

TVA Retirement System

Guide to Retirement Decisions



What type of retirement benefit may I elect?

Immediate Retirement Benefit

You may elect an immediate retirement benefit that is effective the day following the last day of employment.

Deferred Retirement Benefit

You may elect to defer your retirement benefit to a date in the future. During the deferral period, you may elect for payments to begin as early as age 55, but no later than age 65.

Lump-Sum Cashout (Cash Balance only)

You may elect 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.

Note: You need to apply for your retirement benefit prior to your last day of employment. If your application is not received within 60 days following your last day of employment, your retirement benefit will default to a deferred retirement benefit. During the deferral period, you may elect a survivor option and name a beneficiary to receive a continuing benefit.



How is my monthly pension benefit calculated?

Cash Balance:

$$\frac{\text{Ending value of your Cash Balance Account}}{\text{Conversion factor based upon your actual age at retirement}}$$

Original Benefit Structure:

$$\text{Creditable Service} \times \text{Hi-3} \times \text{Pension Factor} = \text{Maximum Monthly Pension}$$

Creditable service is the length of time spent as a member of the System. This service may also include credit for unused sick leave & forfeited annual leave.

Your highest 3 consecutive years of eligible compensation is used to determine your Hi-3. This also includes any Winning Performance awards, up to 6.25% of your salary.

The pension factor is determined by either your attained age or Rule of 80. For more information concerning these terms, please refer to the publication "OBS-Your Retirement Benefits."



If I elect a monthly retirement benefit, what are my **SURVIVOR OPTIONS?**

Standard Options

These options are shown on the retirement benefit estimates in PLUS.

Maximum

Provides a benefit during your lifetime with the greatest amount of monthly income to you and no benefit payable upon your death.

Option 1 (Only available for Pre-96 employees)

Provides a reduced benefit during your lifetime with a possible lump-sum amount of your remaining Fixed/Variable Fund balance, if any, paid to your beneficiary or your estate upon death. There is no lump sum available from the pension.

Option 2 – 100%

Provides a reduced benefit during your lifetime with the provision that upon your death, your beneficiary will continue to receive the same retirement benefit throughout their lifetime.

Option 3 – 50%

Provides a reduced benefit during your lifetime with the provision that upon your death, your beneficiary will receive one-half of your retirement benefit throughout their lifetime.



OPTION 4 CHOICES provide the flexibility to select a reduced retirement benefit during your lifetime with non-standard survivor benefits. You may want to consider one of the Option 4 choices if you feel that the standard options do not meet your unique needs.

Alternative Percentages

Provides a specified percentage to your beneficiary upon your death. The alternative percentages are 75%, 67%, and 25%.

Pop-Up

If you elected for your beneficiary to receive a percentage of your retirement benefit and your beneficiary dies before you, your monthly payments “pop-up” to the maximum benefit.

Full Cash Refund (FCR) – (Only available for Pre-96 employees)

This is available on the Fixed and/or Variable Funds if you elect to provide a monthly survivor benefit. This option provides a refund of the remaining balance of your Fixed and/or Variable Fund balance(s) after your death and the death of your beneficiary.

Interest Only – (Only available for Pre-96 employees)

This is available on the Fixed and/or Variable Funds. Payments 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. At age 76 for the Fixed Fund (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.

For a detailed description of these Option 4 choices and others, please refer to your Survivor Options worksheet that is included with your retirement estimates in PLUS.



Things to consider when choosing a survivor option....

- If you are married and first hired after 1/1/1990, you must name your spouse to receive a pension benefit of either 100% or 50%, unless your spouse completes the Spousal Consent at Retirement form.
- 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.
- If you marry or remarry during retirement, you may elect a second survivor option and provide your new spouse a survivor benefit of Option 2 (100%) or Option 3 (50%). Any election to provide this survivor benefit will result in a reduction of your benefit. You have 90 days from the date of such marriage to elect a second survivor benefit. The election and actuarial reduction will be effective the first day of the month following the first anniversary of the marriage. 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 your benefit.



Am I eligible for the Supplemental Benefit?

The Supplemental Benefit is provided to eligible retirees and eligible surviving spouses receiving a monthly pension payment. This benefit may be used to help with the cost of retiree medical insurance and is considered a taxable portion of your monthly retirement benefit.

Eligibility Requirements:

- Age 55 or older on your last day of employment with 10 years of service (benefit begins immediately), **or**
- Age 50 on your last day of employment with 10 years of service and the employee is terminated due to an involuntary reduction-in-force (benefit begins at age 55).

Surviving spouses of retirees are eligible if:

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

If you elect a deferred retirement benefit and meet the eligibility requirements, the Supplemental Benefit will be payable when you begin receipt of your monthly retirement benefit.



How is the amount calculated?

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 TVARS service at retirement**, with the minimum benefit being calculated for 10 years, plus an additional \$94.20 per month.

Eligible retirees who elected to waive pay credits to their Cash Balance Account as of 10/1/2018 will receive \$11.5757 per month for each **full year of TVARS service as of 10/1/2018**, with the minimum benefit being calculated for 10 years, plus an additional \$94.20 per month.

Eligible retirees who first became a member between 1/1/1996 – 6/30/2014 and had less than 10 years of TVARS service as of 10/1/2016 will receive \$11.5757 per month for each **full year of TVARS service as of 10/1/2016**. The additional benefit will be pro-rated based on years of service.

Members who are age 60 or older and eligible for cost-of-living adjustments (COLA) at age 60 may receive different amounts depending on the preceding COLAs. Please refer to your personalized retirement benefit estimates in PLUS to determine the appropriate amount.



Fixed and Variable Funds

If you were hired before 1/1/1996 and have contributed to the Fixed and/or Variable Funds, you may elect:

- **Lifetime monthly annuity payment** from your funds. Additionally, at termination of employment, if you have made after-tax contributions to the 401(k) Plan, you may elect to transfer any or all of the balance in your after-tax account to the System to receive a monthly annuity payment.
- **Withdraw** your funds
- **Rollover** your funds
- **Transfer** your funds to the 401(k) plan (prior to last day of employment)

If you were hired on or after 1/1/1996 and have contributed to the Fixed and/or Variable Funds, you may elect:

- **Withdraw** your funds
- **Rollover** your funds
- **Transfer** your funds to the 401(k) plan (prior to last day of employment)



What is the level income plan? Is it right for me?

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, you must be eligible for a future Social Security benefit and be younger than age 62.

So, how does it work.....?

TVARs estimates what your Social Security benefit will be at age 62. Based on that amount, your monthly pension benefit will be temporarily increased until age 62 when you become eligible to receive Social Security benefits. Then, at age 62, the temporary increase STOPS and you begin paying it back with a permanently reduced pension benefit for the rest of your 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. Essentially, your retirement check will be reduced by the amount you are expected to receive from Social Security.

If you are interested in the LIP, your total earnings history is needed. Please provide our office with a Social Security statement to accurately estimate your Social Security benefit. Please forward a copy of your statement to the TVA Retirement System.



WHEN AM I ELIGIBLE TO RECEIVE A COST-OF-LIVING ADJUSTMENT (COLA)?

If you were age 50 or older as of 10/01/2016

You are eligible to receive any COLA the January after reaching age 60.

If you were under age 50 as of 10/01/2016

You are eligible to receive any COLA the January after reaching age 65.

COLAs are applied to the base pension* portion of the monthly pension benefit and the Supplemental Benefit. Any adjustment is normally granted in January and is equal to the change in Consumer Price Index (CPI-U) minus .25% up to a maximum of 6%.

*The base pension does not include the LIP increase or reduction.



Can I continue my FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI)?

FEGLI can be continued 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 your last day of employment, or from the first time coverage was available to you.

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

- **75% Reduction**-At age 65, coverage reduces 2% per month until it reaches 25% of the original value
- **50% Reduction**-At age 65, coverage reduces 1% per month until it reaches 50% of the original value
- **No Reduction**-Coverage does not reduce

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 your last day of employment, or from the first time coverage was available to you. However, additional premiums are required. For a detailed schedule of rates, please refer to your FEGLI worksheet.

- **Option A**-Standard \$10,000; At age 65, coverage reduces 2% per month until it reaches \$2,500
- **Option B**-Salary rounded to the next thousand, times a multiple of 1 to 5; At age 65, coverage either remains the same or reduces to zero
- **Option C**-\$5,000 for spouse and/or \$2,500 per eligible child, times a multiple of 1 to 5; At age 65, coverage either remains the same or reduces to zero



What are my 401(k) Plan options?

- * **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 balance 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 withdrawal penalty. The following SWP options are available:
 - Dollar Certain**—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**—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**—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.

- * **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% early withdrawal penalty.

- * **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**

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.