



Decisions Upon Retirement



***Retirement – not an end,
a new direction***

Decisions Upon Retirement

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Module 1:

**Eligibility Requirements for
Retirement Benefits**

Vesting

You are vested when you have completed the service requirement necessary to be eligible for a TVA funded pension benefit at retirement. As a participant in the Original Benefit Structure, you are vested after five years of creditable service. As a participant with a cash balance account, you are vested after five years of actual service as a member of the System.

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 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

An immediate retirement benefit is a monthly benefit from the pension or cash balance account and the Fixed and/or Variable Fund(s), if applicable, that is effective the day following the date of termination from TVA employment. You may receive an immediate retirement benefit if you are vested, regardless of age, if you leave TVA for any reason other than termination for cause. Vested employees who are at least attained age 55 in the Original Benefit Structure or actual age 55 and have a cash balance account and leave TVA for any reason are always eligible to receive an immediate retirement benefit.

Deferred Retirement Benefit

A deferred retirement benefit is a monthly benefit from the pension or cash balance account and the Fixed and/or Variable Fund(s), if applicable, that may begin as early as attained age 55 if you are a participant in the Original Benefit Structure or actual age 55 if you are a participant with a cash balance account. Regardless of the benefit structure, a deferred retirement benefit can begin no later than age 65. You may receive a deferred retirement benefit if you are vested and leave TVA for any reason.

Lump-Sum Cashout for Participants with a Cash Balance Account

You may choose to receive a lump-sum payment of the balance in your cash balance account. 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 present value of the supplemental benefit will also be paid.

Module 2:

Fixed and Variable Funds

Module 2 **Fixed and Variable Funds**

The Fixed and Variable Funds consist of your after-tax contributions and the earnings on those contributions. **Note: If you wish to transfer your total Fixed and Variable Fund balance(s) to the 401(k) plan, you must do so prior to the date you terminate your employment.** Your options at retirement depend on when you first became a TVARS member.

- If you first became a TVARS member before January 1, 1996, you may elect to:
 - Receive a lifetime monthly annuity benefit from your funds
 - Withdraw your funds
 - Roll over your funds

In addition, at retirement, you may elect to transfer any or all of your 401(k) after-tax source funds to the TVA Retirement System to receive a monthly benefit.

- If you first became a TVARS member on or after January 1, 1996, you may not elect to receive your funds as a monthly benefit. You must make a decision within 60 days regarding your funds. After 60 days, the Fixed Fund will cease to accrue additional interest. Your options with your funds are:
 - Withdraw your total balance
 - Roll over all or some portion of your balance to an IRA or another qualified retirement plan which will accept a rollover. Any funds not rolled over will be paid directly to you.

Monthly Annuity Benefit

If you are eligible to receive a monthly annuity benefit, this benefit will be based on the value of your contributions and earnings on those contributions at the time of retirement, the amount of dollars (Fixed Fund) and/or units (Variable Fund), and factors established by interest rates and mortality tables.

The Fixed and Variable Fund balance may be in dollars (Fixed Fund) or units (Variable Fund). Therefore, the maximum monthly annuity benefit may be in dollars and/or units. To determine the value of your monthly units in the Variable Fund, you multiply the number of units by the unit value for the preceding month.

Module 3:

Pension Benefit

THE PENSION is a TVA funded benefit available to members who are vested. The TVA Retirement System Rules define how the pension benefit is calculated.

As a participant with a cash balance account, your pension benefit is based upon the following:

- ending value of your cash balance account
- conversion factor based upon your actual age at retirement

As a participant in the Original Benefit Structure, your pension benefit is based upon the following:

- Creditable service which includes
 - Credit for unused sick leave and forfeited annual leave
 - Credit for pre-TVA employment military service
- High three year average monthly salary (Hi-3)
- Pension factor

Pension Formula

Creditable Service X Hi-3 X Pension Factor = Maximum Monthly Pension

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 and forfeited annual leave
- Credit for pre-TVA employment military service

High Three Year Average Monthly Salary

Your highest three consecutive years of eligible compensation 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. This also includes any Winning Performance award up to 6.25% of your salary. If your average salary was higher for three consecutive years during another period of TVA employment, that Hi-3 will be used.

Pension Factor

The pension factor is determined by either your attained age or Rule of 80. For more information concerning these terms, please refer to the “Original Benefit Structure-Your Retirement Benefits” publication on the TVARS website.

Cost-of-Living Adjustments After Retirement

Cost-of-living adjustments (COLA) may be available on the base pension* portion of the monthly pension benefit. As will be discussed in Module 5, the level income plan (LIP) increase is not subject to COLAs. If a member elects the LIP, the cost-of-living adjustments will be applied to the base pension only. Any adjustment is normally granted in January and is equal to the change in Consumer Price Index (CPI) minus .25% up to a maximum of 6%.

If you first became a TVARS member before July 1, 2014 and elect a continuing monthly benefit, you are eligible for a COLA based on the following criteria:

- If you retired on or after January 1, 2010 and were age 50 or older as of October 1, 2016, you are eligible to receive any COLA the January after reaching actual age 60.
- If you retired on or after January 1, 2010 and were under age 50 as of October 1, 2016, you are eligible to receive any COLA the January after reaching actual age 65.

The COLA applied to pensions will be based on salaries up to Executive Level IV, currently \$164,200. 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.

*The base pension does not include the level income plan increase or reduction.

Module 4:

Survivor Options

THE SURVIVOR OPTIONS offer you a variety of choices in designing a retirement benefit that provides both for you and your beneficiaries. Whether you are applying for an immediate or a deferred retirement benefit, you may choose from the following survivor options.

It is important for the retiree to remember that the survivor option you choose at retirement can never be changed. In addition, the beneficiary you name to receive a continuing lifetime monthly benefit at your death can never be changed – even in the event of death or divorce.

SPOUSAL CONSENT at RETIREMENT

If you are married and enrolled in the System for the first time after January 1, 1990, you must name your spouse as beneficiary and elect Option 2 or 3, unless your spouse completes form RS-200A, Spousal Consent at Retirement, available from the TVA Retirement System.

The following assumptions have been made for the different survivor option examples shown:

Member's age:	55
Beneficiary's age:	53
Fixed Fund Balance:	\$100,000

Member joined TVARS before January 1, 1996

STANDARD OPTIONS

Maximum

The Maximum benefit with no survivor option provides a retirement benefit during your lifetime with the greatest amount of monthly income and no benefit payable upon your death. *This option might be suitable for someone who does not have family obligations or who is not receiving a monthly benefit from the Fixed and Variable Funds.*

Example of Maximum Benefit with No Survivor Option:

Fixed Fund:	\$ 776
Pension:	<u>\$1,155</u>
Total:	\$1,931

No further benefit would be payable after death.

Option 2 – 100%

Option 2 provides a reduced retirement benefit during your lifetime with the provision that upon your death, if your beneficiary is living, your beneficiary will continue to receive the same retirement benefit (exclusive of the level income plan) throughout his or her lifetime. *This option might be suitable for someone who has a spouse who does not have his or her own retirement benefit and would be totally dependent on a TVARS benefit, especially if he or she still had dependent children or perhaps still owed on a home.*

Example of Option 2:

Maximum Fixed Fund:	\$ 776	<u>Reduced Benefit</u>	
Maximum Pension:	<u>\$1,155</u>	Fixed Fund:	\$ 715
	\$1,931	Pension:	<u>\$1,036</u>
		Total:	\$1,751
		<u>Payment to Beneficiary</u>	
		Fixed Fund:	\$ 715
		Pension:	<u>\$1,036</u>
		Total:	\$1,751

Option 3 – 50%

Option 3 provides a reduced retirement benefit during your lifetime with the provision that upon your death, if your beneficiary is living, your beneficiary will receive one-half of your retirement benefit (exclusive of the level income plan) throughout his or her lifetime. *This option might be suitable for someone who is married and is debt-free with no children or someone whose spouse has a small retirement to supplement what he or she would receive from a TVARS benefit.*

Example of Option 3:

Maximum Fixed Fund:	\$ 776	<u>Reduced Benefit</u>	
Maximum Pension:	<u>\$1,155</u>	Fixed Fund:	\$ 744
Total:	\$1,931	Pension:	<u>\$1,092</u>
		Total:	\$1,836
		<u>Payment to Beneficiary</u>	
		Fixed Fund:	\$ 372
		Pension:	<u>\$ 546</u>
		Total:	\$ 918

OPTION 4 CHOICES

Option 4 provides the flexibility to select a reduced retirement benefit during your lifetime by choosing alternative survivor benefits available from the System. Option 4 is usually used when a member feels that the standard options do not meet their unique needs. The following are the alternatives under Option 4 that have been approved by the TVA Retirement System Board.

Alternative Percentages Option

The Alternative Percentage option provides a reduced retirement benefit during your lifetime with the provision that upon your death, if your beneficiary is living, your beneficiary will receive a specified percentage of your retirement benefit (exclusive of the level income plan) throughout his or her lifetime. These alternative percentages are 75%, 67%, and 25%. *This option might be suitable for someone who wants his or her beneficiary to receive a lifetime monthly benefit but the 100% is too much and the 50% option is not enough. Or this option may be suitable for someone whose spouse has their own retirement but would like them to receive the supplemental benefit..*

Example of 25% Option:

Maximum Fixed Fund:	\$ 776
Maximum Pension:	<u>\$1,155</u>
Total:	\$1,931

Reduced Benefit

Fixed Fund:	\$ 759
Pension:	<u>\$1,122</u>
Total:	\$1,881

Payment to Beneficiary

Fixed Fund:	\$ 190
Pension:	<u>\$ 280</u>
Total:	\$ 470

Pop-up Option

Under a standard survivor option, once the retirement benefit has been established to provide a continuing benefit, and your beneficiary dies before you, your monthly payments stay at the same reduced level. Under a Pop-up option, if your beneficiary dies before you, your retirement benefit is increased to the maximum benefit. *This option might be suitable for someone whose beneficiary has a significant health problem. Or it might be a good choice if gender or family history would predict you outliving your beneficiary.*

Example of 50% Survivor Option with Pop-up:

Maximum Fixed Fund:	\$ 776
Maximum Pension:	<u>\$1,155</u>
Total:	\$1,931

Reduced Benefit

Fixed Fund:	\$ 742
Pension:	<u>\$1,087</u>
Total:	\$1,829

Payment to Beneficiary

Fixed Fund:	\$ 371
Pension:	<u>\$ 543</u>
Total:	\$ 914

Payment to Retiree if Beneficiary dies first

Fixed Fund:	\$ 776
Pension:	<u>\$1,155</u>
Total:	\$1,931

Pension Reserve Option

The Pension Reserve option is available only on the pension. You would have to choose a different survivor option if you have a balance in the Fixed and/or Variable Funds. The Pension Reserve option provides a reduced pension with a lump-sum amount paid to your beneficiary or your estate upon your death. The lump-sum amount is equal to the value of the pension benefit that you would have received had you lived your normal life expectancy. *This option would be suitable for someone with more than one beneficiary or someone who feels his or her beneficiary is prepared to handle a potentially large lump sum of money-all of which will be taxable.*

Example of Pension Reserve Option:

	<u>Reduced Benefit</u>	
Maximum Pension: \$1,155	Pension: \$1,026	

Payment to Beneficiary

Upon the death of the retiree, the beneficiary will receive a lump sum payment which will be based upon retiree’s age. The lump sum payment is calculated by multiplying the annual reduced pension the retiree was receiving upon retirement by a factor based on the age of the retiree at death. For instance, if the retiree dies at age 76, the beneficiary would receive a lump-sum payment of approximately \$94,490.

Reduced at Death of Either Option

A standard survivor option provides a benefit to your beneficiary should they outlive you. The Death of Either (DOE) Option provides a benefit that will reduce to the specified alternative percentage upon the death of either your beneficiary or you. *This option might be suitable for someone who is married and feels that regardless of who dies first, the survivor should receive the same reduced payment for the rest of his or her life.*

Example of 50% Death of Either Option:

	<u>Reduced Benefit</u>	
Maximum Fixed Fund: \$ 776	Fixed Fund: \$ 764	
Maximum Pension: <u>\$1,155</u>	Pension: <u>\$1,130</u>	
Total: \$1,931	Total: \$1,894	

Payment to Beneficiary

Fixed Fund:	\$ 382	
Pension:	<u>\$ 565</u>	
Total:	<u>\$ 947</u>	

Payment to Retiree if Beneficiary dies first

Fixed Fund:	\$ 382	
Pension:	<u>\$ 565</u>	
Total:	<u>\$ 947</u>	

Life and Certain Option

The Life and Certain option provides a guaranteed minimum number of payments. Should you die before all payments have been received, the remaining payments continue to your beneficiary. Should you live beyond the guaranteed payment period, payments continue to you at the same rate during your lifetime with nothing payable at your death. Life and certain options may be in 5, 10, 15, and 20 year increments. *This option might be suitable for a single parent with a child just starting college. It would guarantee a number of years of continuing monthly payments to your beneficiary in the event you died shortly after retirement—before your child had finished school or was not yet self-sufficient. The reduction would not be nearly what it would be for a child to receive a continuing monthly lifetime benefit. It could address concerns about whether an 18 or 19 year old would have the maturity to responsibly handle a large lump sum payment and would provide a stream of income.*

Example of 15-Yr Life and Certain Option:

		<u>Reduced Benefit</u>
Maximum Fixed Fund: \$	776	Fixed Fund: \$ 759
Maximum Pension:	<u>\$1,155</u>	Pension: <u>\$1,130</u>
Total:	\$1,931	Total: \$1,889

Payment to Beneficiary

If the retiree dies at age 76, nothing would be payable to the beneficiary. However, if the retiree had died at age 63, payments would have continued to the beneficiary until all 180 payments had been made.

The following survivor option is only available if you first became a TVARS member before January 1, 1996 and you elect to receive a lifetime annuity benefit from your Fixed and/or Variable Funds.

Option 1 – Lump Sum of Remaining Fixed and/or Variable Funds Balance

Option 1 provides a reduced benefit during your lifetime with a possible lump-sum amount paid to your beneficiary or your estate upon death. The lump-sum amount is equal to the balance left in the Fixed and/or Variable Funds, if any, after deducting the total monthly payments received from this fund during retirement. *This option might be suitable for someone with Fixed and Variable Funds who does not have family obligations. Or if married, someone whose spouse will have his or her own retirement income.*

Example of Option 1:

	<u>Reduced Benefit</u>
Maximum Fixed Fund: \$ 776	Fixed Fund: \$ 764
Maximum Pension: <u>\$1,155</u>	Pension: <u>\$1,155</u>
Total: \$1,931	Total: \$1,919

Assume the retiree lives 8 years after retirement:

Balance in Funds at retirement:	\$100,000
Less monthly payments (\$764 X 12 mos. X 8 yrs.):	<u>(\$ 73,344)</u>
Lump sum payable at death	\$ 26,656

Note: This option is not available if there is no balance at retirement.

The following survivor option is only available if you first became a TVARS member before January 1, 1996 and you elect to receive a lifetime annuity benefit from your Fixed and/or Variable Funds.

Full Cash Refund Option

The Full Cash Refund (FCR) option is available on the Fixed and/or Variable Funds if you elect to provide a monthly survivor benefit. The Full Cash Refund option provides a slightly reduced benefit with the provision that if any of your Fixed and/or Variable Fund balance(s) remains after your death and the death of your beneficiary, a refund is paid (similar to Option 1). *This option might be suitable for someone who wants to ensure that none of the Fixed and Variable Funds remain with TVARS regardless of how long he or she lives after retirement.*

Example of 50% Survivor Option with Full Cash Refund:

Maximum Fixed Fund: \$776	<u>Reduced Benefit</u> Fixed Fund: \$743
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<u>Payment to Beneficiary</u> Fixed Fund: \$371
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The lump sum of any balance left in the Fixed and/or Variable Fund balance(s) after deducting the total monthly payments received by the retiree and the beneficiary will be paid to the estate or another beneficiary.

Assume the member lives 9 years after retirement and the beneficiary lives 2 years after the death of the retiree:

Balance at retirement:	\$100,000
Less payments (\$743 X 12 mos. X 9 yrs):	(\$80,244)
Less payments (\$371 X 12 mos. X 2 yrs):	<u>(\$ 8,904)</u>
Lump sum payable at death:	\$ 10,852

Note: This option is not available if there is no Fixed or Variable Fund balance at retirement.

The following survivor option is only available if you first became a TVARS member before January 1, 1996 and you elect to receive a lifetime annuity benefit from your Fixed and/or Variable Funds.

Interest Only Option

The Interest Only option is available only on the Fixed and Variable Funds. You would have to choose a different survivor option for the pension benefit. Payments through age 75 for the Fixed Fund or age 69 for the Variable Fund, consist of interest only on your balance at retirement. Should you die before these ages, the entire balance at retirement is paid to your beneficiary or beneficiaries. At age 76 for the Fixed Fund, or age 70 for the Variable Fund payments increase as interest and a portion of the principal is distributed. As principal is depleted, payments reduce as does the amount available to be paid at your death. Interest rates are 0.0067248 per month for the Fixed Fund, which compounds to 8 3/8% annually, and 0.0048675 per month, which compounds to 6% annually, for the Variable Fund. *This option might be suitable for someone with more than one beneficiary or someone who feels his or her beneficiary is prepared to handle a potentially large lump sum of money-much of which would be taxable.*

Example of Interest Only Option:

Maximum Fixed Fund: \$776	<u>Reduced Benefit</u> Fixed Fund: \$672*
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*The reduced monthly benefit is calculated by multiplying the total Fixed Fund balance by the interest rate factor, or $\$100,000 \times 0.0067248 = \672 .

Payment to Beneficiary

In this example, if the retiree died at age 70, the beneficiary would receive a lump-sum payment of \$100,000 (Fixed Fund balance at retirement). If the retiree died after age 75, the beneficiary would receive a lump-sum payment equal to \$100,000 less the amount of principal that had been paid to the retiree.

Second Survivor Option

The second survivor option allows retirees to provide a survivor benefit of 50 percent or 100 percent to their spouse upon marriage or remarriage after receipt of a retirement benefit has commenced. Any election to provide a 50 percent or 100 percent survivor benefit will result in a reduction of the retiree's benefit. Retired members have 90 days from the date of such marriage or remarriage to elect a second survivor benefit. This election and actuarial reduction will be effective the first day of the month following the first anniversary of the marriage or remarriage. Previous survivor benefit elections will remain in effect for any designated beneficiary whose life expectancy has been used as a factor in determining the amount of the retiree's benefit.

Module 5:

Level Income Plan

THE LEVEL INCOME PLAN (LIP) is an optional plan intended to provide you with approximately the same amount of monthly retirement income before and after Social Security benefits are payable, assuming you begin receiving Social Security benefits at age 62. To be eligible for the optional LIP at retirement, you must be eligible for a future Social Security benefit and be younger than age 62.

Regardless of the your benefit structure, you may choose the optional LIP at retirement to temporarily increase your TVA pension benefit until age 62 when you are first eligible to begin receiving Social Security benefits. Then, at age 62, the TVA pension benefit is permanently reduced for life. The reduction begins the month after you turn age 62, regardless of whether you choose to begin receiving Social Security benefits at that time. **The exact date Social Security benefits begin is based on a schedule set by the Social Security Administration which may differ by several weeks from the date the TVA LIP reduction begins.**

The LIP increase and reduction amounts are set at retirement based on an estimate of your age 62 Social Security benefit and actual age at retirement. The estimate is based on the assumption that you do not work after retirement and do not make additional contributions to Social Security. If you work and receive a higher Social Security benefit at age 62 as a result, the higher Social Security benefit does not affect the amount of the reduction in the TVA pension benefit when you turn age 62.

To accurately estimate your Social Security benefit, your total earnings history is needed. Your Social Security Statement is a concise, easy-to-read personal record of the earnings on which you have paid Social Security taxes as a result of those earnings. Please refer to this statement for a complete list of your Social Security covered earnings. If you have not provided us with a complete record of your earnings before your TVA employment, please forward a copy of your Social Security Statement to the TVA Retirement System at WT 8A-K or 400 West Summit Hill Drive, Knoxville, TN 37902-1499.

The LIP may be taken with any of the survivor options discussed in Module 4. Your participation in the LIP will have no effect on your beneficiary's pension. However, if you elect a continuing benefit and name your spouse as the beneficiary and if he/she is under age 60 at the time of your death, your spouse will have the option to elect the LIP based on estimated widow/widower Social Security benefits.

Note: Survivor benefits and any cost-of-living adjustments are calculated using the retiree's base pension amount and are not affected by the LIP increase or reduction.

Example of Level Income Plan Option:

Assumptions

Member's Actual Age:	55
Member's Monthly Fixed Fund:	\$ 776
Member's Monthly Pension:	\$1,155
Estimated Social Security Monthly Benefit at Age 62:	\$1,000

Calculation

Amount of Temporary Increase in Pension if LIP is Elected

Social Security at Age 62	X	LIP Factor at Age 55	=	LIP Increase
\$1,000	X	0.5725	=	\$572

Monthly Benefit Before Age 62 if LIP is Elected

Monthly Fixed Fund:	\$ 776
Monthly Pension:	\$1,155
Temporary LIP Increase:	<u>\$ 572</u>
Total Monthly Benefit:	\$2,503

Monthly Benefit Before Age 62 if LIP is NOT Elected

Monthly Fixed Fund:	\$ 776
Monthly Pension:	\$1,155
Temporary LIP Increase:	<u>\$ 0</u>
Total Monthly Benefit:	\$1,931

If the LIP is elected, two adjustments will be made to the monthly benefit at age 62:

- * The temporary increase in the monthly pension stops. In our example, this would be \$572 per month.
- * A permanent reduction in the pension begins. This permanent reduction is determined by subtracting the amount of increase in the pension before age 62 from the estimated social security payment at age 62. In our example this would be \$428 per month (\$1,000 - \$572).

Monthly Benefit After Age 62 if LIP is Elected

Monthly Fixed Fund:	\$ 776
Monthly Pension:	\$1,155
Increase Stops:	\$ 0
Reduction Begins:	<u>\$ (428)</u>
Benefit from TVARS:	\$1,503
Social Security:	<u>\$1,000</u>
Total Monthly Benefit:	\$2,503

Monthly Benefit After Age 62 if LIP is NOT Elected

Monthly Fixed Fund:	\$ 776
Monthly Pension:	\$1,155
Increase Stops:	\$ -
Reduction Begins:	<u>\$ -</u>
Benefit from TVARS:	\$1,931
Social Security:	<u>\$1,000</u>
Total Monthly Benefit:	\$2,931

Module 6:

Supplemental Benefit

THE SUPPLEMENTAL BENEFIT is a vested benefit provided to eligible retirees and eligible surviving spouses and 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 is based upon the length of time spent as a member of the System and is considered a taxable portion of your monthly retirement income.

Eligibility Requirements for Employees

Actual Age 55 at termination with 10 Years of Actual TVARS Service* (benefit begins upon retirement), or

Actual Age 50 at termination with 10 Years of Actual TVARS Service* and the employee receives an involuntary reduction-in-force notice (benefit begins at actual age 55)

Eligibility Requirements For Surviving Spouses

- * The retiree must have been receiving or eligible to receive the supplemental benefit, and
- * The surviving spouse must receive at least a 25-percent monthly pension benefit to continue receiving the supplemental benefit.

If you meet the eligibility requirements for the supplemental benefit prior to terminating your employment and elect a deferred retirement benefit, the supplemental benefit will be payable when you begin receipt of your monthly retirement benefit.

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

Calculation of the Supplemental Benefit

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:

<u>When did retiree turn age 60?</u>	<u>Calculation</u>	<u>Additional Benefit</u>
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.

Module 7:

FEGLI

FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) can be continued after retirement if you meet the following criteria:

- * You retire with an immediate retirement benefit, and
- * You have been enrolled in Basic Life coverage for five years prior to retirement, or from the first time coverage was available to you.

Choices for Basic Life Coverage:

FEGLI Basic Life Coverage (Base salary at retirement rounded up to next \$1,000 plus \$2,000)

75-Percent Reduction

Amount of insurance reduces 2% per month beginning at age 65 to a minimum of 25% of basic insurance amount.

Cost*

\$0.325 per \$1,000 per/mo.
NO COST after age 65

50-Percent Reduction

Amount of insurance reduces 1% per month beginning at age 65 to a minimum of 50% of basic insurance amount.

\$1.035 per \$1,000 per/mo.
\$0.710 per \$1,000 per/mo.
after age 65

No Reduction

100% of basic insurance amount is retained.

\$2.455 per \$1,000 per/mo.
\$2.130 per \$1,000 per/mo.
after age 65

- * The cost is based on the basic insurance amount at retirement.

NOTE: If you are not eligible to continue your FEGLI coverage as a retiree, you may convert coverage to an individual, direct-pay policy.

Choices for Optional Coverage:

If you continue your Basic Life coverage, you may retain your optional coverage if you have been enrolled in the optional coverage for five years prior to retirement, or from the first time coverage was available to you. However, additional premiums are required. The cost of any optional insurance increases the month following the month in which you reach the different age bands. Coverage may be decreased or discontinued at the retiree's request.

Option A

Coverage:

Standard \$10,000

Coverage remains \$10,000 until age 65

Reduces 2% per month beginning at age 65 until amount reaches \$2,500

Cost depends on age, premiums stop at age 65

Premium Costs:

Age	Total Cost for Option*
Under 35	\$ 0.43
35-39	\$ 0.65
40-44	\$ 0.87
45-49	\$ 1.52
50-54	\$ 2.38
55-59	\$ 4.33
60-64	\$13.00
65 and Over	No cost

*Coverage costs listed are per month.

Option B

If you have had the coverage for five years prior to retirement, or from the first time the coverage was available to you, upon retiring you are eligible to retain the coverage. You will have the option upon retiring to choose Option B with full reduction or with no reduction in coverage.

*

With Full Reduction

Coverage:

Salary rounded to the next thousand, times a multiple of 1 to 5
 Coverage remains the same until age 65
 Reduces 2% per month beginning at age 65 until coverage reaches zero
 Cost depends on age, premiums stop at age 65

<u>Premium Costs:</u>	Cost* per \$1,000
Under 35	\$ 0.043
35-39	\$ 0.065
40-44	\$ 0.087
45-49	\$ 0.152
50-54	\$ 0.238
55-59	\$ 0.433
60-64	\$ 0.953
65 and Over	No Cost

*Costs listed are per month.

* **With No Reduction**

Coverage:

Salary rounded to the next thousand, times a multiple of 1 to 5
 Coverage does not reduce
 Cost depends on age and continues for life

<u>Premium Costs:</u>	Cost* per \$1,000
Under 35	\$ 0.043
35-39	\$ 0.065
40-44	\$ 0.087
45-49	\$ 0.152
50-54	\$ 0.238
55-59	\$ 0.433
60-64	\$ 0.953
65-69	\$ 1.170
70-74	\$ 2.080
75-79	\$ 3.900
80 and over	\$ 5.720

*Costs listed are per month.

Option C (Family Coverage)

If you have had the coverage for five years prior to retiring, or from the first time the coverage was available to you, upon retiring you are eligible to retain the coverage. You will have the option at the time you retire to choose Option C with full reduction or with no reduction in coverage.

* **With Full Reduction**

Coverage:

\$5,000 for spouse; \$2,500 per eligible child—up to 5 multiples each

Coverage remains the same until retiree reaches age 65

Reduces 2% per month beginning at age 65 until coverage reaches zero

Cost depends on retiree's age; premiums stop at age 65

Premium Costs:

	Cost per Multiple*
Under 35	\$ 0.48
35-39	\$ 0.59
40-44	\$ 0.89
45-49	\$ 1.28
50-54	\$ 1.99
55-59	\$ 3.21
60-64	\$ 5.85
65 Plus	No cost

*Costs listed are per month.

* **With No Reduction**

Coverage:

\$5,000 for spouse; \$2,500 per eligible child—up to 5 multiples each

Coverage does not reduce

Cost depends on retiree's age and continues for life

Premium Costs:

	Cost per Multiple*
Under 35	\$ 0.48
35-39	\$ 0.59
40-44	\$ 0.89
45-49	\$ 1.28
50-54	\$ 1.99
55-59	\$ 3.21
60-64	\$ 5.85
65-69	\$ 6.80
70-74	\$ 8.30
75-79	\$11.40
80 and over	\$15.60

*Costs listed are per month.

Module 8:

401(k) Plan Options

THE 401(k) PLAN provides a variety of options at retirement. The following options are available to any participant who has a balance of more than \$1,000 and regardless of whether the funds were contributed on a before- and/or after-tax basis, or were the result of TVA matching contributions. Roth 401(k) distributions are subject to some limitations. For more information regarding 401(k) distribution options, please refer to Fidelity's publication titled "Five Steps to Planning a Healthy Retirement" available on Fidelity's website <https://nb.fidelity.com/public/nb/tva/resources>.

- * **Leave money in the Plan** -- You may leave your money in the Plan until April 1st of the calendar year after the year in which you reach age 70½, at which time you must receive the minimum distribution as required by the IRS. The required minimum distribution is calculated so that your entire interest in the 401(k) Plan would be paid out over your life expectancy or over the joint life expectancies of you and your designated beneficiary.
- * **Systematic withdrawal payments** -- You may elect to receive systematic withdrawal payments (SWP) from the 401(k) Plan at retirement regardless of your age. Ordinary income taxes will apply on any SWP from the plan. In addition, SWP's may be subject to a 10% early distribution penalty. The following SWP options are available:
 - Dollar Certain**—You may elect to receive a specific dollar amount for each payment. The number of payments will vary depending on the market value of your account and the performance of your investment selections.
 - Time Certain**—You may elect to receive a specific number of payments. Your payment amount would fluctuate depending on the market value of your account, the performance of your investment selections, and the payment frequency you select.
 - Life Expectancy**—You may elect to receive your payments over a period equal to your life expectancy or a joint life expectancy of you and your beneficiary as determined by the IRS Life Expectancy Tables. Your account balance will be zero and payments will cease at the end of your assumed life expectancy.
- * **Direct rollover** -- You may elect to have all or part of your funds directly rolled over to an IRA or other qualified plan. In this case, there will be no income tax withholding and no tax liability until funds are withdrawn from the IRA or other qualified plan.
- * **Elect a lifetime annuity outside the TVA 401(k) Plan**
- * **Lump sum withdrawals** -- You may have all or part of the funds paid directly to you. The taxable distribution will be subject to an automatic 20% income tax withholding. Under certain situations, the taxable distribution may also be subject to an additional 10% tax penalty.

Note: Withdrawals taken prior to age 59½ may, unless you turn age 55 or older in the year you retire, be subject to an early withdrawal penalty.

If the funds were contributed on an **after-tax basis and if you first became a TVARS member before January 1, 1996**, you have an additional choice available at retirement to **transfer all or part of the funds to the System** to provide monthly payments.

Module 9:

Net Pay Calculation

Module 9 **Net Pay Calculation**

The previous modules have explained monthly income benefits for which you may be eligible as a participant in the TVA Retirement System. The items below are used to determine your monthly net pay or “take-home” pay.

Your possible monthly retirement *income* **may include**:

- Fixed and/or Variable Funds
- Pension
- Level income plan
- Supplemental benefit

Your possible *deductions* **may include**:

- Federal income taxes
- FEGLI (life insurance) premiums
- Medical & dental premiums
- Long-term care insurance

Deductions from your retirement paycheck **will not include**:

- Social Security
- Medicare
- Optional life insurance
- Flexible Spending Accounts or Health Savings Accounts
- State income taxes *
- Fixed and/or Variable Funds & 401(k) contributions
- Union dues
- Loan repayments

** Tax laws vary by state. The TVA Retirement System does not estimate state income taxes on the net pay worksheet. However, you may still be liable for state income taxes. Check with your state’s Department of Revenue for requirements.*

Module 10:

Additional Information

Retirement Milestones

CORE RETIREMENT BENEFITS ARE PROVIDED BASED ON SERVICE

<u>SERVICE</u>	=	<u>BENEFIT</u>
3 TVARS		Vested for 401(k) match
5 TVARS OBS		Vested for pension benefit (service includes credit for SL/FAL)
5 TVARS CBBS		Vested for pension benefit
10 TVA + 5 TVARS		OBS members may purchase up to 1 year eligible military service
15 TVA + 5 TVARS		OBS members may purchase up to 2 years eligible military service
20 TVA + 5 TVARS		OBS members may purchase up to 3 years eligible military service
25 TVA + 5 TVARS		OBS members may purchase up to 4 years eligible military service

ADDITIONAL BENEFITS ARE BASED ON AGE AND SERVICE

<u>AGE</u>	+	<u>SERVICE</u>	=	<u>BENEFIT</u>
45 OBS		If vested		Receives maximum pension factor if at least actual age 45 at retirement and age plus creditable service equals 80
50		5 TVA		May continue TVA medical insurance if hired before 1/1/05
55		10 TVA		May continue TVA medical insurance if hired on/after 1/1/05
55		10 TVARS		Eligible for TVARS Supplemental Benefit
55		20 TVA		Minimum TVA Health Care Credit if also eligible for TVARS S/B
55		25 TVA		Next higher level TVA Health Care Credit if also eligible for TVARS S/B
55		30 TVA		Maximum TVA Health Care Credit if also eligible for TVARS S/B
55		N/A		401(k) early distribution penalty eliminated if at least 55 in year you retire
59-1/2		N/A		No restrictions on 401(k) distributions until 70-1/2
60 OBS		If vested		Receives maximum pension factor if attained age 60 (not based on points)
60				If age 50 or older as of 10/01/2016, cost-of-living adjustments, if applicable, begin January after reaching <u>actual</u> age 60.
62		N/A		Early Social Security benefits may commence
62		N/A		Level income plan reduction begins
65		N/A		If under age 50 as of 10/01/2016, cost-of-living adjustments, if applicable, begin January after reaching <u>actual</u> age 65.
65-67		N/A		Maximum Social Security benefits depending on your date of birth
70-1/2		N/A		Must begin 401(k) minimum distributions to avoid IRS penalty

CONSIDER WHEN CHOOSING A RETIREMENT DATE

- First of the month versus end of the month . . . because . . . current employee benefits are in effect at the employee rate through the end of the month in which employment ends.
- End of a pay period . . . because . . . leave is not earned until you have credit for a full pay period. An employee is considered to have been employed for a full pay period if he/she is on the payroll for all scheduled work days during the pay period. For example, the end of a pay period for many employees would be the end of their work schedule on Friday.
- End of the leave year . because . . . annual leave in excess of 240 is forfeited at the beginning of each new leave year.
- December 31 or earlier . . . because . . . Participants with a cash balance account who are age 60 or older will be eligible for any January cost-of-living adjustment.
- TVA anniversary date . because . . . TVA service milestones are based on full years of service.
- TVARS anniversary date . because . . . TVARS service milestones are based on full years of service.

Notes:

- (1) If an OBS participant age 60 or older as of December 31 retires after January 1, their pension will be at least as much as it would have been on January 1 with the COLA.
- (2) These milestones are based on routine/normal retirement situations. Unusual circumstances, such as reductions in force or disability retirements, may affect eligibility criteria and actual benefits provided.
- (3) Additional information/documentation is available on the TVARS and Employee Benefits websites.

How to Get Additional Information

How To Contact the 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:

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

Fax:

865-632-8591

SharePoint Site:

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's Website:

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:
 - ◇ Schedule an individual meeting with a Fidelity Retirement Planner
 - ◇ 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

SharePoint Site:

<http://orgs.tva.gov/ppmain/EBW/Pages/RetireeBenefits.aspx>

- View Benefits Summary for Terminating Employees
- Obtain Retiree Medical Application
- Obtain Retiree Dental Application
- General information about eligibility, medical plans, and other benefits.

Other Numbers of Interest:

Social Security Administration: 1-800-772-1213

Fidelity Investments 1-800-354-7121

Fidelity Investments TTY: 1-800-414-2363



TVA Retirement Checklist

Within 3 years of retirement



- Register for the online class called Preparing to Make Retirement Decisions.
- Visit our SharePoint Site to request a retirement estimate.
http://fs.tva.gov/Retirement_Management/Benefits/SitePages/Home.aspx
- Because it is important that your service dates are accurate, it is recommended that you review your Service Dates in PLUS. These dates could affect your Healthcare Credit calculation at retirement. Contact HR Support for additional assistance via email at HRsupport@tva.gov or by phone at 888-275-8094.

No later than 2 weeks before retiring

- Inform supervisor of retirement.
- Contact Human Resources to plan activities associated with retiring.
- Verify Company Seniority Date in PLUS. This date is used in the TVA Healthcare Credit calculation, if eligible.
- Update external email address in PLUS for access to the Retiree Portal.
- Submit letter of resignation/retirement via handwritten letter, email, or fax to supervisor with a copy to Human Resources representative.
- Submit retirement application (available on TVARS website) to the Retirement System via mail, fax, or in-person within 60 days after your termination date.*
- Submit Retiree Medical Application (TVA Forms #17328), if eligible, to TVA Employee Benefits, WT 8D-K. Retiree medical election forms must be received by TVA Employee Benefits within 30 days after termination in order to maintain eligibility for retiree medical coverage.
- (Optional) Submit Retiree dental insurance application directly to Delta Dental. Submit no later than 30 days after employment ends.
- (Optional) Contact Long Term Care Partners (800-582-3337) if you wish to continue payroll deductions for your Federal long-term care insurance. Use Payroll Office Identifier No. 64909901.

Additional information

Review "Benefits Summary for Terminating Employees" on TVA's internal website for important information about life, accident, and other benefits. Contact TVA Employee Benefits for additional assistance via email at TVAEmployeeBenefits@tva.gov or by phone at (888) 275-8094.

Contact us

Website: www.tvars.com (from work or home)

Email: retsvcs@tva.gov

Phone: (800) 824-3870
(865) 632-2672

Fax: (865) 632-8591

TVA Mail: TVA Retirement System, WT 8A-K

**If your application is not received within 60 days after your termination date, you will be subject to a default benefit. The default benefit is a deferred retirement benefit with no survivor benefit and payments scheduled to begin no later than age 65.*



No Surprises – What to Expect After Retirement

Retirement Payments

Retirement Date	1 st check	2 nd payment	3 rd payment	Remainder
		6-8 weeks	End of month after 1 st check	End of month
	-Partial month -Direct-deposited into your financial institution -Advice of deposit mailed to your home address -No deduction for medical insurance	-Full month -May include 2-3 deductions for medical insurance, since you pay one month in advance for insurance	-Normal deductions -Healthcare credit applied, if eligible*	-Dental insurance premiums will begin with the 4 th payment, if applicable

*Any retroactive Healthcare Credit may be applied to your medical insurance deduction. For more information, contact TVA Employee Benefits at (888) 275-8094.

Other Payments – For more information, please call Disbursement Services at (865) 632-2231

Retirement Date	Last paycheck	Annual leave	Severance pay
		Following payday Monday	2 nd or 3 rd payday after retirement
	Your last employee paycheck for straight time should be paid on the “payday” Monday following the last pay period that you worked in. Any pay due applicable to other types of pay (such as overtime) is paid in arrears and would be paid the next available pay date.	If you have an annual leave or a restored leave balance when you retire, it will be paid in a lump sum after the last active paycheck. Standard Social Security, Medicare, and income taxes are deducted from this payment. Federal income taxes are assessed at the IRS Supplemental rate (currently 25%). Medical, dental, and life insurance may also be deducted from this payment. Depending on the timing of your termination date within your last bi-weekly pay cycle, this payment is made on either the second or third regular pay date after your termination.	If eligible, severance pay is also paid after the last active paycheck. Social Security, Medicare, and income taxes are deducted from this payment. Federal income taxes are assessed at the IRS Supplemental rate (currently 25%). Severance is paid in the same time frame as lump sum Annual Leave.

Also Important

- **State income tax** is not withheld from your TVA retirement benefit.
- Fidelity Investments can be contacted at (800) 354-7121 to arrange any distribution from the 401(k) Plan. This does not have to be arranged before you retire.
- In order to receive a Social Security benefit, you must sign up 3 months before the month you expect to receive it. You can make an appointment by contacting Social Security at (800) 772-1213.

NOTES

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.