

TVA RETIREMENT SYSTEM  
NOTICE OF AMENDMENTS TO THE  
RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM (“TVARS”)  
AND THE PROVISIONS OF THE TVA SAVINGS  
AND DEFERRAL RETIREMENT PLAN (“401(k) PLAN”)

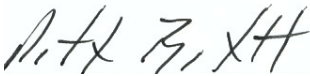
August 9, 2016

Yesterday, at a special-called meeting, the TVA Retirement System Board of Directors (“TVARS Board”) by a vote of 4 to 3 approved amendments to the TVARS Rules and Regulations and to the 401(k) Plan Provisions.

On December 16, 2015, the TVARS Board received a pension proposal from the Tennessee Valley Authority (“TVA”) requesting certain changes to future retirement benefits for employees and retirees as well as certain other changes regarding minimum funding and governance. Following the review and consideration of this pension proposal, the TVARS Board at a special-called meeting on March 3, 2016, approved a counterproposal (the “TVARS counterproposal”), which was presented to TVA. On April 18, 2016, the TVARS Board received a letter from TVA requesting certain changes to the TVARS counterproposal. After review and consideration of TVA’s requested changes, the TVARS Board at a special-called meeting on May 9, 2016, approved the TVARS counterproposal as modified by TVA’s requested changes.

The amendments to the TVARS Rules and Regulations and 401(k) Plan Provisions approved by the TVARS Board at the August 8, 2016, special-called meeting implement this modified counterproposal, and TVARS has presented them to TVA for its review and consideration as of the date of this Notice. The amendments are effective October 1, 2016, unless vetoed by TVA within 30 days of this Notice.

A copy of the amendments as approved by the TVARS Board may be found below.



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Patrick D. Brackett  
Executive Secretary  
TVA Retirement System

WHEREAS, following the review and consideration of a pension proposal from the Tennessee Valley Authority (“TVA”) dated December 16, 2015, the Board of Directors (“Board”) of the Tennessee Valley Authority Retirement System (“TVARS”) at a special-called meeting on March 3, 2016, approved amendments to the TVARS Rules and Regulations and 401(k) Plan Provisions as set forth in a proposal term sheet developed by the Board, which was presented to TVA as a counterproposal (the “TVARS counterproposal”); and

WHEREAS, the Board received a letter from TVA dated April 18, 2016, requesting certain changes to the TVARS counterproposal (“TVA’s requested changes”); and

WHEREAS, after the review and consideration of TVA’s requested changes, the Board at a special-called meeting on May 9, 2016, approved amendments to the TVARS Rules and Regulations and Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan (401(k) Plan) consistent with the TVARS counterproposal as modified by TVA’s requested changes; and

WHEREAS, as a part of this approval at the May 9, 2016, special-called meeting, the Board directed the TVARS staff to draft the amendments implementing this modified counterproposal, which would then be reviewed by (i) Mercer Human Resources Consulting (“Mercer”), TVARS’s actuary, (ii) Bradley Arant Boult Cummings (“Bradley”), TVARS’s outside legal counsel, and (iii) the TVARS Board; and

WHEREAS, the draft amendments have been reviewed by Mercer, Bradley and the TVARS Board, and any comments have been incorporated that are necessary and appropriate to implement the amendments consistent with the TVARS counterproposal as modified by TVA’s requested changes; and

WHEREAS, the Board has requested and received counsel from Bradley regarding the Board’s authority to approve the proposed amendments and the Board hereby acknowledges its authority pursuant to Section 13 of the TVARS Rules and Regulations and Article 12.9 of the 401(k) Plan Provisions to approve these amendments consistent with the TVARS counterproposal as modified by TVA’s requested changes; and

WHEREAS, following the approval of these amendments by the Board, the Executive Secretary, pursuant to Section 13 of the TVARS Rules and Regulations and Article 12.9 of the 401(k) Plan Provisions, will present them to TVA for its review, at which point the amendments will go into effect after thirty (30) days if TVA does not veto them;

NOW, THEREFORE, BE IT RESOLVED, the following Sections of the Rules and Regulations of the TVA Retirement System are amended to delete the language marked through and to add the language underlined as follows, effective October 1, 2016, unless another effective date is otherwise noted for a particular section or provision:

## SECTION 1

### Definitions

33. “Assumed rate of investment return” shall mean the rate of investment return on the System’s assets used for the actuarial valuation of System for the fiscal year that ends on the previous September 30. The assumed rate of investment return for a fiscal year is the discount rate determined by the Board with the System’s actuary under ASC 960 (as amended, updated or superseded) and is based on the System’s asset allocation policy and long-term capital market assumptions for asset classes.

## SECTION 2

### Membership

6. Notwithstanding any other provisions of these Rules and Regulations, effective as of October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will be eligible for a future retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and, except as set forth in section 7C3 with respect to interest-based credits to Cash Balance Accounts and section 19A1 with respect to rates of return on contributions to the Retirement System, will not be eligible to accrue any additional retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.

## SECTION 3

### Administration of the System

2. a. The board shall consist of seven members, three of whom shall be elected by and from the membership of the System, three of whom shall be appointed by TVA, and one of whom shall be a retiree selected by a majority vote of the other six. Except for the members of the initial board who were designated for staggered terms of one, two, and three years, respectively, the term of each director shall be three years. Each term shall be deemed to expire with the end of the day preceding the respective anniversary date of the establishment of the System, and all appointments and elections except those made to fill vacancies for unexpired terms shall be effective on such anniversary dates. Any vacancy on the board shall be filled by election or appointment, as the case may be, for only the unexpired portion of the predecessor’s term.

- b. As the term of each of the three directors elected by the membership expires or when a vacancy among such directors occurs, a successor shall be elected from such nominees as may be put in nomination by a petition subscribed to by not less than twenty-five members. Such election shall be by a majority of votes cast and, if no nominee obtains a majority in the initial balloting, a second vote shall be taken between the two nominees receiving the greatest number of votes in the initial balloting; provided, however, that when there are more than two nominees for a directorship, the board may in its discretion prescribe a form of ballot in which the voting members indicate the order of their preference among the various nominees and, if none of the nominees obtains a majority of first-choice votes among those cast, such order of preference shall be used in determining which of the two nominees receiving the greatest numbers of first-choice votes is elected. Ballots shall be distributed and received in such manner as the board shall determine to assure the integrity of the election. In the event only one person is duly nominated for the directorship to be filed, the board may declare such nominee elected without the necessity of formal balloting by the membership.
- c. Notwithstanding the other provisions of this section 3(2), when a director, elected by and from the membership, ceases to be a member of the System, that individual also ceases to be a director and an election shall be held immediately to replace that director for the unexpired portion of that term except that elected directors whose membership in the System ceases during the last 9 months of their elected term or during the 9 months prior to March 4, 1994, shall remain members of the board for the remainder of that term unless they withdraw their entire retirement allowance from the System, resign from the board, or die.
- d. Notwithstanding the other provisions of this section 3(2), the board may initiate and enforce disciplinary actions against a director for violation of written policies formally adopted by the board, and such discipline may include action up to and including removal of the director from his or her position as a director on the board. A super-majority vote of the board (5 votes) is required for the removal of a director from the board pursuant to disciplinary actions under this subsection.

## SECTION 4

### Management of the Funds of the System

7. The board is responsible for setting the asset allocation policy for the investment of the funds of the System. Effective October 1, 2016, the board shall give TVA written notice of any proposed change in asset allocation that would change the System's assumed rate of investment return. Within sixty (60) days of receipt of notice from the board, TVA may veto any proposed change in the asset allocation by written notice to the board, in which event the proposed change shall not become effective and implemented by the board. TVA shall have the right in its discretion to permanently eliminate its right of review under this section 4(7) effective upon sending written notice to the board, and

once eliminated, this right of review may only be reinstated by further amendment to these Rules and Regulations pursuant to section 13. In the event TVA discontinues contributions to the System, contributes to the System less than the minimum required under section 9B, or terminates the System, and sections 11B or 11C are in effect, TVA's right of review of asset allocation changes pursuant to this section 4(7) will terminate and no longer be in effect. Upon request by TVA, the Executive Secretary will provide to TVA any information about the System, its investments, and its asset allocation reasonably necessary for TVA to evaluate any proposed change in asset allocation pursuant to this section.

## SECTION 6

### Benefits of the System

#### I. ~~Cost-of-Living Increases~~Adjustments (COLAs)

##### 1. Prior to October 1, 2016

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year after 1966 exceeds by as much as one percent (1%) the CPI average for the prior year for which an adjustment hereunder was made. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided, however, that the portion of the benefit subject to adjustment hereunder of any retiree whose benefit begins after January 1, 1975, or after any subsequent January 1, shall not be less than it would have been had it begun on such January 1, but in the administration of this provision a retiree shall be deemed for the purpose of determining creditable service pursuant to section 1(8) on said January 1 to have to the retiree's credit the amount of unused sick leave credited to the retiree on the retiree's actual date of retirement rather than the amount to the retiree's credit on said January 1; provided further that no benefit granted under section 6B1(a) to begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. The rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the prior year since the last adjustment; provided, however, that the increase for any year shall not exceed five percent (5%) except that the board may, in its

discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year. The 12-month periods used in determining the increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

2. On or after October 1, 2016

- a. The portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is (i) derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) and (ii) based on earnable compensation up to the rate of basic pay for Executive Schedule Level IV, shall be adjusted whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made. The 12-month periods used in calculating the change in CPI-U averages will be the period November 1 through October 31.
- b. To be eligible for the cost-of-living adjustment (COLA) set forth in subsection 2(a) above, which shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI-U increase occurred; provided, however, that the portion of the benefit subject to adjustment hereunder of any retiree whose benefit begins after January 1 shall not be less than it would have been had it begun on such January 1, but in the administration of this provision, a retiree shall be deemed for the purpose of determining creditable service pursuant to section 1(8) on said January 1 to have to the retiree's credit the amount of unused sick leave credited to the retiree on the retiree's actual date of retirement rather than the amount to the retiree's credit on said January 1. Retirees who were participants in TVA's Supplemental Executive Retirement Plan or any similar non-qualified executive retirement plan maintained by TVA, and who had less than ten (10) years of membership service at termination of employment or retirement, shall not be eligible for COLAs hereunder.
- c. No benefit granted under section 6B1(a) to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached attained age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 6B1(a) and 6J to begin before actual age 60 shall be adjusted

hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 60. For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 6B1(a) and 6J which began or will begin before actual age 65 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached actual age 65.

- d. The amount of COLA set forth in subsection 2(a) above shall be equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%; provided, however, that the COLA for any year shall not exceed six percent (6%).

## SECTION 7

### Cash Balance Benefit Structure

#### C. Accounts and Credits to Accounts

##### 2. Pay-Based Credits to Participant's Accounts

- a. Beginning as of the first day of the first pay period beginning after January 1, 1996, and as of the first day of each pay period thereafter, each Cash Balance Participant's account shall be credited with an amount equal to 6 percent of the earnable compensation received by the Participant for the previous pay period.
- b. Beginning September 1, 2011, on the last day of each month, the Account of each Cash Balance Participant shall be credited with an amount equal to 6 percent of the Participant's earnable compensation for that month. Upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 6 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement or termination of employment occurs, to the actual date of retirement or termination.
- c. Beginning October 1, 2016, on the last day of each month, the Account of each Cash Balance Participant shall be credited with amounts equal to the following: (i) for Cash Balance Participants who first became members of the System prior to January 1, 1996, an amount equal to 6 percent of the Participant's earnable compensation for that month, and upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 6 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement or termination of employment occurs, to the actual date of retirement or termination; and (ii) for Cash Balance Participants who first

became members of the System on or after January 1, 1996, and have ten (10) or more years of cash balance service as of October 1, 2016, an amount equal to 3 percent of the Participant's earnable compensation for that month, and upon retirement or termination of employment, the Participant's Account shall receive as a final pay-based credit an amount equal to 3 percent of the Participant's earnable compensation for the period of time from the beginning of the month in which retirement or termination of employment occurs, to the actual date of retirement or termination.

- d. Effective September 30, 2016, the Accounts of each Cash Balance Participant who first became a member of the System on or after January 1, 1996, and has less than ten (10) years of cash balance service as of October 1, 2016, shall not be credited with any additional pay-based credits on or after October 1, 2016.
- e. If TVA elects to keep in service a Participant who is on temporary leave of absence without pay and who would otherwise be eligible to receive pay credits under section C2(c) above, in service and TVA continues its contributions on account of such Participant during such period, then such Participant shall continue to receive pay-based credits based on the rate of the Participant's earnable compensation in effect on the last day in pay status; provided, however, that the earnable compensation used to calculate the pay-based credits will include any subsequent adjustments resulting from normal salary or wage increases, salary or wage negotiations, or position reclassification where the Participant is on leave of absence without pay (i) to serve in a full-time position with a labor organization, (ii) to serve in the uniformed services as defined in 38 U.S.C. §4303 (USERRA), or (iii) pursuant to any other federal law or regulation that would require such adjustments for crediting purposes.

3. Interest-Based Credits to Accounts

a. Cash Balance Participants Who First Became Members of the System Prior to January 1, 1996

As of the last day of each month beginning after December 31, 1995, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the



Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus three percent (3%). Provided, however, that effective as of January 1, 1999, the annual interest rate shall not be less than six percent (6%) nor exceed ten percent (10%) except that the Board may, with the approval of TVA, apply for any year an annual interest rate greater than ten percent (10%) for any year.

b. Cash Balance Participants Who First Became Members of the System On or After January 1, 1996

(i) Prior to October 1, 2016

As of the last day of each month beginning after December 31, 1995, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus three percent (3%). Provided, however, that the annual interest rate shall not be less than six percent (6%) nor exceed ten percent (10%) except that the Board may, with the approval of TVA, apply an annual interest rate greater than ten percent (10%) for any year.

(ii) On or after October 1, 2016

As of the last day of each month beginning on or after October 1, 2016, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the end of the previous month.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus

two percent (2%). Provided, however, that the annual interest rate shall not be less than the System's assumed rate of investment return minus two percent (2%) nor greater than the System's assumed rate of investment return minus one-half percent (0.5%), except that the Board may, with the approval of TVA, apply an annual interest rate greater than this maximum for any year.

D. Benefits for Cash Balance Participants

4. Lump-Sum Payment of ~~Certain~~ Cash Balance Accounts

Notwithstanding any provisions of this section 7 ~~or section 11~~ to the contrary, a Participant with a minimum of five years of cash balance service ~~whose account balance is \$30,000 or less on the date the Participant ceases to be an employee and who has elected to receive a single sum withdrawal of the entire amount of the Participant's accumulated contributions (if any),~~ may elect to receive the entire amount of the Participant's cash balance account in a lump sum at termination of employment or retirement in lieu of the pension benefit and COLA benefit provided herein.

H. Disability Retirement

1. Except as set forth in section 7H3 below, ~~a~~Any Participant with 5 or more years of cash balance service may, upon the application of TVA or upon the Participant's own application, filed with the board while the Participant is in service or not later than 60 days after the Participant ceases to be in service, be retired by the board on a disability retirement allowance upon a determination by the board which shall include the consideration of a report either by the Medical Board or by TVA Medical Services and information from TVA Human Resources that the Participant cannot be continued in the Participant's present position because of a physical or mental disability that is likely to be permanent and that there is no other position available for which the Participant is qualified and can perform with the Participant's medical restrictions. Such retirement shall begin as of the day following the date on which the application is filed, except that the board may in its discretion and for good cause establish an earlier beginning date, but in no case will the beginning date be earlier than the day following the date the Participant ceases to be in pay status.
2. A Participant retired on account of such disability shall (subject, however, to the provisions of section 11) receive a disability retirement allowance which shall correspond to the normal retirement benefit if the member has reached age 65 on the date of his retirement, and which shall otherwise consist of:
  - a. An annuity which is the actuarial equivalent of the Participant's accumulated contributions.

- b. A pension equal to one and one-tenth percent (1.1%) of the Participant's average compensation for each year of the Participant's cash balance service except that if the pension as so calculated is less than thirty percent (30%) of the Participant's average compensation, it shall be increased to thirty percent (30%); provided, however, that such increase in percentage rate shall not in any event exceed one and one-half percent (1.5%) times the number of years the Participant lacks of attainment of age 65 on the date of retirement. If and when the member becomes entitled to a Disability Insurance Benefit or an Old-Age Benefit under Title II of the Social Security Act, the pension shall be reduced by the smaller of (1) an amount equal to nine-tenths of the social security offset, or (2) the amount, if any, by which the disability pension before such reduction exceeds the normal pension to which the Participant would have been entitled if the Participant had been age 65 at the time of retirement; provided, however, that if the Participant commences to receive a reduced Old-Age Benefit before reaching age 65, the pension shall be reduced by the actuarial equivalent of the aforesaid reduction.

3. Effective October 1, 2016, Cash Balance Participants (i) who first became members of the Retirement System on or after January 1, 1996, (ii) have less than ten (10) years of cash balance service as of October 1, 2016, and (iii) have not yet filed for a disability retirement as of October 1, 2016, that is subsequently approved by the board, will not be eligible for or have a right to disability retirement benefits as set forth under this section 7H.

#### I. Benefit Payable in the Event of Death Before Retirement

Upon the receipt of proper proofs of death of a Participant who shall have died in service, there shall (subject, however, to the provisions of section 11) be paid to such person as the Participant shall have nominated by written designation duly filed with the board a benefit as follows:

1. For Participants Who First Became Members Prior to January 1, 1996, and For Participants Who First Became Members On or After January 1, 1996, and Have Ten (10) or More Years of Cash Balance Service as of October 1, 2016

- (a) If the Participant's beneficiary is any person other than such Participant's spouse, the beneficiary may elect to receive either (1) a cash lump sum, payable as of the first day of the month following the month in which the Participant's death occurs, in an amount equal to the value of such Participant's accumulated contributions plus the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the Participant's account balance as of the last day of the month in which the death of the Participant occurs, or (2) a life annuity commencing no later than one year after the member's death and

consisting of a pension, payable monthly, which is the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the amount equal to the quotient of (i) the Participant's cash balance account balance as of the date preceding the date the payments commence, divided by (ii) the applicable conversion factor from the table contained in section 7K based on the beneficiary's age in years and months as of the date payments commence, and an annuity equal to the actuarial equivalent of the Participant's accumulated contributions. In lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses and at the beneficiary's death the difference, if any, between the present value of the total benefit payable at the time of the Participant's death and the sum of the payments made to the beneficiary during the beneficiary's lifetime, exclusive of any increases in such payments which are provided in subsections G and L of this section 7, shall be paid in a lump sum to such person or persons as the Participant shall have designated as contingent beneficiaries under this option or, in the absence or default of such designation, to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's estate. If no beneficiary survives the death of the Participant, such benefit, which would have been payable to the beneficiary, shall be paid to the Participant's estate.

(b) If the Participant's beneficiary is the Participant's spouse, such spouse shall be entitled to receive a life annuity for such beneficiary's life commencing no later than the date the Participant would have reached age 70-1/2 if such Participant had survived to such date. Such benefit to the spouse shall be a pension, payable monthly, which is the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the amount equal to the quotient of (i) the Participant's cash balance account balance as of the date preceding the date the payments commence, divided by (ii) the applicable conversion factor from the table contained in section 7K based on the beneficiary's age in years and months as of the date payments commence, and an annuity equal to the actuarial equivalent of the Participant's accumulated contributions. In lieu of the life annuity, and subject to section 15, the beneficiary may designate an actuarial equivalent annuity, with payments to commence at such future date as the beneficiary chooses and at the beneficiary's death the difference, if any, between the present value of the total benefit payable at the time of the Participant's death and the sum of the payments made to the beneficiary during the beneficiary's lifetime, exclusive of any increases in such payments which are provided in subsections G and L of this section 7, shall be paid in a lump sum to such person or persons as the Participant shall have designated as contingent beneficiaries under this option or, in the absence or default of such designation, to such person or persons as the primary beneficiary shall have designated or in the absence or default thereof to the primary beneficiary's

estate. Notwithstanding the foregoing, the spouse may request to receive, in lieu of any other benefits under the System to which such spouse would otherwise be entitled, a distribution of a cash lump sum equal to the greater of the amount calculated using the formula contained in section 6D2 based on the Participant's annual salary rate or the value of the Participant's cash balance account balance as of the Participant's date of death, and the Participant's accumulated contributions payable as soon as practicable after the Participant's death.

2. For Participants Who First Became Members On or After January 1, 1996, and Have Less Than Ten (10) Years of Service as of October 1, 2016

If the Participant had a minimum of five (5) years of cash balance service as of the date of the Participant's death, the Participant's designated beneficiary will receive the entire amount of the Participant's accumulated contributions (if any) and the entire amount of the Participant's cash balance account in a lump sum.

If the Participant had less than five (5) years of cash balance service as of the date of the Participant's death, the Participant's designated beneficiary will receive the entire amount of the Participant's accumulated contributions (if any) in a lump sum.

L. Cost-of-Living ~~Increases~~ Adjustments (COLAs)

1. Prior to October 1, 2016

The board shall increase (subject, however, to the provisions of section 11) that portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) whenever the 12-month average of the Consumer Price Index (CPI) for any year exceeds by as much as one percent (1%) the CPI average for the prior year for which an adjustment hereunder was made. To be eligible for the increase, which shall be made beginning with the monthly payment for January following the year in which the CPI increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI increase occurred; provided that no benefit granted under section 7D2 which may begin before age 55 shall be increased hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached age 55; and provided further that for members who become retired members on or after January 1, 2010, no benefit granted under section 7D2 to begin before age 60 shall be increased hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. The rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the prior year since the last adjustment; provided, however, that the increase for any year shall not

exceed five percent (5%) except that the board may, in its discretion and with the approval of TVA, apply for any year a maximum different from that specified above. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year or the prior year since the last adjustment if the CPI average decreased the preceding year. The 12-month periods used in determining the increases in CPI averages which provide the basis for increases in benefits hereunder shall conform as closely as practicable to calendar years.

2. On or after October 1, 2016

- a. The portion of the monthly benefit payable to each retiree, or beneficiary of a deceased member or retiree, which is (i) derived from TVA's contributions to the System (excluding any adjustment under the level-income plan) and (ii) based on earnable compensation up to the rate of basic pay for Executive Schedule Level IV, shall be adjusted whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the prior year for which an adjustment hereunder was made. The 12-month periods used in calculating the change in CPI-U averages will be the period November 1 through October 31.
- b. To be eligible for the cost-of-living adjustment (COLA) set forth in subsection 2(a) above, which shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred, the retiree or beneficiary must have been entitled to a monthly benefit which begins no later than January 1 of the year following the year in which such CPI-U increase occurred. Retirees who were participants in TVA's Supplemental Executive Retirement Plan or any similar non-qualified executive retirement plan maintained by TVA, and who had less than ten (10) years of membership service at termination of employment or retirement, shall not be eligible for COLAs hereunder.
- c. No benefit granted under section 7D2 to begin before age 55 shall be adjusted hereunder until the first adjustment following the year in which the former member on whose account such benefit is payable has or would have reached age 55. For members who become retired members on or after January 1, 2010, no benefit granted under sections 7D2 to begin before age 60 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 60. For members or retirees who are under age 50 as of October 1, 2016, no benefit granted under sections 7D2 which began or will begin before age 65 shall be adjusted hereunder until the first adjustment following the year in which the retired member on whose account such benefit is payable has or would have reached age 65.

- d. The amount of COLA set forth in subsection 2(a) above shall be equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%; provided, however, that the COLA for any year shall not exceed six percent (6%).

## SECTION 9

### B. TVA's Contributions

1. Such contributions as TVA may make to the Retirement System shall be made at such intervals as may be agreed upon with the board and shall be paid by TVA in trust to the Trustee or to the board in accordance with the direction of the board as hereinabove provided. Contributions of TVA shall consist of a "normal contribution" and an "accrued liability contribution," each of which is determined as a percentage of the payroll of all members in accordance with the provisions of section 9B2 and 9B3, respectively. Such contributions are designed to provide the funds necessary to pay all expenses of operating the Retirement System and all benefits provided by these Rules and Regulations, ~~and other than those derived from the member's contributions or due to increases in monthly benefits provided under sections 6I, 7L, or 18C3, which become effective after June 30, 1974. A further "cost-of-living contribution" shall be made to provide the funds to pay for increases in monthly benefits provided under sections 6I, 7L, or 18C3, which become effective after June 30, 1974.~~
2. After each actuarial valuation as herein provided, the board shall determine a ~~rate of~~ "normal contribution." The "normal contribution" shall be the sum of the contribution amounts determined for each member accruing benefits under these Rules and Regulations. ~~This rate shall be~~ Such contribution is determined by actuarial computation as the percent of the compensation of the members accruing benefits under these Rules and Regulations ~~average new member~~, which, if accumulated on account of such ~~new members~~, would be sufficient to provide for all pensions and other benefits and expenses on his account, ~~other than those provided under sections 6I, 7L, or 18C3, which are payable from the contributions of TVA.~~ Such ~~rate of normal~~ contribution shall be calculated as a constant percentage to be payable on account of each ~~new~~ member during his future active service.
3. The "accrued liability" is the amount by which the present value of all benefits payable from contributions of TVA on account of all members and beneficiaries, ~~other than those provided under sections 6I, 7L, or 18C3,~~ as determined actuarially each year, exceeds the balance in the Accumulation Account ~~after subtracting the balance in the Excess COLA Account,~~ as provided in section 10, and the present value of the aforesaid normal contribution to be made on account of such members during the remainder of their active service. Immediately

following the valuation as of June 30, 1963, and following each annual valuation thereafter, the actuary engaged by the board shall compute the "accrued liability contribution" ~~rate~~, which shall be the ~~rate~~-percent of the total annual compensation of all members which, if paid over a period of 42 years beginning July 1, 1963, or the remainder thereof, would liquidate within such period the accrued liability as determined by the respective valuation. Provided, however, that for fiscal years after 2005, the "accrued liability contribution" ~~rate~~ shall be the ~~rate~~-percent of the total annual compensation of all members which, if paid over a period of 30 years, would liquidate within such period the accrued liability as determined by the respective valuation. Provided, however, that for fiscal years after 2016, the "accrued liability contribution" shall be a nominal contribution amount, which, if paid over 30 years, would liquidate within such period the accrued liability as determined by the respective valuation.

- ~~4. The "cost of living contribution" shall be a lump sum amount at least equal to the payments made during a year due to increases in monthly benefits provided under sections 6I, 7L, or 18C3, which become effective after June 20, 1974.~~
54. The total amount payable each year by TVA to the Retirement System shall be not less than the sum of the normal contribution ~~rate~~ and the accrued liability contribution ~~rate~~ applied to the total compensation earnable by all members, plus cost of living contributions under section 9B4, all subject, however, to section 9B6 below and the provisions of section 11. Provided, however, for a period of 20 years (from fiscal year 2017 through fiscal year 2036) or, if earlier, through the fiscal year in which it is determined by actuarial valuation that the Retirement System has reached and remained at a 100% funded status under the actuarial rules applicable to the System (ASC 960, as amended, updated or superseded), the total amount payable each year by TVA to the Retirement System shall not be less than the greater of (a) the sum of the normal contribution and the accrued liability contribution, or (b) \$300 million; all subject, however, to the provisions of section 11.
65. ~~In contributing the amount payable under section 9B5 above, TVA may, at its discretion, use an amount from the Excess COLA Account, as provided in section 10D, not to exceed an amount equal to (a) the quotient of (i) the Excess COLA Account accrued as of the valuation date divided by (ii) the accrued liability for current and future benefits provided under sections 6I, 7L, or 18C3 on account of all active and retired members based on creditable service and earnable compensation at the date of actuarial valuation, multiplied by (b) the lump sum amount determined under section 9B4. TVA may, at its discretion, make additional contributions at any time to the Retirement System in excess of the minimum contribution determined each year under section 9B4. Any such additional contributions made by TVA pursuant to this section 9B6 shall be maintained and credited with annual interest based on the System's actual rate of investment return (as calculated by the System's investment consultant net of investment expenses paid by the System) and may be used toward the minimum~~



contribution in a future year or future years at the direction of TVA. Interest on these additional contributions will start to accrue at the beginning of the fiscal year following the year in which these additional contributions are made.

- ~~76.~~ Notwithstanding any of the foregoing and without regard to section 11A, should it be determined by actuarial valuation (on the basis of assumptions as described in section 11B4b) that the funds in hand are in excess of the amount required to provide fully the nonforfeitable benefits and benefits which have not become nonforfeitable as set forth in section 11B, TVA may limit its contributions in a year to an amount, if any, determined by the board may, as it determines and at its discretion, suspend TVA's required contribution under section 9B4 for a fiscal year.
- ~~87.~~ Upon notification to TVA by the board of the ~~rates or~~ amounts of TVA's contributions to the System for the succeeding fiscal year as determined by the board under the above provisions of this section, TVA shall decide by no later than the first day of such fiscal year whether contributions ~~at~~ in the rates ~~amounts~~ so determined or any contributions shall be made for such fiscal year. If TVA shall decide to make and shall authorize any contributions for any succeeding period, the contributions so authorized shall thereupon become due and payable by TVA as follows: at least one-half (1/2) of the authorized contribution for the fiscal year by no later than March 31 and any remaining amount of the authorized contribution for the fiscal year by no later than September 30, but only after service is performed for TVA by, and as payroll accrues to, employee Participants in the Retirement System; provided that if TVA authorizes contributions for any fiscal year ~~at rates or~~ in amounts not less than those determined by the board, any nonpayment of such contributions in whole or in part when due shall not constitute a discontinuance or reduction within the meaning of section 11 ~~unless and until nonpayment shall have been continued for six months.~~ The obligation to make contributions when previously authorized ~~and after service is performed and after payroll accrues to employee Participants in the System~~ shall constitute the sole obligation of TVA to make contributions, except as set out in section 11 hereof.
- ~~9.~~ ~~In consideration of a contribution by TVA to the Retirement System of \$1 billion for fiscal year 2010, the requirements regarding TVA's contributions to the Retirement System set forth above in this section 9B and related actuarial valuations shall be suspended for a four-year period from fiscal year 2010 through fiscal year 2013. Notwithstanding section 10, this \$1 billion contribution by TVA to the Retirement System shall be credited to the Accumulation Account as set forth in section 10C1 but shall not be credited to the Excess COLA Account as set forth in 10D1. In addition, in order to satisfy the requirements of the TVA Board resolutions authorizing the discretionary contributions for fiscal years 2011 and 2012, notwithstanding section 10, any discretionary contributions made by TVA to the Retirement System for fiscal years 2011 or 2012 shall be credited to the~~

~~Accumulation Account as set forth in section 10C1 but shall not be credited to the Excess COLA Account as set forth in 10D1.~~

## SECTION 10

### Method of Accounting

#### A. Establishment of Accounts

The board shall maintain such accounts as are necessary to provide appropriate financial information for its own use and for the use of the actuary in making an annual actuarial evaluation of the assets and liabilities of the System. Two basic accounts, to be known as (a) the Annuity Savings Account and (b) the Accumulation Account, shall be maintained, which shall show the total assets of the System other than those held in the Variable Annuity Fund. The assets held in the Variable Annuity Fund shall be separately accounted for as provided under section 16. ~~In addition, there shall be a sub-account of the Accumulation Account known as the Excess COLA Account.~~

#### B. Annuity Savings Account

The Annuity Savings Account shall show the part of the accumulated contributions of members in active service, and those members who have deferred retirement, which is not credited under the Variable Annuity Plan. On the retirement of a member, or upon the death of a member prior to retirement whose beneficiary is to receive the death benefit in the form of a life annuity, such part of the member's accumulated contributions not transferable to the Variable Annuity Fund shall be transferred to the Accumulation Account. In case a member withdraws such contributions or dies prior to retirement, such contributions with interest paid in a lump sum to him or to his designated beneficiary or estate shall be charged to the Annuity Savings Account.

#### C. Accumulation Account

1. The Accumulation Account shall be credited with (a) the contributions by TVA, (b) all investment and miscellaneous income and realized capital gains, not derived from assets held in the Variable Annuity Fund, (c) all amounts transferred from the Annuity Savings Account for payment of retirement benefits or death benefit annuities, and (d) such amounts as may from time to time be transferred from the Variable Annuity Fund or the Deferral Plan.
2. The Accumulation Account shall be adjusted, for actuarial purposes only, to reflect unrealized appreciation or depreciation on all assets except assets held in the Variable Annuity Fund, according to such formula or method as the board deems appropriate.

3. The Accumulation Account shall be charged with (a) all benefits paid to retired members or their beneficiaries and death benefit annuities except benefits chargeable to the Variable Annuity Fund, (b) all lump-sum death benefits derived from TVA's contributions which are payable on account of the death of a member prior to retirement, (c) all regular expenses of the System, (d) realized capital losses not derived from assets held in the Variable Annuity Fund, (e) such amounts as are needed to allow members the benefit of regular interest on their contributions in the Annuity Savings Account, and (f) such amounts as may from time to time be transferred to the Variable Annuity Fund.
4. If a retired member is restored to service, the reserve held for payment of his annuity other than the annuity payable under the Variable Annuity Plan shall be transferred to the Annuity Savings Account.

~~D. Excess COLA Account~~

- ~~1. The Excess COLA Account shall be credited with (a) all contributions made by TVA over and above the contributions required by section 9B5 without regard to section 9B6, except with respect to contributions made pursuant to section 9B9, and (b) interest on the balance in the Excess COLA Account at the valuation rate used by the actuary according to such formula or method as the board deems appropriate.~~
- ~~2. The Excess COLA Account shall be charged with any amount used by TVA pursuant to section 9B6.~~
- ~~3. The Excess COLA Account balance on October 1, 2004 is the accumulated contributions to date that have been made in excess of the contributions required by the rules in effect prior to October 1, 2003, determined according to such formula or method as the board deems appropriate.~~
- ~~4. Notwithstanding the above, if the board determines that TVA's contribution in a year should be limited under the provisions of section 9B7, the Excess COLA Account will be credited with (a) all contributions made by TVA, and (b) interest at the valuation rate used by the actuary according to such formula as the board deems appropriate, and the Excess COLA Account will not be charged with any amount.~~
- ~~5. Upon any discontinuance or reduction of TVA's contributions, as described in section 11B2, all amounts in the Excess COLA Account shall be transferred to the Accumulation Account to be used in the order of priority under section 11B4. In the event of termination of the Retirement System, as described in section 11C, all amounts in the Excess COLA Account shall be transferred to the Accumulation Account to be used in the order of priority under section 11C1.~~

## SECTION 11

### B. Vested (Nonforfeitable) Benefits and Segregation of Funds

1. Rights to benefits based on a member's own contributions shall be nonforfeitable at all times. A nonforfeitable right to accrued benefits from creditable service and COLA benefits based on TVA's contributions shall arise on the retirement of a member; on a member's death in service; on completion by a member who was an employee on June 8, 1987 or thereafter, of five years of such creditable service; on attainment of age 60 by an individual who first became a member of the System prior to April 1, 1991, or on completion by a member whose employment ended prior to June 8, 1987, of ten years of such creditable service (but such benefits which become nonforfeitable on completion by a member of five years or ten years as applicable of such creditable service or attainment of age 60 shall be payable only if and to the extent payment becomes due as a result of the member's retirement or otherwise under and in accordance with the provisions of these Rules and Regulations). A nonforfeitable right to cash balance account benefits and COLA benefits based on TVA's contributions shall arise upon completion of 5 years of cash balance service.

The amount of a member's benefit that is forfeited due to failure of the member to satisfy the creditable or cash balance service requirements for a nonforfeitable right to accrued benefits based on TVA's contributions will be applied to reduce ~~TVA's contributions to the System under these Rules and Regulations~~ the amount of the "normal contribution" under section 9B2. In no event will such forfeited amounts be used to increase the benefits to which a member is otherwise entitled under these Rules and Regulations.

2. Should TVA for any reason discontinue its contributions or reduce them for any year below those computed to be required pursuant to section 9, all benefits which have not then become nonforfeitable and all benefits based on service after such discontinuance or reduction shall be reduced to such amounts as actuarial valuations indicate will be provided by the contributions theretofore made by TVA (and not allocable to payments of nonforfeitable benefits as hereinafter provided), together with reduced future contributions, if any, not made for or allocable to the making up of any insufficiencies in benefits nonforfeitable on the date of such discontinuance or reduction ~~or for cost-of-living increases for those with such nonforfeitable benefits as provided in section 11B4e.~~
3. After the expiration of one month following the discontinuance or reduction of TVA's contributions to the System as aforesaid, and within the six months next following, each member of the System shall have the right to withdraw from membership in the System by notification in writing to the board, and upon such withdrawal shall be entitled to a prompt return of the member's accumulated contributions in the same manner as if the withdrawal were under section 6D1.

4. Upon any such discontinuance or reduction of TVA's contributions, steps shall be taken as described below:
- a. Funds of the System sufficient to provide nonforfeitable benefits shall be segregated in the System's accounts and shall thereafter be used in the following order of priority (to the extent such funds are adequate for such purpose) solely for the benefit of (including payments to) persons having rights to nonforfeitable benefits or their beneficiaries to the extent they may be entitled to benefits under sections 6, 7 or 18, so long as such persons or their actual or then potential beneficiaries are alive:
    - (1) benefits with respect to annuities then payable to retirees and beneficiaries, including annuities pursuant to sections 6G or 7I, and all other benefits which are derived from member's then accumulated contributions; and
    - (2) benefits with respect to pensions then payable under sections 6 or 7 to retirees and beneficiaries and all other nonforfeitable benefits which are derived from TVA's past contributions (subject, however, to the provisions of section 11C4); ~~and~~
    - (3) benefits for eligible retirees and eligible surviving spouses under section 18; ~~and~~
    - (4) COLA benefits under sections 6I, 7L and 18C3.
  - b. In determining what amount is sufficient to provide such benefits, the board shall proceed on the basis of assumption approved by it following recommendations with respect thereto by the actuary, to the end that fully adequate funding (with such margins as the board considers appropriate) shall be provided for such nonforfeitable benefits, but that the balance available for disposition pursuant to section 11B2 or 11C2 shall not be unduly reduced thereby. In approving assumptions in this connection, the board shall give consideration to, among other factors, whether the System is being continued or terminated and whether and on what basis benefits will be available from another pension or benefit scheme of the Federal Government in lieu of those which would have been payable under the System had TVA not discontinued or reduced its contributions as aforesaid.
  - c. Such segregated funds shall be used to provide benefits for such retirees and actual or then potential beneficiaries and for such members with nonforfeitable benefits (but with respect only to accrued benefits as of the date of such discontinuance or reduction), which shall at least equal the benefits ~~(excluding subsequent cost of living increases pursuant to sections 6I, 7L or 18C3)~~ which would have been payable had TVA not discontinued or reduced its contributions as aforesaid.

- d. Notwithstanding any other provision of these Rules and Regulations, TVA will from time to time make such additional contributions when and as may be determined to be actuarially necessary to make up any insufficiency in the funds segregated pursuant to section 11B4a for the purpose described therein; provided, however, that if TVA determines that the insufficiency at the time of such discontinuance or reduction in TVA's contributions is too great to be funded immediately, TVA shall fund it through additional contributions over a reasonable period of time.
- ~~e. To the fullest extent TVA finds feasible, it will also make additional contributions as required from time to time to provide cost of living increases pursuant to sections 6I, 7L or 18C3 for those with nonforfeitable benefits based on service prior to such discontinuance or reduction; provided, however, that any funds which the System may hold from time to time which are not allocable to other purposes may be used to help provide such cost-of-living increases.~~
- ~~f.~~ TVA's obligations described in section 11B may, at its option, be discharged by the provision of insurance acceptable to the board, by the assumption of substantially equivalent obligations by the administrator of another pension or benefit scheme of the Federal Government, or by any combination of these or other methods acceptable to the board.

C. Termination of the Retirement System

- 1. Promptly upon the termination of the Retirement System, the board shall make such arrangements as it deems necessary or appropriate to assure payment of (1) benefits based on members' contributions; ~~and (2) nonforfeitable benefits based on TVA contributions and, so far as it finds feasible, cost of living increases related thereto;~~ and (3) COLA benefits. Such arrangements shall include provision, within the discretion of the board, for either payment to, or application of such payment for the benefit of each member, retiree, or beneficiary entitled to such benefits as of the date of the termination of the System, in the amount of any reserves held on account of such member, retiree, or beneficiary as a result of prior contributions.
- 2. Upon any full or partial termination of the plan, amounts equal to benefits accrued to the date of termination based on either creditable service and average compensation or cash balance service at the date thereof shall become nonforfeitable, to the extent such benefits are funded as of such date.
- 3. ~~Any funds remaining after fulfillment of the board's obligations described above, together with contributions made by TVA to provide future cost of living increases as described in section 11B4e and income accruing on any such funds and contributions, shall be used to provide cost of living increases pursuant to~~

~~sections 6I or 7L for those with nonforfeitable benefits based on creditable service prior to discontinuance or reduction of TVA's contributions.~~ In all events, all funds of the Retirement System shall be used, as the board may determine, exclusively for the payment of expenses of the Retirement System and for the sole benefit of members, retirees, and beneficiaries of the Retirement System; no funds of the Retirement System shall be paid to, or used for the benefit of, any other entity or person.

SECTION 18

Supplemental Benefit

A. Members retired on or before December 31, 1998

1. A member retired on or before December 31, 1998, who receives a continuing retirement allowance and is as of December 31, 1998 receiving a contribution from TVA towards the cost of coverage under a TVA medical plan, or who as of December 31, 1998 will be eligible to receive a contribution from TVA towards the cost of coverage under a TVA retiree medical plan upon reaching actual age 55 or upon re-enrolling in a TVA retiree medical plan, shall be entitled to a supplemental monthly benefit beginning with the monthly benefit for January 1999 if the retiree was receiving a continuing retirement allowance and a TVA retiree medical plan contribution as of December 31, 1998, or beginning with the monthly benefit for the month in which the retiree receives a continuing retirement allowance and would have been eligible to begin receiving a TVA retiree medical plan contribution if later than January 1999, in accordance with the following schedule:

Schedule A

<u>If the TVA Contribution is or would be:</u>	<u>The Supplemental Monthly Benefit When Eligible Hereunder is:</u>
\$75	\$131.25
\$60	\$105.00
\$35	\$61.25
\$20	\$35.00

The foregoing amounts are increased for cost-of-living adjustments allowable under section 18C3 hereof, but the supplemental monthly benefits under this Schedule A shall not exceed the amounts set forth below:

<u>If the TVA Contribution is or would be:</u>	<u>The Supplemental Monthly Benefit When Eligible Hereunder is:</u>
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<u>\$75</u>	<u>\$185.48</u>
<u>\$60</u>	<u>\$148.39</u>
<u>\$35</u>	<u>\$86.53</u>
<u>\$20</u>	<u>\$49.45</u>

Schedule B

<u>If the TVA Contribution is or would be:</u>	<u>The Supplemental <u>Monthly</u> Benefit When Eligible Hereunder is:</u>
\$150	\$262.50
\$120	\$210.00
\$70	\$122.50
\$40	\$70.00

The foregoing amounts are increased for cost-of-living adjustments allowable under section 18C3 hereof, but the supplemental monthly benefits under this Schedule B shall not exceed the amounts set forth below:

<u>If the TVA Contribution is or would be:</u>	<u>The Supplemental <u>Monthly</u> Benefit When Eligible Hereunder is:</u>
<u>\$150</u>	<u>\$370.96</u>
<u>\$120</u>	<u>\$296.78</u>
<u>\$70</u>	<u>\$173.06</u>
<u>\$40</u>	<u>\$98.90</u>

2. A retiree eligible for a supplemental benefit under Schedule A above shall be eligible for a supplemental benefit under Schedule B above upon reaching actual age 60.
3. If a retiree was receiving a supplemental benefit under this section 18A at the time of death, a surviving spouse of that retiree shall receive a supplemental benefit in the same amount as the monthly supplemental benefit which the retiree was receiving under this section 18A at the time of death if: (a) the spouse is receiving a monthly retirement allowance upon the death of a retiree and (b) the spouse was the current spouse of the retiree at the time of the retiree's death.
4. A surviving spouse of an employee, who died in service on or before December 31, 1998, shall receive a supplemental benefit in the same amount as that to which the deceased employee would have been eligible under this section 18A if the employee had retired upon the date of death but in no event less than \$35 per month if: (a) the surviving spouse is as of December 31, 1998 receiving a contribution from TVA towards the cost of coverage under a TVA medical plan



and (b) the spouse is receiving a death benefit under these Rules and Regulations in a series of monthly payments.

5. The supplemental benefit stated above in section 18A1 shall be payable to eligible retirees and eligible surviving spouses as set forth in this section 18A regardless of whether the retiree or survivor retains TVA medical coverage after the supplemental benefit has commenced.
6. An employee's or retiree's surviving spouse receiving a supplemental benefit hereunder based on Schedule A above shall receive a benefit based on Schedule B above as of the date the deceased employee or retiree would have reached actual age 60, adjusted for cost-of-living increases allowable under section 18C3 hereof.

B. Members retiring after December 31, 1998

1. A supplemental benefit of \$8.75 per month, as adjusted under section 18C3 hereof, for each year of actual service as defined below, ~~with a minimum of \$87.50 per month, as adjusted under section 18C3 hereof (and a maximum of \$262.50 per month, as adjusted under section 18C3 hereof, for persons retiring prior to July 1, 2000)~~ shall be payable to the following eligible retirees receiving a continuing monthly retirement allowance under sections 6 or 7 of these Rules:
  - a. A retiree who ceases to be a TVA employee on or after January 1, 1999 and before January 1, 2009, after having reached actual age 50 and having performed 10 years of actual service;
  - b. A retiree upon reaching actual age 50 who ceases to be a TVA employee on or after January 1, 1999 and before January 1, 2009, due to an involuntary reduction in force, after reaching actual age 45 and having performed 10 years of actual service; or
  - c. A retiree who ceases to be a TVA employee on or after January 1, 2009, and after having reached actual age 55 and having performed 10 years of actual service; or
  - d. A retirees upon reaching actual age 55 who ceases to be a TVA employee on or after January 1, 2009, due to an involuntary reduction in force, after reaching actual age 50 and having performed 10 years of actual service.
2. A surviving spouse of a retiree eligible to receive a supplemental benefit hereunder shall receive a supplemental benefit equal to that payable under this section 18B to the retiree while living if: (a) the spouse is receiving a monthly retirement allowance for life of at least twenty-five percent (25%) of the retiree's monthly pension allowance (exclusive of level-income plan adjustments under section 6H or 7G of these Rules) as a beneficiary upon the death of a retiree, and

(b) the spouse was the current spouse of the retiree at the time of the retiree's death.

3. A surviving spouse of an employee who dies in service on or after January 1, 1999 shall receive a supplemental benefit equal to that which the employee would have received under section B1 above if: (a) the deceased employee would have been eligible for a supplemental benefit under section B1 if separated from TVA due to an involuntary reduction in force as of the date of death; (b) the surviving spouse is receiving a death benefit under these Rules and Regulations in a series of monthly payments; and (c) the surviving spouse was the current spouse of the deceased employee at the time of the employee's death.

### C. Miscellaneous

1. The supplemental benefit payable to eligible retirees and surviving spouses under sections 18A or 18B, and the additional benefit payable under section 18D, shall be payable as a continuing monthly benefit ~~only and shall not be subject to cash out at any time~~; provided, however, in the event a member who is a Cash Balance Participant elects under section 7D4 to receive a lump-sum payout of the member's cash balance account at the time of termination of employment or retirement, the supplemental and additional benefits under this section 18 shall be paid to the member in a lump sum equal to the present value of the supplemental and additional benefits for which the member is eligible, excluding any COLA benefit under section 18C3 after the date of termination of employment or retirement, calculated using a 6% discount rate and the mortality table for service retirements as set forth in the Appendix to the Rules and Regulations.
2. Actual service, as used in section 18B above and in sections 18C3 and 18D below, shall mean creditable service as defined in section 1.8 of the Rules and Regulations except that it shall not include credit for unused sick leave, forfeited annual leave, or credit for military service established pursuant to section 5.2 of the Rules and Regulations. Effective October 1, 2016, employees who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and have less than ten (10) years of cash balance service as of October 1, 2016, will not be eligible to accrue any additional service for purposes of the calculation of the supplemental benefit under section 18B, and as of October 1, 2016, these members will have their actual service frozen for calculation purposes only of the supplemental benefit under section 18B and the additional benefit under section 18D.
3. The supplemental benefits payable under sections 18A or 18B, and the additional benefit payable under section 18D, shall ~~be increased~~ receive a cost-of-living adjustment (COLA), and the schedule of benefits set forth in section 18A1, section 18B1 and section 18D shall be increased ~~receive a COLA~~, whenever the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for any year exceeds by as much as one percent (1%) the CPI-U average for the

prior year for which an adjustment hereunder was made, by an amount equal to the following: (i) the percentage increase in the 12-month average of the CPI-U over the CPI-U average of the prior year since the last adjustment, minus (ii) 0.25%. This ~~increase~~COLA shall be made beginning with the monthly payment for January following the year in which the CPI-U increase occurred. For members who ~~are~~were current employees as of December 31, 2009, this ~~increase~~COLA shall be made beginning January following the year in which the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 60. Effective October 1, 2016, for members or retirees who are under age 50 as of October 1, 2016, this COLA shall be made beginning January following the year in the CPI-U increase occurred and the member or eligible retiree has or would have reached actual age 65. Provided, however, that (a) the increase for any year shall not exceed ~~five~~six percent (56%); (b) ~~the total monthly supplemental benefit payable under section 18A above shall not exceed three hundred percent (300%) of the TVA contribution towards the cost of TVA medical coverage to which a retiree would have been entitled if the retiree had reached actual age 60 on or before December 31, 1998, unadjusted hereunder; and~~ (be) the total monthly supplemental benefit payable under section 18B above shall not exceed \$~~15~~12.3657 per month per year of actual service, and (c&d) the total monthly additional benefit payable under section 18D shall not exceed \$150 per month. The above notwithstanding, (i) for calendar year 2010, the rate of increase shall be zero percent (0%); (ii) for calendar year 2011, the rate of increase shall not exceed three percent (3%); (iii) for calendar year 2012, the rate of increase shall be zero percent (0%); and (iv) for calendar year 2013, the rate of increase shall not exceed two and one-half percent (2.5%); provided, however, for calendar years 2011 and 2013, the rate of increase shall be the percent increase in the 12-month average of the CPI over the CPI average of the preceding year of the prior year since the last adjustment if the CPI average decreased the preceding year.

#### D. Additional Benefit

1.
  - a. In addition to any supplemental benefit payable under sections 18A or 18B above, any eligible retiree or surviving spouse who is receiving a supplemental benefit under sections 18A or 18B above shall, beginning not earlier than the monthly benefit payment for January 2001, be eligible for an additional benefit of \$75 per month as adjusted under section 18C3 above.
  - b. The above notwithstanding, eligible retirees (a) who first became members of the System on or after January 1, 1996, and prior to July 1, 2014, and had less than ten (10) years of cash balance service as of October 1, 2016, and (b) whose actual service as of October 1, 2016, was frozen for calculation purposes, will be eligible for a pro-rated additional benefit equal to the amount set forth in section 18D1 above multiplied by a fraction with the numerator equal to the retiree's years of actual service (frozen as of October 1, 2016) and the denominator equal to ten (10) years.

## SECTION 19

### Contributions by Those Who First Become Members of the System on or After January 1, 1996

#### A. Contributions by Members

1. Effective as of May 1, 2005, and prior to October 1, 2016, a member who first becomes a member of the System on or after January 1, 1996, may make contributions to the Retirement System up to \$10,000 per calendar year, so long as the total of the member's contributions to the Retirement System taken together with contributions to the Deferral Plan shall not exceed the limitations set forth in section 17, as it may be amended or supplemented; provided, however, that on or after October 1, 2016, no new contributions may be made to the Retirement System pursuant to this section 19A1. Such contributions shall be placed, as directed by the member, in either (i) an account in the Annuity Savings Account, and/or (ii) an account in the Variable Annuity Fund. The member's contributions to the Annuity Savings Account shall earn a fixed rate of return as set by the Board and set forth in the actuarial assumptions in the Appendix to these Rules and Regulations. The member's contributions to the Variable Annuity Fund shall be invested and earn a variable rate of return in the same manner as funds within the Employee Account as set forth in section 16D. Upon termination of the member's employment for any reason, including without limitation retirement or death in service, the member's contribution account, together with all income earned on the assets held therein, shall be distributed in a lump sum to the member, the member's beneficiary designated under section 11H, or in the absence or default of such designation the member's estate, subject to the member's or beneficiary's rights, if any, to rollover such distribution as provided in section 8, as amended or supplemented. In the absence of direction as to the withdrawal or rollover of such funds from the member or beneficiary, as applicable, the amounts shall remain in the member's account but shall cease to earn interest, if in the Annuity Savings Account, after sixty (60) days following the date of the member's termination of employment.

## SECTION 20

### ~~Administrative~~ Claims and Appeals Procedures

#### A. Claims Procedure

1. A claim for benefits ~~or other claim~~ shall be made by a Member, Retiree, or Beneficiary on such applications or forms, if any, required by the Board. An initial determination shall be made by the Executive Secretary of the System or such other persons as designated from time to time by the Board.

D. Right to Seek Judicial Enforcement of Rules and Regulations

Anyone with standing had and shall have the right to seek enforcement of these Rules and Regulations in any United States district court of competent jurisdiction by any means available in common law or by statute; provided, however, any claim for benefits by a member, retiree or beneficiary are subject to and must first be made pursuant to the Claims and Appeals Procedures set forth under sections 20A and 20B above. Any action related to amendments to the Rules and Regulations must be made within one (1) year of the date on which the amendments go into effect pursuant to section 13.

APPENDIX

17. The annual rate of interest credited to the Annuity Savings Account for members eligible to contribute to the System pursuant to sections 9A1 and 19 shall be determined by the Board effective January 1 of each year and shall be equal to the percentage increase in the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus two percent (2%). Provided, however, that the annual rate of interest shall not be less than the System's assumed rate of investment return minus two percent (2%) nor greater than the System's assumed rate of investment return minus one-half percent (0.5%).

~~a. The annual rate of interest credited to the Annuity Savings Account for members eligible to contribute to the System as of January 1, 2005 (except for vested members who terminated TVA employment on or after January 1, 1997 and elected an annuity deferral) shall be 9 ½ percent decreased by ½ percent per annum on each successive January 1<sup>st</sup> but not less than the assumed actuarial rate of return for the System (used by the board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. The annual rate of interest credited to the Annuity Savings Account for vested members who terminated TVA employment on or after January 1, 1997, and who elected an annuity deferral, shall be 8 3/8 percent until such time as the rate of interest credited to all other members shall decrease to an amount below 8 3/8 percent at which time the interest credited shall be calculated in the same manner as for all other members. On or after January 1, 2010, the annual rate of interest credited to the Annuity Savings Account for members eligible to contribute to the System as of January 1, 2005, and vested members who terminated TVA employment on or after January 1, 1997 and elected an annuity deferral, shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).~~

~~———— b. The annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 9A1(e) shall be the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. On or after January 1, 2010, the annual rate of interest credited to the~~

~~Annuity Savings Account for members' contributions to the Retirement System pursuant to section 9A1(c) shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).~~

- ~~c. The annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 19 shall be the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent. On or after January 1, 2010, the annual rate of interest credited to the Annuity Savings Account for members' contributions to the Retirement System pursuant to section 19 shall be the lesser of (i) the assumed actuarial rate of return for the System (used by the Board to determine TVA's minimum contribution under section 9 of these Rules and Regulations) minus ½ percent, or (ii) six percent (6%).~~

BE IT FURTHER RESOLVED, the following Articles in the Provisions of the Tennessee Valley Authority Savings and Deferral Retirement Plan (401(k) Plan) are amended to delete the language marked through and to add the language underlined as follows, effective October 1, 2016, unless another effective date is otherwise noted for a particular section or provision:

## ARTICLE 9

### Contribution Limits

#### 9.5 TVA Contributions

A. Matching Contributions. TVA shall, for each plan year, make matching contributions to the Deferral Plan as follows:

- (1) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System prior to January 1, 1996; and ~~(bc)~~ who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and
- (2) on behalf of each employee (a) who is a participant in the original benefit structure as defined in section 6 of the Rules and Regulations of the System, and (b) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 25 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and
- (3) on behalf of each employee (a) who (i) first became a member of the System prior to July 1, 2014, (ii) terminated employment with TVA and is reemployed by TVA on or after July 1, 2014, and (iii) either terminated employment with TVA without five (5) years of creditable service or cash balance service, as applicable, or at the time of termination of employment with TVA, received his or her entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4 of the Rules and Regulations, as applicable; (b) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; and (c) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) made on or after July 1, 2014, as does not exceed six percent of the participant's compensation for the plan year; and

- (4) on behalf of each employee (a) who first became a member of the System on or after July 1, 2014; (b) whose retirement benefit is composed solely of the benefit accrued as participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; and (c) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) made on or after July 1, 2014, as does not exceed six percent of the participant's compensation for the plan year; and
- (5) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System on or after January 1, 1996; (c) who has ten (10) or more years of cash balance service as of October 1, 2016; and (d) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and
- (6) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System on or after January 1, 1996; (c) who has less than ten (10) years of cash balance service as of October 1, 2016; and (d) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 100 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year.

To the extent permitted by the plan year compensation limit, TVA's matching contributions shall be paid to the Deferral Plan on the same date that the salary deferral contributions and/or savings contributions to which they relate are paid. Any otherwise eligible matching contributions deferred due to the plan year compensation limit shall be paid effective the first pay day that the limitation permits. A participant shall have a nonforfeitable interest in the balance of his or her matching contributions account upon completion of three (3) years of actual service as defined below. If a participant ceases to be an employee for any reason other than death or disability prior to completing three (3) years of actual service, the entire amount of that participant's matching contributions account shall be forfeited as of the date the participant ceases to be an employee. Forfeitures shall be used to reduce TVA's matching contributions to the Deferral Plan for the plan year in which such forfeitures occur. "Actual service" as used herein shall mean all service as a TVA employee. "Disability" as used herein shall mean an employee who is determined to be disabled under TVA's long-term disability insurance plan.

- B. Nonelective Contributions. TVA shall, for each plan year, make nonelective contributions to the Deferral Plan on or after July 1, 2014, as follows:



- (1) on behalf of each employee (i) who (x) first became a member of the System prior to July 1, 2014, (y) terminated employment with TVA and is reemployed by TVA on or after July 1, 2014, and (z) either terminated employment with TVA without five (5) years of creditable service or cash balance service, as applicable, or at the time of termination of employment with TVA, received his or her entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4 of the Rules and Regulations, as applicable; and (ii) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; a nonelective contribution equal to four and one-half percent (4.5%) of the participant's compensation; and
- (2) on behalf of each employee (i) who first became a member of the System on or after July 1, 2014; and (ii) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; a nonelective contribution equal to four and one-half percent (4.5%) of the participant's compensation; and
- (3) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System, (b) who first became a member of the System on or after January 1, 1996, and (c) who has ten (10) or more years of cash balance service as of October 1, 2016; a nonelective contribution equal to three percent (3%) of the participant's compensation; and
- (4) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System, (b) who first became a member of the System on or after January 1, 1996, and (c) who has less than ten (10) years of cash balance service as of October 1, 2016; a nonelective contribution equal to six percent (6%) of the participant's compensation.

To the extent permitted by the plan year compensation limit, TVA's nonelective contributions shall be paid to the Deferral Plan on the same date that compensation is paid to the employee. A participant shall have a nonforfeitable interest in the balance of his or her nonelective contributions account upon completion of three (3) years of actual service as defined below. If a participant ceases to be an employee for any reason other than death or disability prior to completing three (3) years of actual service, the entire amount of that participant's nonelective contributions account shall be forfeited as of the date the participant ceases to be an employee. Forfeitures shall be used to reduce TVA's nonelective contributions to the Deferral Plan for the plan year in which such forfeitures occur. "Actual service" as used herein shall mean all service as a TVA employee. "Disability" as used herein shall mean an employee who is determined to be disabled under TVA's long-term disability insurance plan.