABLES

This section contains important information to help you compare the investment alternatives available in NEAP. It illustrates how these Life Stage Fund alternatives have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Please note that past performance does not guarantee how the investment alternative will perform in the future. Your Life Stage Fund could lose money. This section also outlines the Total Annual Operating Expenses of each of the Life Stage Fund alternatives. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment alternative. The cumulative effect of fees will reduce the growth of your retirement savings. Visit the Department of Labor's website for an example showing the long-term effect of fees at [http://www.dol.gov/ebsa/publications/401k_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html). Fees are only one of many factors to consider when you decide to invest.

<table>
<thead>
<tr>
<th>LIFE STAGE FUND</th>
<th>AVERAGE ANNUAL TOTAL RETURN * as of 12/31/2016</th>
<th>TOTAL ANNUAL OPERATING EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 yr.</td>
<td>5 yr.</td>
</tr>
<tr>
<td>LIFE STAGE FUND UNDER 30</td>
<td>11.26%</td>
<td>11.59%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>11.09%</td>
<td>11.89%</td>
</tr>
<tr>
<td>LIFE STAGE FUND 30's</td>
<td>10.32%</td>
<td>10.39%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>10.03%</td>
<td>10.63%</td>
</tr>
<tr>
<td>LIFE STAGE FUND 40's</td>
<td>9.36%</td>
<td>9.21%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>8.99%</td>
<td>9.38%</td>
</tr>
<tr>
<td>LIFE STAGE FUND 50's</td>
<td>7.35%</td>
<td>7.46%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>7.31%</td>
<td>7.91%</td>
</tr>
<tr>
<td>LIFE STAGE FUND 60's</td>
<td>5.27%</td>
<td>5.58%</td>
</tr>
<tr>
<td>BENCHMARK</td>
<td>5.35%</td>
<td>5.97%</td>
</tr>
</tbody>
</table>

* Please note when comparing returns that benchmarks do not have fees deducted.
To aid you in evaluating the Life Stage Funds, NEAP has provided you with blended benchmarks to compare the performance of each Fund’s investments against that of the broader market. The blended benchmark return for each Life Stage Fund blends the returns of the following broad-based securities market indexes in proportion to the Target Asset Allocation weightings of the particular Life Stage Fund.

For example, the blended benchmark for the 60s Plus Life Stage Fund is a weighted blend made up of 20% S&P 500 Equity Index (Large Cap Equity), 5% Russell 2000 Equity Index (Small Cap Equity), 65% Hueler Stable Value Index (Stable Value), 9.3% NCREIF Property Index (Real Estate), and 0.7% Barclays Mortgage-Backed Securities Index (Real Estate).

### NEAP BENCHMARKS FOR EACH INVESTMENT STRATEGY

<table>
<thead>
<tr>
<th>Investment Allocations</th>
<th>Benchmark Index</th>
<th>Return - 1 yr. 12/31/2015</th>
<th>Return - 5 yr. 12/31/2015</th>
<th>Return - 1 yr. 12/31/2016</th>
<th>Return - 5 yr. 12/31/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Equity (Stocks)</td>
<td>S &amp; P 500 Equity</td>
<td>1.38%</td>
<td>12.57%</td>
<td>11.96%</td>
<td>14.66%</td>
</tr>
<tr>
<td>Mid Cap Equity (Stocks)</td>
<td>Russell Mid Cap Equity</td>
<td>-2.44%</td>
<td>11.44%</td>
<td>13.80%</td>
<td>14.72%</td>
</tr>
<tr>
<td>Small Cap Equity (Stocks)</td>
<td>Russell 2000 Equity</td>
<td>-4.41%</td>
<td>9.19%</td>
<td>21.31%</td>
<td>14.46%</td>
</tr>
<tr>
<td>Fixed Income (Bonds)</td>
<td>Barclays U.S. Aggregate Bond</td>
<td>0.55%</td>
<td>3.25%</td>
<td>2.65%</td>
<td>2.23%</td>
</tr>
<tr>
<td>Stable Value (Low Risk)</td>
<td>Hueler Stable Value</td>
<td>1.75%</td>
<td>2.03%</td>
<td>1.78%</td>
<td>1.87%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>NCREIF Property (93%)</td>
<td>13.33%</td>
<td>12.18%</td>
<td>7.97%</td>
<td>10.92%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Barclays Mortgage-Backed Securities (7%)</td>
<td>3.54%</td>
<td>3.96%</td>
<td>3.43%</td>
<td>3.73%</td>
</tr>
</tbody>
</table>
manage than others, fees can vary among the Life Stage Funds. Investment management fees are taken from the investment returns of the Life Stage Funds, so the earnings posted to your account are already reduced by the asset management fees. Other investment-related fees are also taken from investment returns of the Life Stage Funds, including salaries for investment staff, investment research, professional (legal and accounting), custodial fees, and certain other overhead expenses. There is not necessarily a correlation between fees and investment performance, and fees are just one factor to consider when determining which investment alternative is right for you. The impact of these investment management fees (together with the plan administrative fees described below) on the return of each Life Stage Fund is detailed in Section 3, Table 1 under the column heading “Total Annual Operating Expenses”.

Plan Administrative Fees
Plan administrative fees are costs and expenses associated with the day-to-day operations of the plan. These fees include, for instance, costs for processing contributions and distributions, calculating account balances, generating transaction statements, maintaining the plan’s website and operating the call center and professional fees (legal and accounting) to ensure the plan is in compliance with its obligations under the law. Like the investment management fees described above, plan administrative fees are taken from each Life Stage Fund’s investment return before earnings are posted to your account. The impact of these plan administrative fees (together with the investment management fees) on the return of each Life Stage Fund is detailed in Section 3, Table 1 under the column heading “Total Annual Operating Expenses”.

Individual Fees
Individual fees may be associated with certain activities in your account. If you use a service or request a transaction listed in the chart below, the associated fee may be deducted from your account. Keep in mind that fees are subject to change and that certain individual fees may not be deducted in some circumstances.

| Review of Qualified Domestic Relations Order (QDRO) | $200.00 per QDRO |

If You Have Questions
If you have questions about the plan, log on to www.neap.org for additional information. Customer Service Representatives also are available at (301) 556-4300 from 8:00 a.m. to 5:00 p.m. Eastern Time, Monday through Friday. Please also visit www.neap.org to find a glossary of terms that relate to the Life Stage Funds offered under NEAP. This glossary is intended to help you better understand your investment options.