

TVA Retirement System  
Notice of Amendments to the  
Rules and Regulations of the TVA Retirement System  
and the Provisions of the TVA Savings  
and Deferral Retirement Plan (401(k) Plan)

September 29, 2014

In January 2014, the TVA Retirement System (System) filed applications with the IRS requesting new determination letters for the Rules and Regulations of the TVA Retirement System (System Rules) and the 401(k) Plan confirming that the plans meet all of the necessary IRS requirements for maintaining favorable tax-qualified status. As a part of the IRS' determination letter review, and in response to IRS information requests, proposed amendments to the System Rules and 401(k) Plan Provisions were presented to the IRS in July 2014 for review. On August 1, 2014, the IRS issued new favorable determination letters for the System Rules and the 401(k) Plan subject to these proposed amendments being adopted and the System Rules and 401(k) Plan being restated to incorporate them.

The System Board approved these IRS-requested amendments to the System Rules and the 401(k) Plan Provisions at its September 11, 2014, quarterly meeting, and a copy of these amendments is attached. These amendments are technical and housekeeping in nature and do not cause an increase in the liabilities of the System.

These amendments will become effective on October 30, 2014, unless disapproved by TVA within 30 days of this Notice.



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Allen E. Stokes, Chair  
TVA Retirement System  
Board of Directors

Attachment

## ATTACHMENT

### Amendments to System Rules

Section 1(12) of the System Rules is amended to correct the Internal Revenue Code reference by deleting the language marked through and adding the language underlined as follows:

#### SECTION 1

##### Definitions

12. "Earnable compensation" shall mean the rate of regular salary or wages which a member would earn if the member worked full time on the basis of the stated salary or wage paid the member; provided, however, that earnable compensation shall include the total of any amount deferred as a salary deferral contribution by the member pursuant to the Deferral Plan, the total of any pretax contributions by the member for employee benefits pursuant to a flexible benefit or spending arrangement established under section 125 of the Code or for qualified transportation fringe benefits under section 132 of the Code, and differential wage payments under section ~~340(h)~~3401(h) of the Code. Notwithstanding any other provision of this plan, the earnable compensation of each member taken into account under the plan for any year shall not exceed the compensation limit established under section 401(a)(17)(B) of the Code, as adjusted for cost-of-living increases in accordance with that section. For plan years beginning on or after January 1, 2002, the annual earnable compensation of each member taken into account in determining allocations for any plan year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual earnable compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the Rules and Regulations (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual earnable compensation for the determination period that begins with or within such calendar year.

Section 2(4) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

#### SECTION 2

##### Membership

4. A leased employee, ~~as defined by section 414(n) of the Code,~~ shall not be eligible to become a member of the Retirement System. "Leased employee" shall mean an individual who is not a common law employee of TVA and who provides services to TVA if (i) such services are provided pursuant to an agreement between TVA and a leasing organization, (ii) such individual has performed such services for TVA on a substantially full-time basis for a period of at least 1 year, and (iii) such services are performed under primary direction or control by TVA; provided that an individual shall

not be treated as a leased employee with respect to services performed for TVA if such individual is covered by a money purchase pension plan maintained by the leasing organization that has a nonintegrated employer contribution rate for each participant of at least 10% of compensation, provides for full and immediate vesting, and provides for immediate participation for employees of the leasing organization (other than employees who perform substantially all of their services for the leasing organization).

Section 8(B)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

## SECTION 8

### Direct Rollover of Certain Distributions

B. The following definitions apply to the terms used in this section:

1. An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee of the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; ~~hardship distributions described in section 401(k)(2)(B)(i)(IV) of the Code to the extent they may be permitted by the Plan after December 31, 1998~~any hardship distribution; and the portion of any distribution that is not includable in gross income.

Section 15(F)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

## SECTION 15

### Minimum Distribution Requirements for Benefits

F. Definitions.

- (1) Designated beneficiary. The individual who is designated as the beneficiary under these Rules and Regulations and is the designated beneficiary under section 401(a)(9) of the Code and section ~~1.401(a)(9)-1, Q&A-4, 1.401(a)(9)-4~~ of the Treasury regulations.

Section 17(B)(4) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

## SECTION 17

### Limitations on Benefits and Contributions

#### B. Limitation on Contributions

4. For limitation years beginning prior to July 1, 2007, if pursuant to this section, a member's annual additions under the Deferral Plan and under these Rules and Regulations would result in an excess amount for a limitation year, the excess amount contributed will be disposed of as follows:
  - (i) Any voluntary employee contributions under these Rules and Regulations and savings contributions to the Deferral Plan, together with any earnings attributable thereto, to the extent it would reduce the excess amount, will be returned to the member in a manner determined by the board.

Section 19(A)(1) of the System Rules is amended by deleting the language marked through and adding the language underlined as follows:

## 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, 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 9A6, to the extent applicable, or section 17,~~ as they may be amended or supplemented. 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.

#### Amendments to 401(k) Plan Provisions

Article 3.1 of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

### ARTICLE 3

#### Participation and Enrollments

- 3.1 Eligible Employee. Any employee on the date of establishment or on the date the plan becomes operational on October 1, 1987, whichever is later, shall be eligible to participate in this Deferral Plan and may elect to become a participant in accordance with these Provisions. Any person who becomes an employee after the date of establishment or after the date the plan becomes operational, whichever is later, shall be eligible to participate in this Deferral Plan as of the date the person becomes an employee and may elect to become a participant in accordance with these Provisions. In the event of a question arising as to the eligibility of any person to participate in this Deferral Plan, the decision of the board shall be final. A leased employee, ~~as defined by section 414(n) of the Code,~~ shall not be eligible to participate in this Deferral Plan. "Leased employee" shall mean an individual who is not a common law employee of TVA and who provides services to TVA if (i) such services are provided pursuant to an agreement between TVA and a leasing organization, (ii) such individual has performed such services for TVA on a substantially full-time basis for a period of at least 1 year, and (iii) such services are performed under primary direction or control by TVA; provided that an individual shall not be treated as a leased employee with respect to services performed for TVA if such individual is covered by a money purchase pension plan maintained by the leasing organization that has a nonintegrated employer contribution rate for each participant of at least 10% of compensation, provides for full and immediate vesting, and provides for immediate participation for employees of the leasing organization (other than employees who perform substantially all of their services for the leasing organization).

Article 7.5(B)(1) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

#### 7.5 Direct Rollover of Certain Distributions

- B. The following definitions apply to the terms used in this section:

- (1) An “eligible rollover distribution” is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; ~~hardship distributions described in section 401(k)(2)(B)(i)(IV) of the Code made after December 31, 1998~~any hardship distribution; and the portion of any distribution that is not includable in gross income.

Article 7.4(E)(1) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

7.4 Minimum Distribution Requirements for Benefits

E. Definitions.

- (1) Designated beneficiary. The individual who is designated as the beneficiary under Article 7.3 above and is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section ~~1.401(a)(9)-1, Q&A-4, 1.401(a)(9)-4~~ of the Treasury regulations.

Article 9.6(C) of the 401(k) Plan Provisions is amended by deleting the language marked through and adding the language underlined as follows:

9.6 Limitation on Total Contributions.

- C. For limitation years beginning prior to July 1, 2007, ~~to~~ the extent that the Code section 415(c) limits are exceeded, excess contributions shall first be withdrawn from a Participant’s Pre-tax Elective Deferral Account and/or Roth Elective Deferral Account, then the Participant’s savings contributions, and then voluntary employee contributions to the Retirement System.