

TVA RETIREMENT SYSTEM

NOTICE OF AMENDMENT TO THE PROVISIONS OF THE
TVA SAVINGS AND DEFERRAL RETIREMENT PLAN (401(k) PLAN)

December 9, 2021

At its December 7, 2021, quarterly meeting, the TVA Retirement System Board of Directors (TVARS Board) approved IRS-housekeeping amendments to Article 8.1 of the 401(k) Plan Provisions regarding hardship withdrawals and Articles 9.5A and 9.5B of the 401(k) Plan Provisions regarding use of forfeitures.

As of part of the Bipartisan Budget Act of 2018, certain requirements around 401(k) plan hardship withdrawals were changed easing and expanding access by participants to hardship withdrawals from their accounts. All these hardship withdrawal changes were effective January 1, 2020, and the 401(k) Plan with Fidelity, the Plan's provider of recordkeeper services, has been administering hardship withdrawals in compliance with these requirements since that date. The amendments to Article 8.1 of the 401(k) Plan Provisions memorialize these IRS-required changes to hardship withdrawals.

In addition to these hardship withdrawal amendments, the TVARS Board also approved IRS-optional amendments to the 401(k) Plan forfeiture provisions. Forfeitures occur in the 401(k) Plan when an employee terminates employment at TVA prior to fulfilling the 3-year vesting requirement for employer matching and non-elective contributions, at which point, these contributions are "forfeited" and returned from the participant's account back to a forfeiture account within the 401(k) Plan. IRS rules allow a forfeiture account to be used for several purposes, including the offset of employer matching and non-elective contributions, corrections to participant contribution amounts, and the payment of the 401(k) Plan's allowable administrative expenses. The TVARS Board has amended Articles 9.5A and 9.5B of the 401(k) Plan Provisions to memorialize how forfeitures are being used by the 401(k) Plan for allowable administrative expenses and the time period in which the forfeitures must be used.

TVARS has presented notice of these amendments to TVA as of the date of this Notice. These amendments will become effective January 8, 2022, unless vetoed by TVA within 30 days of this Notice. A copy of the amendments as approved by the TVARS Board is attached.



Mark N. Meigs
Executive Secretary
TVA Retirement System

Article 8.1 of the Provisions of the TVA Savings and Deferral Retirement Plan is amended, effective January 1, 2020, to delete the language marked through and to add the language underlined as follows:

ARTICLE 8

8. Withdrawals and Loans

8.1 Financial Hardship. ~~Upon the board's approval, d~~Distribution of amounts from a participant's Pre-tax Elective Deferral Account, Roth Elective Deferral Account, and Transfer Contributions Account salary deferral contributions (and earnings thereon accrued as of December 31, 1988) may be made to a participant in the event of hardship. For the purposes of this section, hardship is defined as an immediate and heavy financial need of the participant where such participant lacks other available resources. Hardship distributions are subject to the spousal consent requirements contained in section 401(a)(11) and 417 of the Code.

Special Rules:

- A. The following are the only financial needs considered immediate and heavy: deductible medical expenses (within the meaning of section 213(d) of the Code) of the participant, the participant's spouse, children, dependents, or primary beneficiary; the purchase (excluding mortgage payments) of a principal residence for the participant; payment of tuition for the next quarter or semester of postsecondary education for the participant, the participant's spouse, children, dependents, or primary beneficiary; the need to prevent the eviction of the participant from, or a foreclosure on the mortgage of, the participant's principal residence; payments for funeral or burial expenses for the participant's deceased parent, spouse, child, dependent, or primary beneficiary; ~~and~~ expenses to repair damage to the participant's principal residence that would qualify for a casualty loss deduction under section 165 of the Code (determined without regard to section 165(h)(5) of the Code and whether the loss exceeds 10 percent of adjusted gross income); and expenses and losses (including loss of income) incurred by the participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA), provided that the participant's principal residence or principal place of employment at the time of the disaster was located in the area designated by FEMA for individual assistance with respect to the particular disaster. The last two needs (funeral expenses and home repair) only apply to Plan Years beginning after 2005. For purposes of this section, "primary beneficiary" means an individual who is named as the participant's beneficiary under Article 12.4 of the Deferral Plan.
- B. A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the participant only if:

- (1) The participant has obtained all other available distributions, other than hardship distributions; and ~~all nontaxable~~ loans, under the Deferral Plan and all other plans of deferred compensation maintained by the Retirement System and TVA;
- (2) ~~The participant's salary deferral contributions and savings contributions to the Deferral Plan and employee contributions to the Retirement System pursuant to the Rules and Regulations will be suspended for six months after the receipt of the hardship distribution. The distribution is not in excess of the amount of an immediate and heavy financial need;~~ and
- (3) ~~The distribution is not in excess of the amount of an immediate and heavy financial need.~~ The participant represents that the participant has insufficient cash or liquid assets reasonably available to satisfy the financial need.

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Articles 9.5A and 9.5B of the Provisions of the TVA Savings and Deferral Retirement Plan are amended, effective October 1, 2021, to delete the language marked through and to add the language underlined as follows:

9.5 TVA Contributions

- A. Matching Contributions. TVA shall, for each plan year, make matching contributions to the Deferral Plan as follows:
 - (1) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System prior to January 1, 1996; and (c) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and
 - (2) on behalf of each employee (a) who is a participant in the original benefit structure as defined in section 6 of the Rules and Regulations of the System, and (b) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 25 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and

- (3) on behalf of each employee (a) who (i) first became a member of the System prior to July 1, 2014, (ii) terminated employment with TVA and is reemployed by TVA on or after July 1, 2014, and (iii) either terminated employment with TVA without five (5) years of creditable service or cash balance service, as applicable, or at the time of termination of employment with TVA, received his or her entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4 of the Rules and Regulations, as applicable; (b) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; and (c) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) made on or after July 1, 2014, as does not exceed six percent of the participant's compensation for the plan year; and
- (4) on behalf of each employee (a) who first became a member of the System on or after July 1, 2014; (b) whose retirement benefit is composed solely of the benefit accrued as participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; and (c) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) made on or after July 1, 2014, as does not exceed six percent of the participant's compensation for the plan year; and
- (5) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System on or after January 1, 1996; (c) who has ten (10) or more years of cash balance service as of October 1, 2016; and (d) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 75 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year; and
- (6) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System; (b) who first became a member of the System on or after January 1, 1996; (c) who has less than ten (10) years of cash balance service as of October 1, 2016; and (d) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 100 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year.

- (7) on behalf of each employee (a) who (i) is a cash balance participant as defined in section 7 of the Rules and Regulations of the System and elected to earn future retirement benefits composed solely of the benefits accrued as a participant in the Deferral Plan as permitted by section 7B5(a) of the Rules and Regulations of the System or upon reemployment pursuant to section 7J2 or section 7J4 of the Rules and Regulations of the System, or (ii) was such a cash balance participant described under subsection (i) above with a Cash Balance Account and made the election to transfer said Cash Balance Account to the Deferral Plan as permitted by section 7B5(b) of the Rules and Regulations of the System or upon reemployment pursuant to section 7J2 or section 7J4 of the Rules and Regulations of the System; and (b) who made salary deferral contributions and/or savings contributions for that plan year, a matching contribution equal to 100 percent of such portion of the participant's salary deferral contributions and savings contributions (combined) as does not exceed six percent of the participant's compensation for the plan year.

To the extent permitted by the plan year compensation limit, TVA's matching contributions shall be paid to the Deferral Plan on the same date that the salary deferral contributions and/or savings contributions to which they relate are paid. Any otherwise eligible matching contributions deferred due to the plan year compensation limit shall be paid effective the first pay day that the limitation permits. A participant shall have a nonforfeitable interest in the balance of his or her matching contributions account upon completion of three (3) years of actual service as defined below. If a participant ceases to be an employee for any reason other than death or disability prior to completing three (3) years of actual service, the entire amount of that participant's matching contributions account shall be forfeited as of the date the participant ceases to be an employee. Forfeitures ~~may~~ be used (i) to reduce TVA's matching contributions to the Deferral Plan for the plan year in which such forfeitures occur, or (ii) for allowable expenses for the administration of the Deferral Plan for the plan year in which such forfeitures occur or for the plan year following the plan year in which such forfeitures occur. "Actual service" as used herein shall mean all service as a TVA employee. "Disability" as used herein shall mean an employee who is determined to be disabled under TVA's long-term disability insurance plan.

B. Nonelective Contributions. TVA shall, for each plan year, make nonelective contributions to the Deferral Plan as follows:

- (1) on behalf of each employee (a) who (i) first became a member of the System prior to July 1, 2014, (ii) terminated employment with TVA and is reemployed by TVA on or after July 1, 2014, and (iii) either terminated employment with TVA without five (5) years of creditable service or cash balance service, as applicable, or at the time of termination of employment with TVA, received his or her entire benefit in a single, lump-sum payment as set forth in sections 6K, 6L or 7D4 of the Rules and

Regulations, as applicable; and (b) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; a nonelective contribution equal to four and one-half percent (4.5%) of the participant's compensation; and

- (2) on behalf of each employee (a) who first became a member of the System on or after July 1, 2014; and (b) whose retirement benefit is composed solely of the benefit accrued as a participant under this Deferral Plan as set forth in section 2(5) of the Rules and Regulations of the System; a nonelective contribution equal to four and one-half percent (4.5%) of the participant's compensation; and
- (3) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System, (b) who first became a member of the System on or after January 1, 1996, and (c) who has ten (10) or more years of cash balance service as of October 1, 2016; a nonelective contribution equal to three percent (3%) of the participant's compensation; and
- (4) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System, (b) who first became a member of the System on or after January 1, 1996, and (c) who has less than ten (10) years of cash balance service as of October 1, 2016; a nonelective contribution equal to six percent (6%) of the participant's compensation.
- (5) on behalf of each employee (a) who is a cash balance participant as defined in section 7 of the Rules and Regulations of the System who elected to earn future retirement benefits composed solely of the benefits accrued as a participant in the Deferral Plan as permitted by section 7B5(a) of the Rules and Regulations of the System or upon reemployment pursuant to section 7J2 or section 7J4 of the Rules and Regulations of the System, or (b) who was such a cash balance participant described under subsection (i) above with a Cash Balance Account and made the election to transfer said Cash Balance Account to the Deferral Plan as permitted by section 7B5(b) of the Rules and Regulations of the System or upon reemployment pursuant to section 7J2 or section 7J4 of the Rules and Regulations of the System, a nonelective contribution equal to six percent (6%) of the participant's compensation.

To the extent permitted by the plan year compensation limit, TVA's nonelective contributions shall be paid to the Deferral Plan on the same date that compensation is paid to the employee. A participant shall have a nonforfeitable interest in the balance of his or her nonelective contributions account upon completion of three (3) years of actual service as defined below. If a participant

ceases to be an employee for any reason other than death or disability prior to completing three (3) years of actual service, the entire amount of that participant's nonelective contributions account shall be forfeited as of the date the participant ceases to be an employee. Forfeitures ~~may~~ be used (i) to reduce TVA's nonelective contributions to the Deferral Plan for the plan year in which such forfeitures occur, or (ii) for allowable expenses for the administration of the Deferral Plan for the plan year in which such forfeitures occur or for the plan year following the plan year in which such forfeitures occur. "Actual service" as used herein shall mean all service as a TVA employee. "Disability" as used herein shall mean an employee who is determined to be disabled under TVA's long-term disability insurance plan.