

Retirement benefit changes for employees who first became TVARS members on or after 01/01/1996 and have less than 10 years of TVARS service as of 10/01/2016

	Current Benefits	Benefit Changes Effective 10/01/2016, unless otherwise noted
Pay Credits	6% pay credits to Cash Balance accounts	Pay credits to Cash Balance accounts stop
Interest Credits	Cash Balance account balances receive interest based on the following formula: CPI + 3% Minimum = 6% and Maximum = 10% Current interest rate = 6%	Cash Balance account balances receive interest as follows: CPI + 2% Minimum = TVARS assumed Rate of Return (ROR) minus 2% (currently 5%) and Maximum = TVARS assumed ROR minus 0.5% (currently 6.5%) Interest rate effective 01/01/2017 = 5%
Lump Sum Payout	Upon termination, employee has the option to: 1) receive the Cash Balance account balance in a lump sum only if the value of the account is under \$30,000, or 2) draw a pension which is eligible to receive COLAs	Upon termination, employee has the option to: 1) receive the <u>entire</u> Cash Balance account balance in a lump sum or 2) draw a pension which is eligible to receive COLAs. If lump sum is elected, a lump-sum payout equal to value of supplemental benefit will also be paid, if eligible.
Fixed Fund Contributions	Employees have the option of contributing up to \$10,000 per year into the Fixed Fund and receive interest on that account. At termination, balance must be withdrawn. Employees also have the option to transfer their balance to the 401(k) Plan at any time during employment.	Option to make contributions into the Fixed/Variable Funds stops. Any balance in the Fixed/Variable Funds as of 09/30/2016, will continue to receive interest. At termination, balance must be withdrawn. Employees also have the option to transfer their balance to the 401(k) Plan at any time during employment.
Fixed Fund Interest Rate during employment	Balances in the Fixed Fund earn interest as follows: Lesser of 6% or TVARS assumed ROR minus 0.5% (currently 6.5%) Current interest rate = 6%	Balances in the Fixed Fund earn interest as follows: CPI + 2% Minimum = TVARS assumed ROR minus 2% (currently 5%) and Maximum = TVARS assumed ROR minus 0.5% (currently 6.5%) Interest rate effective 01/01/2017 = 5%
401(k) automatic contributions	No automatic contributions from TVA	Automatic contributions from TVA to employee 401(k) account equal to 6% of eligible compensation
401(k) match	Matching contributions from TVA to employee 401(k) accounts \$0.75 on every dollar up to 4.5% of eligible compensation.	Matching contributions from TVA to employee 401(k) accounts dollar-for-dollar up to 6% of eligible compensation.
Disability & Death benefit	Disability and death benefit provided through TVARS	Core 30% Long-term Disability benefit provided by TVA Core \$50,000 term life insurance provided by TVA
Supplemental Benefit Eligibility	To be eligible for the Supplemental Benefit, upon termination employee must have a minimum of 10 years of TVARS service and be actual age 55.	No Change
Supplemental Benefit Calculation	If eligible, calculated based on actual years of TVARS service at termination	If eligible, calculated based on the years of TVARS service as of 10/01/2016. Additional Benefit would be pro-rated based on years of service.
Supplemental Benefit and Additional Benefit Cap*	Benefit caps are as follows: \$15.00 for the Supplemental Benefit and \$150.00 for the Additional Benefit	Benefit caps are as follows: \$12.3657 for the Supplemental Benefit and \$150.00 for the Additional Benefit
COLA **	COLA equal to change in CPI Maximum COLA of 5%	COLA equal to change in CPI minus 0.25% Maximum COLA of 6%
COLA Eligibility	Eligible to receive any COLA the January after reaching actual age 60	If age 50 or older as of 10/01/2016, eligible to receive any COLA the January after reaching actual age 60. If under age 50 as of 10/01/2016, eligible to receive any COLA the January after reaching actual age 65.

Note: The TVARS Board will evaluate the option for employees remaining in the cash balance structure to voluntarily elect to switch their future participation to the 401(k) Plan only with 6% automatic contributions from TVA and 100% match on up to an additional 6% of employee contributions. This election option, along with implementing amendments, may be subject to IRS review and approval pursuant to an IRS private letter ruling submitted by TVARS. This process may take 1-2 years.

* Those receiving less than these amounts will continue to receive COLAs until they reach the new cap.

** Rules amended to vest COLAs.

Additionally, the COLA applied to pensions will be based on salaries up to Executive Level IV, currently \$160,300. Retirees with less than 10 years of TVARS service who were participants in TVA's Supplemental Executive Retirement Plan (SERP) will not be eligible for COLAs.

Should there be any conflict between the information in this document and the provisions of the various plans, the plan provisions and not this document shall be controlling.