

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

July 6, 2021

In June 2021, the TVA Retirement System Board of Directors (TVARS Board) approved amendments to Section 7C(3)(b) of the TVARS Rules and Section 17 to the Actuarial Assumptions in the Appendix to the TVARS Rules. Under these sections of the TVARS Rules, the calculation of the interest crediting rate for cash balance accounts of participants hired on or after January 1, 1996, and for fixed fund accounts, is as follows: 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%) with a floor equal to the System's assumed rate of investment return minus two percent (2%) and a ceiling equal to the System's assumed rate of investment return minus one-half percent (0.5%). These amendments make the floor in the calculation of the interest crediting rates the higher of the System's assumed rate of investment return minus 2% or 4.75% and the ceiling the higher of the System's assumed rate of investment return minus 0.5% or 6.25%.

TVARS has presented notice of these amendments to TVA as of the date of this Notice. These amendments will become effective August 5, 2021, 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

Section 7C(3)(b) of the TVA Retirement System Rules and Regulations is amended to add the underlined language as follows:

SECTION 7

7. Cash Balance Benefit Structure

C. Accounts and Credits to Accounts

3. Interest-Based Credits to Accounts

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

(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 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 higher of (i) the System's assumed rate of investment return minus two percent (2%) or (ii) 4.75%, nor greater than the higher of (x) the System's assumed rate of investment return minus one-half percent (0.5%) or (y) 6.25%, except that the Board may, with the approval of TVA, apply an annual interest rate greater than this maximum for any year.

Section 17 of the Actuarial Assumptions in the Appendix to the TVA Retirement System Rules and Regulations is amended to add the underlined language as follows:

17. The annual rate of interest credited to the Annuity Savings Account shall be determined by the Board effective January 1 of each year and shall be equal to the percentage increase in 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 rate of interest shall not be less than the higher of (i) the System's assumed rate of investment return minus two percent (2%) or (ii) 4.75%, nor greater than the higher of (x) the System's assumed rate of investment return minus one-half percent (0.5%) or (y) 6.25%.