


TVA RETIREMENT SYSTEM
NOTICE OF AMENDMENTS TO THE
RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM (SYSTEM)
AND THE PROVISIONS OF THE TVA SAVINGS
AND DEFERRAL RETIREMENT PLAN (401(K) PLAN)

April 23, 2014

On April 11, 2014, the TVA Retirement System Board approved amendments to the System Rules and to the Provisions of the 401(k) Plan. These amendments to the System Rules and 401(k) Plan Provisions will, effective June 30, 2014, close the System's defined benefit plan to new employees and certain rehires, and new TVA employees who first become members of the System on or after July 1, 2014, as well as former TVA employees who are rehired and become members of the System again on or after July 1, 2014, but who were previously not vested or previously cashed out, will be eligible for a retirement benefit as participants in the 401(k) Plan only.

These amendments are effective June 30, 2014, unless disapproved by TVA within 30 days of this Notice.

Copies of the amendments are attached.



Allen Stokes, Chairman
TVA Retirement System
Board of Directors

Attachments

ATTACHMENT

The following Sections in the Rules and Regulations of the TVA Retirement System ("System Rules") are amended to delete the language marked through and to add the language underlined as follows:

SECTION 2

Membership

1. Any person who becomes an employee after the date of establishment shall become a member of the Retirement System as a condition of his employment and shall be classified as a new entrant.
2. Each employee who becomes a member shall promptly file with the directors a form giving such information as they shall consider necessary.
3. Membership shall cease if a member shall not be an employee for one year, or if he shall withdraw his contributions, or retire, or die. The membership of a member who has six months or less creditable service shall cease as of the date he ceases to be an employee. A person who returns to membership after his membership has ceased shall receive no benefit on account of services rendered prior to such return, except as otherwise specifically provided in sections 6 and 7.
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.
5. Notwithstanding any other provisions of these Rules and Regulations, the following members will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19: (a) employees who first became members of the System on or after July 1, 2014, and (b) employees (i) who first became members of the System prior to July 1, 2014, (ii) who terminated employment with TVA and are reemployed by TVA on or after July 1, 2014, and (iii) who 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 their entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4, as applicable.

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SECTION 6

Benefits of the System

P. Restoration to Service After Retirement

Should a beneficiary who has retired under section 6 be restored to service as an employee, the beneficiary's retirement allowance shall cease and any election of an optional benefit in effect thereunder shall be of no further effect. The beneficiary shall again become a member of the Retirement System. All service to the beneficiary's credit at the time of the beneficiary's retirement shall be restored to full force and effect, and the beneficiary shall be credited with all subsequent service as a member, including any subsequent forfeited annual leave credit and, at the member's election, any subsequent unused sick leave credit; provided, however, that upon the member's subsequent retirement, any unused sick leave credit, regardless of when established, shall be treated as elsewhere provided in the Rules and Regulations.

Upon subsequent retirement, a member who previously retired under section 6A or 6B shall receive a pension benefit computed as follows:

For members who have 5 years or more of creditable service after returning to service, and any member who has 2 years or more of creditable service after returning to service, whose services as an employee are discontinued by TVA after such restoration through no act or delinquency of the member's, the pension benefit is the greater of A or B below; for all other members, the pension benefit would be determined using only the provisions described in B below:

- A. The amount determined as if all creditable service were worked consecutively with no break.
- B. (1) The amount of the member's pension payable at the time of the restoration to service, updated to the subsequent retirement date by adding all cost-of-living adjustments which would have been granted under section 6.I if the member had not returned to service, plus (2) an amount determined by multiplying the member's average compensation and creditable service since the most recent date of hire by a pension multiple determined under section 6, aggregating all creditable service.

In addition to the pension benefit described above, a member whose pension is being calculated pursuant to this section shall receive an annuity benefit equal to the actuarial equivalent of the member's annuity benefit at the time of the restoration to service, plus all accumulated contributions of the member after restoration to service. The actuarial equivalent of the member's annuity at the time of restoration to service shall also be the value of the reserve required to be transferred to the Annuity Savings Account pursuant to section 10C4.

Notwithstanding the above, in the event the member is reemployed by TVA on or after July 1, 2014, and either (i) terminated employment with TVA without five (5) years of creditable service or (ii) 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 and 6L, effective as of the reemployment date, the member 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, and the member will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan.

Q. Establishing Credit for Previous Service

A member shall be credited with all of his or her previous service; provided, however, that a member who previously received a lump-sum benefit under section 6(K), who has been restored to service as an employee, shall receive credit for such service only for determining a member's eligibility for any benefit that requires a minimum of creditable service. ~~If such a member wishes to establish credit for such service for determining the calculation of any benefits payable under section 6, the member must repay, in a lump sum, the single sum benefit previously distributed with interest compounded annually on January 1 for the period beginning with the date the benefit payable under section 6(K) was received and ending on the last day of the month in which the lump sum is received by the System.~~

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SECTION 7

Cash Balance Benefit Structure

B. Participation

1. Initial Enrollment

Each employee who first becomes a member of the System on or after January 1, 1996, and prior to July 1, 2014, shall be a Cash Balance Participant effective on the date he or she becomes a member of the System. Except as provided below in this section, all employees who were members of the System on December 31, 1995, and who during the initial enrollment period filed an appropriate election to waive the benefit calculated under section 6 in consideration for receiving a benefit calculated in accordance with the provisions of this section 7, shall be deemed to be Cash Balance Participants effective as of January 1, 1996; provided, however, that such members of the System on December 31, 1995 who elected to become Cash Balance Participants shall, during a limited time enrollment period from July 1, 1998 until November 6, 1998, have the right to waive the benefit calculated in accordance with section 7 and elect to receive a benefit calculated under section 6. Such election shall be effective as of January 1, 1999. Provided, further, that such members shall be deemed to be automatically vested in any TVA matching contributions made while they were Cash Balance Participants notwithstanding the fact that they did not complete five years of cash balance service.

2. Subsequent Enrollment

Subject to section 6P, eEmployees who first became members of the System prior to December 31, 1995, and either (a) were not eligible to make the election

described in section 7B1 above during the initial enrollment period or the election during the enrollment described in section 7B3 below, or (b) are, on or after January 1, 2000, re-employed by TVA after a break-in-service of 180 or more consecutive days and under these Rules and Regulations are members of the Original Benefit Structure upon re-employment, shall upon subsequent eligibility for System coverage be given an opportunity to file an appropriate election to waive the benefit calculated under section 6 in consideration for receiving a benefit calculated in accordance with this section 7. Such election shall be filed within three months from the date of subsequent eligibility and will be effective as of the last day of the TVA pay period following receipt of such election. Employees who first became members of the System on or after July 1, 2014, and employees (i) who first became members of the System prior to July 1, 2014, (ii) who terminated employment with TVA and are reemployed by TVA on or after July 1, 2014, and (iii) who 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 their entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4, as applicable, are not eligible for subsequent enrollment under this section 7B2.

J. Reinstatement of Participant's Accounts Upon Reemployment

This subsection shall apply upon the employment of a Participant who was a former Participant that had terminated employment on or after January 1, 1996.

1. Participants who had less than five years of cash balance service at previous termination date - In the event the Participant is reemployed prior to July 1, 2014, the Participant's account balance and cash balance service on the Participant's most recent previous termination date will be restored as of the date the Participant's most recent employment date and the Participant will be eligible for credits in accordance with the terms of sections 7C2 and 7C3. In the event the Participant is reemployed on or after July 1, 2014, the Participant will not be eligible to have his or her previous account balance restored and, effective as of the reemployment date, the member will be eligible for a retirement benefit composed solely of the benefit accrued as a Participant in the Deferral Plan and will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.
2. Participants who had a minimum of five years of cash balance service at previous termination date but had not received a pension or lump-sum benefit based on TVA's contributions to the System - The Participant's election of an optional benefit shall be of no further effect and the Participant's account balance will again be eligible to receive credits in accordance with the terms of sections 7C2 and 7C3 as of the Participant's most recent employment date.
3. Participants who had a minimum of five years of cash balance service at previous termination date and who previously received their entire account in a single-sum payment - In the event the Participant is reemployed prior to July 1, 2014, the Participant's cash balance service (but no account credits) will be restored, and a new account will be established for the Participant as of the Participant's most

recent employment date which will be eligible for credits in accordance with the terms of sections 7C2 and 7C3. In the event the Participant is reemployed on or after July 1, 2014, the Participant will not be eligible to have a new account balance established and, effective as of the reemployment date, the member will be eligible for a retirement benefit composed solely of the benefit accrued as a participant in the Deferral Plan and will not be eligible to accrue any retirement benefit under the provisions of the Rules and Regulations, including, but not limited to, sections 6, 7, 9, 16, 18 and 19.

4. Participants who were in receipt of a retirement allowance - Payment of the Participant's retirement allowance shall cease and any election of an optional benefit shall be of no further effect. All cash balance service to the Participant's credit at the time of the Participant's retirement shall be restored to full force and effect. The Participant's account balance as of the date of the Participant's most recent retirement shall be adjusted to reflect an actuarially equivalent balance as of the Participant's date of reemployment, and such account shall be eligible to receive credits in accordance with sections 7C2 and 7C3 as of the Participant's reemployment date.

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:

- 2.8 Participant. Any employee who participates or has elected to participate in the Deferral Plan.

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- 2.21 Matching Contributions. The matching contributions made by TVA under Article 9.5A for the benefit of a participant.

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- 2.31 Nonelective Contributions. The employer nonelective contributions made by TVA under Article 9.5B for the benefit of a participant.

- 2.32 Nonelective Contributions Account. A participant's individual Deferral Plan account representing TVA's nonelective contributions and gains and losses thereon.

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- 6.1 Contributions. (d) Matching and Nonelective Contributions — TVA shall make matching contributions and nonelective contributions in accordance with Article 9.5.

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- 6.3 Selection of Investment Accounts. Each participant may elect, in a manner and as frequently as determined by the board, to have future amounts contributed by the participant as savings contributions, by TVA as salary deferral contributions on behalf of

the participant, by TVA as matching and nonelective contributions for the benefit of a participant, and transfer contributions on behalf of a participant, invested in one or more eligible funds. If a participant fails to make the election as described, all contributions shall be invested in an appropriate balanced and diversified fund for such participant as reasonably determined by the board, which such determination shall be communicated to the participant. The election made by a participant (or made in accordance with the above if a participant fails to make the election) shall continue in effect with respect to any future contributions until the participant changes it by a further election in a manner and as frequently as determined by the board, and these changes will be made as soon as practicable.

* * *

- 6.5 Participant's Accounts. The board will maintain for each participant a Pre-tax Elective Deferral Account, a Roth Elective Deferral Account, a savings contributions account, a matching contributions account, a nonelective contributions account, and a transfer contributions account for those respective contributions. The amounts in each such account shall at all times be separately accounted for from amounts in any other account of the participant under this Deferral Plan. Investment gains and losses shall be determined at least on an annual basis as of the end of the plan year and limitation year when the assets of the trust shall be valued at fair market value and any such gains or losses shall be allocated to each participant based on the participant's account balance at the beginning of such applicable plan year or limitation year as adjusted for withdrawals, distributions, and contributions. A participant must specify from which account a withdrawal is to be made. The transfer contributions account may provide for subaccounts to reflect the character of transferred contributions for Federal income tax purposes, if appropriate.

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- 7.1 Retirement and Disability Benefit. By the end of the fourth month following a participant's retirement under the Rules and Regulations of the Retirement System on a service retirement allowance, a special service retirement allowance, a disability retirement allowance, or a deferred retirement allowance, the participant shall be paid in a lump-sum the entire amount of the participant's Roth Elective Deferral Account and in a single-sum payment the entire amount of the participant's Pre-tax Elective Deferral Account, savings contributions account, matching contributions account (if nonforfeitable), and transfer contributions account under this Deferral Plan, unless the participant elects to defer receipt of all or part of the balances of such accounts for a period ending not later than April 1 of the calendar year following the calendar year in which the participant reaches age 70-1/2. A participant who makes such an election shall establish (and may revise at any time thereafter before its occurrence) dates for the distribution of such accounts so long as payments are made on or before the period herein described and in accordance with the benefit distribution requirements of Article 7.4 below and the income tax regulations. In lieu of the foregoing, a participant, who first became a member of the Retirement System before January 1, 1996, may, at the time the participant makes application for retirement, elect to transfer all or part of the participant's savings contribution account and the after-tax portion of the participant's transfer contribution account to the Retirement System's accumulation account for conversion to a fixed-dollar annuity or to the variable annuity fund for conversion to a variable annuity.

* * *

7.2 Benefit Upon Termination of Employment. By the end of the fourth month following a participant's termination of employment for any cause other than retirement as stated in Article 7.1 or death, the participant shall be paid in a lump-sum the entire amount of the participant's Roth Elective Deferral Account and in a single-sum payment the entire amount of the participant's Pre-tax Elective Deferral Account, savings contributions account, matching contributions account (if nonforfeitable), nonelective contributions account (if nonforfeitable), and transfer contributions account, unless the participant elects to defer receipt of all or part of the balances of such accounts for a period ending not later than April 1 of the calendar year following the calendar year in which the participant reaches age 70-1/2. A participant who makes such an election shall establish (and may revise at any time thereafter before its occurrence) the dates for the distribution of such accounts so long as the payments are made on or before the period herein described and in accordance with the benefit distribution requirements of Article 7.4 below and the income tax regulations.

* * *

7.3 Death Benefit. Upon the receipt of proper proof of death of a participant who shall have died in service (or after retirement or termination of employment but before any benefit hereunder has been paid to or on behalf of the participant), there shall be paid to such person, if any, as the participant shall have designated in writing duly filed with the board or in default of such designation to the participant's spouse or, if none, to the participant's estate, the amount of the participant's Pre-tax Elective Deferral Account, Roth Elective Deferral Account, savings contributions account, matching contributions account, nonelective contributions account, and transfer contributions account in a single payment or in multiple payments made in accordance with the benefit distribution requirements of Article 7.4 below and the income tax regulations. A spouse of a participant who is the participant's beneficiary hereunder may also elect deferral of distributions to the extent permitted by Article 7.4B(2) or Article 7.4F below and the income tax regulations. Such an election may be revised at any time before distribution under it occurs as long as any deferral of the distribution provided for in the revised election is otherwise in accordance with the benefit distribution requirements of Article 7.4 below and the income tax regulations. A spouse electing such a deferral may designate a beneficiary or beneficiaries who will receive a single-sum distribution of the deferred amounts in the event of the spouse's death prior to distribution provided, however, that if no beneficiary has been designated, such amounts shall be paid to the spouse's estate.

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7.5 Direct Rollover of Certain Distributions

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

- (3) A "distributee" includes a participant or former participant. In addition, the participant's or former participant's surviving spouse and the participant's or former participant's spouse or former spouse who is the alternate payee under a domestic relations order, as set forth in the Appendix, are distributees with regard

to the interest of the spouse or former spouse. A distributee also includes the participant's non-spouse designated beneficiary under Article 12.4 section 11H of the Rules and Regulations. In the case of a non-spouse beneficiary, the direct rollover may be made only to an individual retirement account or annuity described in section 408(a) or 408(b) of the Code ("IRA") that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of section 402(c)(11) of the Code. Also, in this case, the determination of any required minimum distribution under section 401(a)(9) of the Code that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395.

* * *

- 8.1 Financial Hardship. Upon the board's approval, distribution of salary deferral contributions~~Elective Deferrals~~ (and earnings thereon accrued as of December 31, 1988) may be made to a participant in the event of hardship. For the purposes of this section, hardship is defined as an immediate and heavy financial need of the participant where such participant lacks other available resources. Hardship distributions are subject to the spousal consent requirements contained in section 401(a)(11) and 417 of the Code.

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9.5 TVA Contributions

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

(1a) 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, and (b) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 7550 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) ~~made on or after January 1, 1996~~ as does not exceed six percent of the participant's compensation for the plan year; ~~and, in addition,~~

(2b) on behalf of each employee (a) who is ~~a cash balance participant or a member~~ 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) ~~made on or after October 1, 1998~~ 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.

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, 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. "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:

(a) 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

(b) 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.

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.

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- 12.9 Amendments to Provisions. These Provisions may be amended by the board from time to time, provided that the board gives at least 30 days' notice of the proposed amendment to TVA and to the participants by posting notices on generally accessible TVA bulletin boards, and further provided that TVA may, by notice in writing addressed to the board within said 30 days, veto any such proposed amendment, in which event it shall not become effective. No amendment to these Provisions shall be adopted which will reduce the existing balance of any participant's Pre-tax Elective Deferral Account, Roth Elective Deferral Account, savings contributions account, matching contributions account, nonelective contributions account, transfer contributions account, or then-accrued benefits of the existing participants or beneficiaries which are nonforfeitable.