

### **AEP SYSTEM RETIREMENT SAVINGS PLAN (Qualified 401k Plan)**

The AEP System Retirement Savings Plan (RSP) is a 401(k) savings plan that gives employees an opportunity to save through payroll deductions on a pre-tax and after-tax basis. Generally, employees can contribute from 1% to 50% of their eligible compensation on a pre-tax basis, after-tax basis, including Roth 401(k) after-tax, or in a combination of any of the contribution options, up to the limits established by the IRS. The Company adds 100% to their account for every dollar they contribute up to the first 1% and 70% for every dollar they contribute up to the next 5% each pay period. All contribution sources are eligible for the match, but the 6% limit is applied to the total amount contributed each pay period. Employees can invest in any combination of the 19 investment options available and/or the self-directed brokerage account to design their own diversified portfolio. Employees are immediately 100% vested in the value of their contributions and AEP contributions.

### **AEP SYSTEM RETIREMENT PLAN (Qualified Pension Plan)**

Each of the AEP affiliates establishes a recordkeeping account for their employees to track growth of a participant's benefit over time. The plan provides a cash balance benefit. The account balance grows through two annual credits: an interest credit and an annual employer company credit which is a percentage of a participant's pay, based on age and service. Employees are eligible to participate after completing one year of service with AEP. Employees are automatically enrolled in the AEP System Retirement Plan once eligible.

Participants are 100% vested in their accrued benefit after three years of service.

Participants of the AEP System Retirement Plan who were employed by the Company on 12/31/2000 and participants of the Central and South West Retirement Plan who were age 50 or older with at least 10 years of service as of June 30, 1997, are grandfathered in each plan's prior pension formula. Grandfathered participants receive the higher benefit from the prior formulas provided by the plans or the newer cash balance formula.

The following plans are available generally to employees whose compensation exceeds IRS qualified plan limits.

### **SUPPLEMENTAL RETIREMENT SAVINGS PLAN (Non-Qualified 401k Excess Plan)**

This plan allows eligible participants to save on a pre-tax basis and to continue to receive Company matching contributions beyond the limits imposed by the Internal Revenue Code on the AEP System Retirement Savings Plan. This plan is unfunded. Participants have an unsecured contractual commitment from the Company to pay the amounts due under the plans from the general assets of the Company.

- Participants can defer up to 50 percent of their base salary and annual incentive award in excess of the IRS' eligible compensation limit for qualified plans, which was \$265,000 for 2016, up to \$2,000,000.
- The Company match is the same as the qualified RSP.
- Participants may not withdraw any amount credited to their account until their termination of employment with AEP.
- Participants may direct the investment of their plan account among the core investment options that are available to all employees in AEP's qualified RSP and one additional option that provides interest at a rate set each December at 120 percent of the applicable federal long-term rate with monthly compounding. There were no above-market or preferential earnings with respect to the Supplemental Retirement Savings Plan.

### **AEP SUPPLEMENTAL BENEFIT PLAN**

The AEP Supplemental Benefit Plan is a nonqualified defined benefit pension plan. It generally provides eligible participants with benefits that are in excess of those provided under the AEP Retirement Plan (without regard to the provisions now included as the result of the merger of the CSW Retirement Plan into the AEP Retirement Plan) as determined upon the participant's termination of employment. These excess benefits are calculated under the terms of the AEP Retirement Plan described above with the following modifications: (i) additional years of service or benefit credits are taken into account; (ii) annual incentive pay was taken into account for purposes of the frozen final average pay formula; and (iii) the limitations imposed by the Internal Revenue Code on annual compensation and annual benefits are disregarded. However, eligible pay taken into account under the cash balance formula is limited to the greater of \$1 million or two times the participant's year-end base salary. Participants do not become vested in their AEP Supplemental Plan benefit until they become vested in their AEP Retirement Plan benefit or upon a change in control.

### **CSW EXECUTIVE RETIREMENT PLAN**

The CSW Executive Retirement Plan is a nonqualified defined benefit pension plan. It generally provides eligible participants with benefits that are in excess of those provided under the terms of the former CSW Retirement Plan (which was merged into the AEP Retirement Plan) as determined upon the participant's termination of employment. The excess benefits are calculated without regard to the limitations imposed by the Internal Revenue Code on annual compensation and annual benefits.

The following plans are only available for certain eligible employees.

### **Other Voluntary Deferred Compensation Plans**

These plans allow eligible participants to defer receipt of a portion of their base salary, annual incentive compensation and performance unit awards. Such deferrals may better enable participants to achieve their retirement savings goals. The plans are unfunded and do not provide any employer contributions. Participants have an unsecured contractual commitment from the Company to pay the amounts due under the plans from the general assets of the Company.

**Incentive Compensation Deferral Plan** - This plan allows eligible employees to defer payment of up to 80 percent of vested performance units. AEP does not offer any matching contributions. Participants may direct the investment of their plan accounts among the core investment options that are available to all employees in AEP's qualified Retirement Savings Plan. There were no above-market or preferential earnings with respect to the Incentive Compensation Deferral Plan in 2016. Generally, participants may not withdraw any amount credited to their account until their termination of employment with AEP. However, participants may make one withdrawal of amounts attributable to their pre-2005 contributions prior to termination of employment. The withdrawal amount would be subject to a 10 percent withdrawal penalty. Participants may elect among the same payment options for the distributions of their account value as described above for the Supplemental Retirement Savings Plan.

**Stock Ownership Requirement Plan** - This plan assists executives in achieving their minimum stock ownership requirements. It does this primarily by tracking the executive's AEP Career Shares. AEP Career Shares are a form of deferred compensation, which are unfunded and unsecured general obligations of AEP. The rate of return on AEP Career Shares is equivalent to the total return on AEP stock with dividends reinvested. Participants may not withdraw any amount credited to their account until their termination of employment with AEP. Participants may elect among the same payment options for the distribution of the value of their AEP Career Shares as described above for the Supplemental Retirement Savings Plan.