

***Original Benefit Structure
Pension Factors***

The Original Benefit Structure

The Original Benefit Structure is designed to give you a level of financial protection when you retire by providing monthly pension payments. The following sections explain the details of the Original Benefit Structure, including:

- How Benefits are Calculated
- How and When Benefits are Paid

How Benefits are Calculated

The Original Benefit Structure pension is a TVA-funded benefit available to members who are vested. To be vested, a member must have five or more years of creditable service (excluding military service credit) when they leave TVA. The TVA Retirement System (System) Rules define how the pension benefit is calculated. As a participant in the Original Benefit Structure, your pension benefit is calculated using the following formula:

$$\text{Hi-3} \times \text{Creditable Service} \times \text{Pension Factor} = \text{Maximum Monthly Pension}$$

A discussion of each of the three elements of this formula follows.

- **High Three Year Average Monthly Salary**

Your highest three consecutive years of base pay is used to determine a monthly average salary (Hi-3). This Hi-3 is usually based on your salary during the three years prior to retirement. If your average salary was higher for three consecutive years during another period of TVA employment, that Hi-3 will be used.

- **Creditable Service**

Creditable service, calculated to the nearest month (rounded up to the next month on or after 16 days), is another factor used to determine the amount of your pension. Generally, creditable service is the length of time spent as a member of the System. However, creditable service may also include the following credit for unused sick leave, forfeited annual leave, and pre-TVA employment military service.

Credit for Unused Sick Leave and Forfeited Annual Leave

Any annual leave forfeited after January 1, 1980, is automatically used in the calculation of creditable service. At your election, your unused sick leave balance may be converted to creditable service upon retirement. The balances of unused sick leave and forfeited annual leave provide you with additional service which may result in a larger pension benefit. To calculate the additional service, add your unused sick leave balance to your forfeited annual leave balance. One year of creditable service is equal to 2,080 hours of unused sick leave and forfeited annual leave. If the total number of hours is 1,000 or less, you receive hour-for-hour credit for the creditable service calculation. However, if the total is greater than 1,000 hours, you receive double credit for the hours in excess of 1,000 hours. This amount is added to both your age and your service, which affect both the creditable service and the pension factor elements of the pension formula.

Credit for Pre-TVA Employment Military Service

Active service in the Army, Navy, Air Force, Marine Corps, or Coast Guard that occurred prior to TVA employment may be eligible for service credit. Military service may be credited in accordance with the following schedule:

Required years of TVA service	Maximum years of military service credit
Less than 10	0
At least 10 but less than 15	1
At least 15 but less than 20	2
At least 20 but less than 25	3
25 or more	4

The minimum amount of service that can be established is 6 months with the maximum amount being 4 years.

In order to receive credit for the military service, you must make a deposit. The amount of the deposit is based on your basic pay while in the military and is determined by using the following formula.

$$(7 \text{ Percent} \times \text{Military Basic Pay}) + \text{Interest}$$

Pre-TVA employment military service is not used in determining if you are vested, but is used in calculating both your creditable service and the Rule of 80.

- **Pension Factor**

The pension factor used in calculating your benefit comes from one of several pension factor tables. Selection of the appropriate pension factor table is based first on your **actual** age at termination and then your **attained** age and **Rule of 80** points at termination. (A definition of each of these terms is found at the end of this section.) These factors are reflected in the following tables:

Table 1: Pension Factors (Immediate Benefit) for Employees Less Than Actual Age 45 at Termination

Table 2: Rule of 80 Pension Factors (Immediate Benefit) for Employees Actual Age 45 and Over at Termination

Table 3: Attained Age Pension Factors (Immediate Benefit) for Employees Actual Age 45 and Over at Termination

The factor for members terminating *after* reaching at least actual age 45 is the higher of the factor from Table 2 versus the factor from Table 3.

A complete listing of the pension factor tables can be found on the Retirement System website. However, regardless of which table is used, the maximum pension factor is 1.3%.

TABLE 1 Pension Factors (Immediate Benefit) for Employees Less Than Actual Age 45 at Termination			
Attained Age	Pension Factor	Attained Age	Pension Factor
35	.001967	40	.002755
36	.002102	41	.002951
37	.002247	42	.003165
38	.002404	43	.003395
39	.002572	44	.003646

TABLE 2
 Rule of 80 Pension Factors (Immediate Benefit)
 for Employees Actual Age 45 and Over at Termination

# of Points	Pension Factor	# of Points	Pension Factor
69	.009700	75	.011500
69 / 6	.009850	75 / 6	.011650
70	.010000	76	.011800
70 / 6	.010150	76 / 6	.011950
71	.010300	77	.012100
71 / 6	.010450	77 / 6	.012250
72	.010600	78	.012400
72 / 6	.010750	78 / 6	.012550
73	.010900	79	.012700
73 / 6	.011050	79 / 6	.012850
74	.011200	80	.013000
74 / 6	.011350		

TABLE 3
 Attained Age Pension Factors (Immediate Benefit)
 for Employees Actual Age 45 and Over at Termination

Attained Age in yrs & mos	Pension Factor	Attained Age in yrs & mos	Pension Factor
49 / 6	.006700	55	.010000
50	.007000	55 / 6	.010300
50 / 6	.007300	56	.010600
51	.007600	56 / 6	.010900
51 / 6	.007900	57	.011200
52	.008200	57 / 6	.011500
52 / 6	.008500	58	.011800
53	.008800	58 / 6	.012100
53 / 6	.009100	59	.012400
54	.009400	59 / 6	.012700
54 / 6	.009700	60	.013000

Once the maximum pension benefit has been determined by multiplying your Hi-3 times your creditable service times the appropriate pension factor, that amount is adjusted by the Social Security Offset (Offset). This offset is a small reduction in the monthly pension benefit that occurs because TVA has funded the Retirement System pension benefit and also partially funds employees' Social Security benefits. Since 1956, TVA employees have been earning credit toward retirement under Social Security. In order to coordinate these benefits, the Rules require an offset, or reduction, in the pension benefit. The offset is applied only to service after 1955, up to a maximum of 30 years and is included in all estimates received from the Retirement System. The maximum offset is \$52.50 per month.

- **Definitions**

- Actual Age

- Your actual age is based on your date of birth.

- Attained Age

- Attained age is your actual age plus credit for any annual leave forfeited after January 1, 1980, and, at your election, credit for your unused sick leave balance. To calculate the additional months and/or years to be added to your actual age, add your unused sick leave balance to your forfeited annual leave balance. One year is equal to 2,080 hours of unused sick leave and forfeited annual leave. If the total is 1,000 hours or less, you receive hour-for-hour credit for the attained age calculation. However, if the total is greater than 1,000 hours, you receive double credit for the hours in excess of 1,000 hours. This is calculated in the same manner as shown under creditable service.

- You will receive credit for your entire unused sick leave and forfeited annual leave balances for the creditable service calculation **and** the attained age calculation.

- Rule of 80

- The Rule of 80 (80 points) is an important calculation in determining your pension factor. The Rule of 80 is the sum of your attained age (rounded up to the next month on or after 16 days) and creditable service (rounded up to the next month on or after 16 days) as of your date of termination. To determine how many points you have, add your attained age after rounding to your creditable service after rounding. If the sum is 80 or more and you are at least actual age 45 at termination, you will be eligible for the maximum pension factor of 1.3%. Unused sick leave and forfeited annual leave can have a significant impact on this calculation since credit for this time is added to both age and service. To see the impact your leave can have on the Rule of 80 calculation or if you would like to determine when you would obtain the Rule of 80, you might want to use the Rule of 80 calculator that is available on the Retirement System website.