

Proposed changes for employees first hired on or after 1/1/96 who are in the Cash Balance Benefit Structure and were never a member of the Original Benefit Structure

	Current Benefits	Proposed Changes
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 the following formula: CPI + 3% Minimum – 6.0% and Maximum – 10%	Cash Balance account balances at the effective date of this change would continue to receive interest but at a lower rate CPI + 2% Minimum - 4.5% and Maximum = TVARS assumed ROR -.5% (currently 6.5%)
Lump Sum Payout	Upon termination, employee has the option to receive their Cash Balance account balance in a lump sum only if the value of their account is under \$30,000 or draw a pension which would be eligible to receive COLAS (as explained below).	Upon termination, employee would have the option to receive their <u>entire</u> Cash Balance account balance in a lump sum or draw a pension which would be eligible to receive COLAS (as explained below).
Fixed Fund Contributions	Employees have the option of contributing after-tax dollars by payroll deduction or by lump-sum into the Fixed Fund and receive interest on that account. At termination, balance must be withdrawn.	Option to make contributions into the Fixed Fund stops. Any balance in the fixed fund as of the effective date of this change would continue to receive interest (as explained below).
Fixed Fund Interest Rate during employment	Balances in the Fixed Fund earn interest as follows: Lesser of 6% or TVARS assumed ROR -.5% (currently 6.5%)	Balances in the Fixed Fund will earn interest as follows: CPI + 2% Minimum - 4.5% and Maximum = TVARS assumed ROR -.5% (currently 6.5%)
401(k) automatic contribution	No Automatic contribution from TVA	Automatic contribution from TVA to employee 401(k) accounts equal to 6% compensation
401(k) match	Matching contributions from TVA to employee 401(k) accounts 0.75 on every dollar up to 4.5% compensation.	Matching contributions from TVA to employee 401(k) accounts dollar-for-dollar up to 6% compensation.
Disability & Death benefit	Disability and death benefit provided through the TVARS	Disability and death benefits provided by TVA
Supplemental Benefit Eligibility	To be eligible for the supplemental benefit, upon termination employee must have a minimum of 10 years of TVA Retirement System service and be actual age 55.	To be eligible for the supplemental benefit, upon termination employee must have a minimum of 10 years of TVA Retirement System service and be actual age 50. The benefit would commence at actual age 55 (or at retirement if retire after age 55)
Supplemental Benefit Calculation	If eligible, calculated based on actual years of TVARS service at termination	If eligible, calculated based on the years of service employee had when the changes become effective
Supplemental Benefit and Additional Benefit Cap*	Benefit caps set at follows: \$15.00 for the Supplemental benefit and \$150.00 for the Additional benefit	Benefit caps would be set at follows: \$12.3657 for the Supplemental benefit and \$100.62 for the Additional benefit
COLA **	COLA equal to change in CPI with maximum COLA of 5%	COLA equal to change in CPI remains unchanged but maximum COLA lowered from 5% to 3%
COLA Eligibility	Employees retiring may receive COLA starting the January after reaching actual age 60	If under age 50 when changes become effective, COLA would not begin until actual age 65

* Those receiving less than these amounts would continue to receive COLA until they reach the new Cap

** Rules would be amended to eliminate uncertainty of whether COLA's are a vested benefit which has been part of the lawsuit. Additionally, the COLA to pensions will be based on salaries capped at Executive Level IV, currently \$158,700