



# Your Retirement Benefits



*For Participants with a  
Cash Balance Account and  
401(k) Plan*

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# *Cash Balance Account*

The cash balance account provides its participants who are vested members of the TVA Retirement System (TVARS) with a monthly pension benefit or a lump-sum cashout at retirement. Participants with a cash balance account:

- Employees who first became TVARS members before 1/1/1996, were in the Original Benefit Structure, but elected to be in the Cash Balance Benefit Structure
- or
- Employees who first became a member of the System on or after 1/1/1996 but before 7/1/2014.

## The Value of Your Cash Balance Account

The value of your cash balance account is the sum of your pay credits plus interest credits. At retirement, this account balance can either be converted to a monthly pension benefit or a lump-sum cashout. An explanation of the terms related to the cash balance account is given below.

### **Pay Credits**

If you first became a member of the System before 1/1/1996 and elected to be in the Cash Balance Benefit Structure, you will receive pay credits equal to 6% of your eligible compensation each month. You do not have to make a contribution in order to receive these credits.

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014 and had 10 or more years of service as of 10/1/2016, you will receive pay credits equal to 3% of your eligible compensation each month. You do not have to make a contribution in order to receive these credits.

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014 and had less than 10 years of TVARS service as of 10/1/2016, you do not receive pay credits.

### **Interest Credits**

If you first became a member of the System before 1/1/1996 and elected to be in the Cash Balance Benefit Structure, your cash balance account receives interest based on the following formula:

$$\text{CPI} + 3\%$$

$$\text{Minimum} = 6\% \text{ and Maximum} = 10\%$$

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014, your cash balance account receives interest based on the following formula:

$$\text{CPI} + 2\%$$

$$\text{Minimum} = \text{TVARS assumed Rate of Return (ROR) minus } 2\%$$

$$\text{Maximum} = \text{TVARS assumed Rate of Return (ROR) minus } .05\%$$

## How and When Benefits are Paid

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How and when benefits begin depends upon your age and also on the circumstances of your termination. The eligibility requirements are explained below.

### **Cash Balance Service**

Service as a member of the System (not including credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service) is cash balance service.

### **Vesting**

Vesting means that you have a right to a benefit. You are vested when you have five years of cash balance service.

As a vested member, you may be eligible for an immediate retirement benefit, deferred retirement benefit, or a lump-sum cashout.

**Note:** You will have 60 days from your termination date to apply for your retirement benefit. If your application is not received within 60 days, you will be subject to a default benefit. Your retirement benefit would default to a deferred retirement benefit with no survivor benefit, unless subject to spousal consent, and payments scheduled to begin no later than age 65. During the deferral period, you may elect for payments to begin as early as age 55, but no later than age 65. You may also elect a survivor option and name a beneficiary to receive a continuing benefit.

- **Immediate retirement benefit**

You may elect an immediate retirement benefit that begins on the day following the date of termination from TVA if you are vested, regardless of your age, if you leave TVA for any reason other than termination for cause.

Vested members of the Cash Balance Benefit Structure who are at least actual age 55 and leave TVA for any reason are always eligible to receive an immediate retirement benefit.

If you choose a survivor option at termination that provides for your beneficiary to receive a continuing monthly benefit, you may not name a new beneficiary or select a new survivor option, even in the event of death or divorce. For more information regarding survivor options, please see the publication titled "Decisions Upon Retirement" located on our website.

- **Deferred retirement benefit**

You may elect to receive a deferred monthly pension benefit where payments do not start immediately upon termination of your employment, either because you do not qualify for an immediate retirement benefit or because you chose to defer receipt of your monthly benefits. You may apply for a deferred retirement benefit if you are vested and leave TVA at any age for any reason. During the deferral period, you may elect for payments to begin as early as age 55, but no later than age 65. Your account balance would continue to accumulate interest credits at the applicable interest rate until monthly payments begin.

A deferred benefit is not automatic. You must apply upon termination.

If you choose a survivor option at termination that provides for your beneficiary to receive a continuing monthly benefit, his or her benefit will begin at the time you would have reached actual age 55, or immediately if you were already actual age 55 at your death.

If your beneficiary dies or you have a change in marital status before your retirement begins, you may name a new beneficiary and select a new survivor option at any time. However, once you begin receiving retirement benefits, you may not name a new beneficiary or select a new survivor option, even in the event of death or divorce. For more information regarding survivor options, please see the publication titled “Decisions Upon Retirement” located on our website.

- **Lump-Sum Cashout** You may choose to receive a lump-sum payment of the balance in your cash balance account.
  
- **Disability Benefits** Vested participants with more than 10 years of TVARS service as of 10/1/2016 and who become disabled, as defined by the Rules, are eligible for disability benefits. The disability benefit is 1.1% of your high three year average salary for each year of creditable service. If the total benefit multiple is less than 30%, it is increased 1.5% for each year you lack being age 65, up to a maximum multiple of 30%.  
  
If you first became a TVARS member on or after 1/1/1996 and had less than 10 years of TVARS service as of 10/1/2016, you are eligible for a Core 30% Long-Term Disability benefit provided by TVA. You should contact UNUM at 888-673-9940.
  
- **Death Benefits** If you are a vested member, who had more than 10 years of TVARS service as of 10/1/2016, your beneficiary is entitled to Retirement System benefits based on both your contributions, if any, and a TVA-funded death benefit. The death benefit is the higher of (1) the value of your cash balance account or (2) a payment equal to 50% of your base salary, plus five-twelfths (5/12) of one percent of your base salary for each month of creditable service, up to a maximum of 200% of your base salary.

If you first became a TVARS member on or after 1/1/1996 and had less than 10 years of TVARS service as of 10/1/2016, your beneficiary is entitled to a Core \$50,000 term life insurance benefit provided by TVA. Your beneficiary will also be entitled to a lump-sum payment of the value of your cash balance account.

If you elect a monthly benefit, your cash balance account will be converted to a monthly pension payment based on the following formula:

$$\text{Ending value of cash balance account} \div \text{Conversion factor based on actual age in years and months}$$

Some of the factors are provided in the table below:

Age at Distribution	Monthly Payment Conversion Factor
45	165
46	166
47	167
48	168
49	169
50	170
51	171
52	172
53	173
54	174
55	175
56	170
57	165
58	160
59	155
60	150
61	145
62	140
63	135
64	130
65	125

For example, if you are age 55 with an ending account balance of \$87,500, your monthly pension payment would be \$500, determined by dividing \$87,500 by 175.

These monthly pension payments will continue for your life with the option of receiving reduced monthly benefits to provide survivor benefits. If you first became a member of the System after January 1, 1990, you must choose a benefit option that provides for a survivor benefit and name your spouse, if any, as your beneficiary to receive the survivor benefit. To name someone other than your spouse or to select a benefit option that does not provide a survivor benefit, you need your spouse's written consent. The Retirement System can provide you with more information about all of your options at retirement.

Monthly pension payments may receive cost-of-living adjustments as determined in accordance with the System's Rules and Regulations.

# *Supplemental Benefit*

The supplemental benefit is provided to eligible retirees and eligible surviving spouses receiving a monthly pension payment either from the Original Benefit Structure or the cash balance account. This benefit may be used to help with the cost of medical insurance, although it is not required to be used to pay for medical insurance. The amount of this vested benefit is considered a taxable portion of your monthly retirement income.

## Who is Eligible to Receive the Supplemental Benefit

### ***Terminating employees must be:***

- Actual age 55 at termination with 10 years of actual service\* (benefit begins upon retirement), **or**
- Actual age 50 at termination with 10 years of actual service\* and the employee is terminated due to an involuntary reduction-in-force (benefit begins at actual age 55).

### ***Surviving spouses of retirees are eligible to receive the supplemental benefit if:***

- The retiree was receiving or was eligible to receive the supplemental benefit, **and**
- The surviving spouse will receive at least a 25-percent monthly survivor benefit.

If you meet the eligibility requirements for the supplemental benefit prior to termination of your employment and elect a deferred retirement benefit, the supplemental benefit will be payable when you begin receipt of your monthly retirement benefit. Additionally, if you elect a lump-sum cashout of your cash balance account and are eligible for the supplemental benefit, a lump-sum payout equal to the value of the supplemental benefit will also be paid.

\*Actual service for calculation of this benefit is defined as the length of time spent as a member of the System, not including credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service.

## How the Amount of the Supplemental Benefit is Calculated

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Eligible retirees who had 10 or more years of service as of 10/1/2016 will receive \$11.5757 per month for each **full year of actual System service at retirement**, with the minimum benefit being calculated for 10 years, plus an additional \$94.20 per month.

Eligible retirees who had less than 10 years of service as of 10/1/2016 will receive \$11.5757 per month for each **full year of actual System service as of 10/1/2016**. The additional benefit will be pro-rated based on years of service.

Eligible retirees who are age 60 or older are eligible for different amounts depending on the cost-of-living adjustments since turning age 60. Please see the chart below to determine the appropriate amount:

<b><u>When did retiree turn age 60?</u></b>	<b><u>Calculation</u></b>	<b><u>Additional Benefit</u></b>
On or before 12-31-10	\$12.3657 X whole years of service	\$103.49
After 1-1-2011	\$12.3657 X whole years of service	\$102.31
After 1-1-2013	\$12.2906 X whole years of service	\$100.02
After 1-1-2014	\$11.1054 X whole years of service	\$98.51
After 1-1-2016	\$11.9054 X whole years of service	\$96.88
After 1-1-2017	\$11.7887 X whole years of service	\$95.93

The supplemental benefit may receive cost-of-living adjustments as determined in accordance with the System's Rules and Regulations. However, the total monthly supplemental benefit shall not exceed:

- \$12.3657 per month for each full year of actual service, and
- \$150 per month for the additional benefit which began January 2001 at \$75/month.

# *401(k) Plan*

TVA recognizes the importance of having reliable financial resources in the future, particularly in your retirement years. The income provided by the cash balance account and Social Security gives you a firm base for meeting your future financial obligations. However, these resources may not be enough to meet your retirement needs. Therefore, TVA offers you an additional incentive to save by providing a 401(k) Plan that includes matching contributions.

## How Much You Can Save

To make it as easy as possible for you to participate, you will be automatically enrolled in the 401(k) Plan at a 6% contribution rate after 30 days from your hire date. If you wish to opt out of your automatic enrollment or if you wish to enroll at a different rate, you may do so by enrolling online or by contacting Fidelity within 30 days of your hire date.

Saving in the 401(k) Plan is made easy through convenient payroll deductions. You may elect to have a percentage of pay withheld from your biweekly paycheck. When deciding how much you want to save, you need to consider the advantages of receiving the maximum matching contributions from TVA. However, contributions are limited. Both of these important considerations are described below.

### **Employer Contributions**

If you first became a TVARS member prior to 1/1/1996, and elected to be in the Cash Balance Benefit Structure, you are eligible to receive matching contributions to the 401(k) Plan of 75 cents on the dollar (the maximum matching contributions is 4.5% of fiscal year-to-date base compensation). You must contribute a minimum of 6% annually to be eligible to receive the full employer match. Therefore, if you contribute at least 6% of your pay, you will receive 4.5% total contribution from TVA for a total savings/deferral rate of 10.5%.

If you first became a member of the System on or after 1/1/1996, and have 10 or more years of TVARS service as of 10/1/2016, TVA will provide an automatic non-elective contribution equal to 3% of your eligible compensation. In addition, TVA will contribute 75 cents to your account for each dollar you contribute to the plan. The maximum annual matching contribution from TVA is 4.5% and is based on your eligible compensation. You must contribute a minimum of 6% annually to be eligible to receive the full employer match. Therefore, if you contribute at least 6% of your pay, you will receive 7.5% total contribution from TVA for a total savings/deferral rate of 13.5%.

If you first became a member of the System on or after 1/1/1996, and have less than 10 years of TVARS service as of 10/1/2016, TVA will provide an automatic non-elective contribution equal to 6% of your eligible compensation. In addition, TVA will contribute one dollar to your account for each dollar you contribute to the plan. The maximum annual matching contribution from TVA is 6% and is based on your eligible compensation. You must contribute a minimum of 6% annually to be eligible to receive the full employer match. Therefore, if you contribute at least 6% of your pay, you will receive you will receive 12% total contribution from TVA for a total savings/deferral rate of 18%.

## **Vesting**

Vesting means that you have a right to a benefit. You are considered vested in your 401(k) Plan contributions immediately, but you must have 3 years of TVA service to be vested in the TVA matching contributions and the automatic contributions. However, there is immediate vesting for both benefits upon death as an active employee.

## **Contribution Limits**

For 2018, your contributions to the Fixed and Variable Funds, if eligible, and the 401(k) Plan, including TVA matching contributions, may not exceed the IRS limit, which is the lesser of \$55,000 or 100% of your calendar year-to-date compensation. Additionally, there is an absolute maximum established annually by the IRS for your pre-tax and/or Roth contributions of \$18,500 for 2018.

## **Catch-Up Contributions**

Individuals who have reached age 50 before the close of the taxable year will be allowed to contribute an additional pre-tax and/or Roth amount, allowing them to "catch-up" on their retirement savings. The catch-up amounts are in addition to the contribution limits above and cannot begin until the pre-tax and/or Roth contribution limit is reached. The catch-up limit is \$6,000 for 2018.

## **Savings Options**

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There are three different contribution methods: pre-tax, Roth, and/or after-tax 401(k). You may elect to contribute to one or all three of these sources. Choosing which method is best for you is a personal decision. Before making that decision, you may want to review the following information.

### **Pre-tax**

When you save pre-tax dollars through the 401(k) Plan, the money is directed to your account before your tax withholdings are calculated on your pay. In other words, your pre-tax contributions lower your taxable income which will decrease current tax withholdings.

### **Roth**

When you save through the 401(k) Roth option, your contributions are on an after-tax basis, but are included in the pre-tax limits. The earnings on the Roth contributions are tax-free upon a qualified withdrawal.

### **After-tax**

When you receive your paycheck, you are taking home after-tax dollars. That means federal income taxes (and state and local income taxes, if applicable) have already been withheld before you receive your paycheck. If you save part of your paycheck after your taxes have been withheld, you are saving on an after-tax basis.

Regardless of whether you save on a pre-tax and/or after-tax basis, income earned on your investments is tax-deferred until the funds are withdrawn. Unlike the traditional, pre-tax 401(k), the Roth 401(k) allows you to withdraw your money tax-free when you retire. After deciding how much you want to contribute on a pre-tax, after-tax, and/or Roth basis, you will need to select from the available investment options. To initiate payroll contributions, call Fidelity Investments at 800-354-7121 or visit their website at [www.netbenefits.com/tva](http://www.netbenefits.com/tva).

## Investment Options

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Your automatic 6% pre-tax contribution will be invested in the Target Retirement Portfolio Fund with the target retirement date closest to the year you might retire, based on your current age and assuming a retirement age of 65, unless you choose a different investment option. Because of your personal needs and investment preferences, the 401(k) Plan offers you a choice of investment funds. These funds have different investment strategies, which allow you to diversify your investments. Upon enrolling in the 401(k) Plan, you will be given the opportunity to participate and maintain a balance in any of these funds.

The 401(k) Plan is designed to be a long-term savings instrument that will help ensure financial security for your retirement. However, there may be situations during your career when you need these funds. There are IRS guidelines and provisions of the 401(k) Plan that dictate when you are eligible to borrow or withdraw your funds.

For more information about the 401(k) Plan, call Fidelity Investments at 800-354-7121 or visit their website at [www.netbenefits.com/tva](http://www.netbenefits.com/tva).

# *Fixed and Variable Funds*

These funds consist of **your** contributions (and the earnings on those contributions) to one or both of two after-tax investment options--the Fixed and Variable Funds. Overall fund administration is handled by Fidelity Investments.

## Who Can Contribute

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If you first became a member of the System before 1/1/1996 and elected to be in the Cash Balance Benefit Structure, you have the option of contributing after-tax dollars by payroll deduction or by lump-sum up to \$10,000 per year into the Fixed and/or Variable Funds and receive interest on that account.

If you first became a member of the System on or after 1/1/1996 but before 7/1/2014, you do not have the option of contributing to the Fixed and/or Variable Funds after 10/1/2016. Any balance in the Fixed and/or Variable Funds as of 10/1/2016 will continue to receive interest. At termination, balance must be withdrawn. You also have the option to transfer your balance to the 401(k) Plan at any time during employment.

Your contributions to the Fixed Fund earn a specified rate of interest determined by the System's Board of Directors. The interest rate may be changed by the System Board at any time. Contributions and interest, credited to account balances on a daily basis, accumulate in the account until retirement.

If you are eligible to contribute, you may do so either through payroll deductions or in a lump sum. Your contributions to the Fixed and Variable Funds may not exceed \$10,000 annually. For 2018, your contributions to the Fixed and Variable Funds and the 401(k) Plan, including TVA matching contributions, may not exceed the IRS limit, which is the lesser of \$55,000 or 100% of your calendar year-to-date compensation. To initiate payroll contributions, call Fidelity Investments at 800-354-7121 or visit their website at [www.netbenefits.com/tva](http://www.netbenefits.com/tva). For lump-sum contributions, contact the Retirement System.

## The Fixed Fund

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Your contributions to the Fixed Fund earn a specified rate of interest determined by the System's Board of Directors. The interest rate may be changed by the System Board at any time. Contributions and interest, credited to account balances on a daily basis, accumulate in the account until retirement.

## The Variable Fund

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Your contributions to the Variable Fund are invested in the Fidelity 500 Index Fund-Institutional Class. Since your contributions are invested in the stock market, the value will rise and fall with

the general stock market. Net asset share values for the Fidelity fund are reported on a daily basis.

## Transfers Between the Fixed and Variable Funds

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You may transfer any whole percentage of your existing balances between the Fixed and Variable Funds once per calendar month. Transfer requests received by Fidelity Investments by 4:00 p.m. (ET) will be processed at that day's closing net asset value.

## Transfer of Fund(s) to the 401(k) Plan

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You may transfer 100% of your Fixed and Variable Funds to the 401(k) Plan at any time during employment. However, once this transfer has occurred:

- You will not be permitted to make any additional contributions to the Fixed and Variable Funds.
- The funds which have been transferred to the 401(k) Plan will become a part of the **after-tax** source of contribution and will be kept separate from other sources of contribution.
- Your funds will initially be transferred to the Vanguard Prime Money Market Fund Admiral Shares. Once there, you may choose to allocate your funds in any of the investment choices available within the 401(k) Plan.

## When your employment ends...

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If you first became a TVARS member before January 1, 1996:

- You may elect to receive your Fixed and Variable Funds as a lifetime monthly benefit from TVARS.
- You may withdraw any whole percentage of your Fixed and Variable Funds.
- You may elect to have any whole percentage of your **total** Fixed and Variable Funds (both the taxable and nontaxable portions) paid in a direct rollover to an IRA or to another employer's retirement plan which accepts after-tax balances, **or** you may specify any percentage of only the **taxable** portion for a rollover.
- You may elect to transfer any whole percentage or whole dollar amount of your **after-tax** 401(k) Plan balance to the Fixed and Variable Funds.

If you first became a TVARS member on or after January 1, 1996:

- You will have up to 60 days to withdraw or roll over your Fixed and Variable Funds after 60 days, the Fixed Fund will cease to accrue additional interest.
- You must either withdraw in a lump sum or roll over your total Fixed and Variable Funds.

# *Social Security Benefits*

## Social Security Benefits

Social Security is a national system of old-age, survivors, and disability insurance benefits. During working years, employees, their employers, and self-employed persons pay Social Security taxes. Then when their earnings stop or are reduced due to retirement, severe disability, or the death of an employee, monthly cash benefits are paid to replace part of the earnings the employee and the family have lost.

## How the Program is Financed

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The primary sources of financing are the Social Security taxes paid by employees and their employers and by the self-employed. Employees contribute 6.2% and employers contribute 7.65% of the employee's wages, which includes 1.45% for Medicare hospital insurance. The maximum amount of earnings taxed for Social Security purposes is subject to change each year.

## Qualifying for Benefits

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To become eligible for old-age and disability insurance benefits, an employee must have credit for a required amount of work that is covered by Social Security. Social Security work credits are measured in quarters of coverage.

To qualify for retirement benefits, most workers need 40 credits, or about 10 years of work. An employee who has accumulated the required number of credits is considered to be fully insured and eligible for most types of benefits.

## Who is Eligible for Benefits

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Fully insured employees are eligible for benefits as early as age 62, but benefits are permanently reduced for each month of entitlement prior to the full-benefit retirement age, currently age 65. The age at which unreduced benefits are payable will be increased gradually from 65 to 67 over a 21-year period beginning with individuals who reached age 62 in the year 2000. (The age of eligibility for Medicare is not affected by these changes.)

For more information about Social Security benefits, please contact the Social Security Administration at 800-772-1213.

# *Additional Information*

## *How to Get Additional Information*

### How To Contact TVA Retirement System:

**Mailing Address:**

TVA Retirement System  
400 West Summit Hill Drive, WT 8A-K  
Knoxville, TN 37902-1499

**E-mail Address:**

retsvcs@tva.gov

**Phone Numbers:**

Retirement Representatives:  
Fax:

865-632-2672 or 1-800-824-3870  
865-632-8591

**SharePoint Site:**

[http://fs.tva.gov/Retirement\\_Management/Benefits/SitePages/Home.aspx](http://fs.tva.gov/Retirement_Management/Benefits/SitePages/Home.aspx)

- Request retirement benefit estimates
- Register for a group session
- View publications and planning calculators

**TVA Retirement System Website:**

[www.tvars.com](http://www.tvars.com)

- TVA Retirement System announcements
- Factor tables for retirement calculations
- Original Benefit Structure information
- Cash Balance Account information
- TVA Retirement System forms and publications
- Link to Fidelity NetBenefits internet website for 401(k) and Fixed and/or Variable Funds info:
  - ◇ Retirement planning calculators
  - ◇ View balances and chart savings
  - ◇ Change payroll deductions and investment elections
  - ◇ Obtain fund quotes and market updates
  - ◇ View loan information
  - ◇ Transfer between Fixed and Variable Funds
- Link to Training and Development website on the TVA InsideNet for online version of the Decisions workshop called Preparing to Make Retirement Decisions

For Information About Medical and Other Benefit Plans:

**Contact TVA Employee Benefits**

Phone: 865-632-8800, 865-751-8800, or 1-888-275-8094  
Fax: 865-632-9682  
E-mail: [TVAEmployeeBenefits@tva.gov](mailto:TVAEmployeeBenefits@tva.gov)

Other Numbers of Interest:

<b>Social Security Administration:</b>	1-800-772-1213
<b>Fidelity Investments</b>	1-800-354-7121
<b>Fidelity Investments TTY:</b>	1-800-414-2363

*Every effort has been made to ensure the accuracy of this information. This booklet does not create any rights to benefits other than those available under the provisions of the applicable plan. Therefore, you should not rely solely upon this information when making a decision to retire. Should there be any conflict between the information provided here and the provisions of the various plans, the plan provisions and not this booklet shall be controlling.*