PROCEDURES ON DOMESTIC RELATIONS ORDERS

Governmental plans, as defined in section 414(d) of the Internal Revenue Code, are exempt from mandatory compliance with qualified domestic relations orders. Under section 414(p)(11) of the Internal Revenue Code, distributions from governmental plans, such as the TVA Retirement System's plans, may be treated as made pursuant to qualified domestic relations orders if made pursuant to domestic relations orders which meet the requirements of section 414(p)(1)(A)(i) of the Internal Revenue Code. In addition, distributions must be made pursuant to plan rules and procedures. Accordingly, the TVA Retirement System will accept and make distributions pursuant to a domestic relations order which meets the requirements of section 414(p)(1)(A)(i) of the Internal Revenue Code and these procedures.

PROCEDURES APPLICABLE TO ALL DOMESTIC RELATIONS ORDERS (DRO)

1. "Plan Participant" as used in these procedures includes active employees of TVA, retired TVA employees, and other former TVA employees entitled to benefits from, or having accounts in, the TVA Retirement System or the TVA Savings and Deferral Retirement Plan (which is referred to hereinafter as the 401(k) Plan).

2. A DRO must relate to a final order of divorce or annulment dated on or after January 1, 2003.

3. The only eligible alternate payee under a DRO is a former spouse.

4. A DRO must clearly identify the Plan Participant and the Plan Participant's former spouse.

5. A certified copy of the DRO shall be sent to:

   TVA Retirement System
   400 West Summit Hill Drive
   WT 8A-K
   Knoxville, Tennessee 37902

6. Upon the Retirement System's receipt of a DRO, the Plan Participant identified in the DRO shall be prohibited from making lump-sum withdrawals, making transfers of account balances between plans, or receiving a loan from an affected Retirement System Fixed and Variable or 401(k) Plan account pending resolution of the DRO.

7. The DRO must state whether it applies to the TVA Retirement System (pension and/or Fixed and Variable funds) or to the 401(k) Plan, or to both.

8. Payments to a former spouse under a DRO can in no event exceed the payment which would be due to the Plan Participant in the absence of the DRO.

9. A former spouse's right to payment under a DRO shall end on the date of the Plan Participant's death or on the effective date of a subsequent DRO which amends or vacates a previous right to payment under a DRO.

10. Entitlement to payment under a DRO shall cease upon the date of the former spouse's death, and all entitlement to further payments covered by the DRO shall revert to the benefit of the Plan Participant.

11. A DRO may in no event designate a survivor beneficiary of Retirement System or 401(k) Plan benefits. Survivor beneficiary designations made by a member in accordance with the Rules and Regulations of the Retirement System or the Provisions of the 401(k) Plan, or survivor beneficiary designations made by operation of those plans, will be honored notwithstanding contrary survivor beneficiary designations contained in a DRO.

12. Upon receipt and review of a DRO, the Retirement System will notify the Plan Participant and the former spouse as to whether the DRO is acceptable or not and, if acceptable, what actions pursuant to it will be taken. If the parties disagree with the action to be taken by the Retirement System, their remedy is to return to court to obtain a clarifying DRO. The Retirement System will only honor DROs which on their face clearly and unambiguously meet the requirements of these procedures.

13. If the Retirement System receives more than one acceptable DRO relating to a Plan Participant and involving the same former spouse, the last one received takes precedence. If DROs relating to a Plan Participant involve two or more different former spouses, they will be honored according to the order in which they are received.

14. For taxation purposes, all amounts paid directly to a former spouse under a DRO will be reported as income to the former spouse.

15. Payment can only be made pursuant to a DRO after the former spouse receive any applicable rollover and distribution notices from the Retirement System and the former spouse provides all information necessary for distribution and taxation purposes.

ADDITIONAL PROCEDURES AND ACCEPTABLE DRO FORMS FOR DIVISION OF RECURRING MONTHLY PAYMENTS (TVA RETIREMENT SYSTEM PENSION AND/OR ANNUITY FUNDS)

1. No portion of a benefit payable as a recurring monthly benefit (Retirement System pension, including supplemental and additional pension benefits, and

annuity funds, if the Fixed and Variable funds are to be distributed as a monthly benefit) may be paid to a former spouse prior to the time the Plan Participant is eligible for and commences receipt of a recurring monthly benefit.

2. Payments to a former spouse of a portion of a Plan Participant's recurring monthly benefit will begin as soon as practicable following the Retirement System's acceptance of a DRO affecting such benefits consistent with the Retirement System's monthly payment schedule. A DRO cannot designate a payment schedule which differs from the Retirement System's monthly payment schedule.

3. To be acceptable with regard to a recurring monthly benefit payment, a DRO must: (a) identify the affected Plan Participant; (b) state the specific dollar amount of the TVA Retirement System monthly recurring benefit which shall be paid to the former spouse, who shall be identified; and (c) provide that the Retirement System shall pay the former spouse's share directly to the former spouse. The following form is acceptable:

> "Upon [Plan Participant]'s eligibility for and receipt of recurring monthly benefits under the Rules and Regulations of the TVA Retirement System, [former spouse] is entitled to $_____per month, with applicable cost of living adjustments, to the extent [Plan Participant] would have been eligible for such adjustments if payment were not being made hereunder to [former spouse], from [Plan Participant]'s monthly benefits. The TVA Retirement System is directed to pay [former spouse]'s share directly to [former spouse].
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> Note: A former spouse's share of a recurring monthly benefit payment will be made up of a pro-rata portion of the components (i.e., TVA-funded pension, TVA-funded supplemental pension, or employee-funded annuity) of the Plan Participant's recurring monthly benefit payment. Any cost of living adjustment attributable to the pro-rata share of a Plan Participant's recurring monthly benefit which is awarded to a former spouse will be paid to that former spouse unless the DRO specifically negates any cost of living adjustment. Eligibility for cost of living adjustments generally does not occur until the Plan Participant attains age 55 or begins to receive a monthly pension benefit, whichever is later.

ADDITIONAL PROCEDURES AND ACCEPTABLE DRO FORMS FOR IMMEDIATE DIVISION OF, AND DISTRIBUTION FROM, THE PLAN PARTICIPANT'S TVA RETIREMENT SYSTEM FIXED AND VARIABLE ACCOUNT OR 401(K) PLAN ACCOUNT

1. A Plan Participant's existing account in the TVA Retirement System's Fixed and Variable funds or the 401(k) Plan can be divided and paid out as soon as practicable after acceptance by the TVA Retirement System of an acceptable

DRO and all applicable information on taxation and rollovers, if elected, is provided by the former spouse. Because of this, the amount of entitlement under the DRO will not be increased or decreased after it is valued in accordance with an applicable DRO. Interest or earnings (gains or losses) will not be paid on the amount of the entitlement under the acceptable DRO, and the amount of the entitlement cannot be segregated or invested separately for the former spouse pending payment.

2. Payment to the former spouse from either the Fixed and Variable funds or the 401(k) Plan shall be in one lump sum only (per plan) and can in no event exceed the vested balance in the Plan Participant's account at the time of payment pursuant to the acceptable DRO.

3. To be acceptable, a DRO must: (a) identify the affected Plan Participant; (b) specifically state whether it refers to the Plan Participant's account in the TVA Retirement System's Fixed and Variable funds or the 401(k) Plan, or both; (c) state the specific dollar amount, or percentage of the account which shall be paid to the former spouse, who shall be identified; and (d) provide that the TVA Retirement System shall cause payment of the former spouse's share to be made directly to the former spouse. The following forms are acceptable:

   A. Award of Fixed Amount

      "[Former Spouse] is awarded $_____from [Plan Participant]'s [TVA Retirement System Fixed and Variable funds] and/or [TVA Saving and Deferral Retirement Plan (401(k) Plan)] account. The TVA Retirement System is directed to cause such amount to be paid directly to [former spouse]."

   B. Award of Percentage

      "[Former Spouse] is awarded [_____%] of [Plan Participant]'s [TVA Retirement System Fixed and Variable funds] and/or [TVA Savings and Deferral Retirement Plan (401(k) Plan)] account as of [date – for Fixed and Variable funds, any balance prior to September 1, 2006 must be as of the last day of that month]. The TVA Retirement System is directed to cause such amount to be paid directly to [former spouse].