

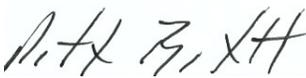
TVA RETIREMENT SYSTEM  
NOTICE OF AMENDMENT TO THE  
RULES AND REGULATIONS OF THE TVA RETIREMENT SYSTEM (“TVARS”)

April 28, 2017

At its March 6, 2017, quarterly meeting, the TVA Retirement System Board of Directors (“TVARS Board”) approved an amendment to the TVARS Rules and Regulations (“TVARS Rules”).

For members of the System who are eligible for and receiving a cash balance pension benefit, the members’ cash balance accounts receive pay-based credits and interest-based credits on a monthly basis as set forth in the TVARS Rules. Under the TVARS Rules, the interest compounds on an annual basis and the recordkeeping of the accounts provides for annual compounding. As a part of the amendments approved by the TVARS Board and TVA that became effective October 1, 2016, and which made certain changes to cash balance benefits for members, the interest compounding language for one group of cash balance members was inadvertently changed from annual compounding to monthly compounding. The TVARS Board has approved an amendment correcting this language in Section 7C3 of the TVARS Rules to state that interest is compounded on an annual basis, which is consistent with past practice across all groups of cash balance members and how the interest is being credited by the plan.

TVARS has presented this amendment to TVA for its review and consideration as of the date of this Notice. The amendment will become effective May 27, 2017, unless vetoed by TVA within 30 days of this Notice. A copy of the amendment as approved by the TVARS Board is attached.



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Patrick D. Brackett  
Executive Secretary  
TVA Retirement System

Section 7C3 of the Rules and Regulations of the TVA Retirement System is amended to delete the language marked through and to add the language underlined as follows:

**7. Cash Balance Benefit Structure**

**C. Accounts and Credits to Accounts**

**3. Interest-Based Credits to Accounts**

**a. Cash Balance Participants Who First Became Members of the System Prior to January 1, 1996**

As of the last day of each month beginning after December 31, 1995, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus three percent (3%). Provided, however, that the annual interest rate shall not be less than six percent (6%) nor exceed ten percent (10%) except that the Board may, with the approval of TVA, apply an annual interest rate greater than ten percent (10%) for any year.

**b. Cash Balance Participants Who First Became Members of the System On or After January 1, 1996**

**(i) Prior to October 1, 2016**

As of the last day of each month beginning after December 31, 1995, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be

determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus three percent (3%). Provided, however, that the annual interest rate shall not be less than six percent (6%) nor exceed ten percent (10%) except that the Board may, with the approval of TVA, apply an annual interest rate greater than ten percent (10%) for any year.

(ii) On or after October 1, 2016

As of the last day of each month beginning on or after October 1, 2016, and before the date distribution of benefits to or on behalf of a Participant or retiree commences under section 7D, the Account of each Cash Balance Participant shall be credited with an amount determined by multiplying the monthly interest rate by the Participant's Account balance as of the ~~end of the previous month~~ previous January 1 plus any pay-based credits since that time.

The monthly interest rate shall be a percentage equal to one-twelfth of the annual cash balance interest rate. The annual cash balance interest rate shall be determined by the Board effective January 1 of each year and shall be a percentage equal to the percent increase of the 12-month average of the Consumer Price Index for All Urban Consumers (CPI-U) for the period ending the previous October 31 over the preceding 12-month period, plus two percent (2%). Provided, however, that the annual interest rate shall not be less than the System's assumed rate of investment return minus two percent (2%) nor greater than the System's assumed rate of investment return minus one-half percent (0.5%), except that the Board may, with the approval of TVA, apply an annual interest rate greater than this maximum for any year.